

Network Growth and Stability

- Many Networks are +25 years old
 - >Long term agency members aging
- Perpetuation
 - >Unexpected life events
 - >Agency Membership continuity
- Acquisitions
 - >Proactive member growth
 - >Reach milestone goals

Agencies in the U.S.:

- 36,500 2018 -4%
- 38,000 2016
- 37,500 2008

No real change in 10 years

16 to 18 Decrease: Robust M&A, Better data 2018 study

90 % under \$2,500,000 Revenue

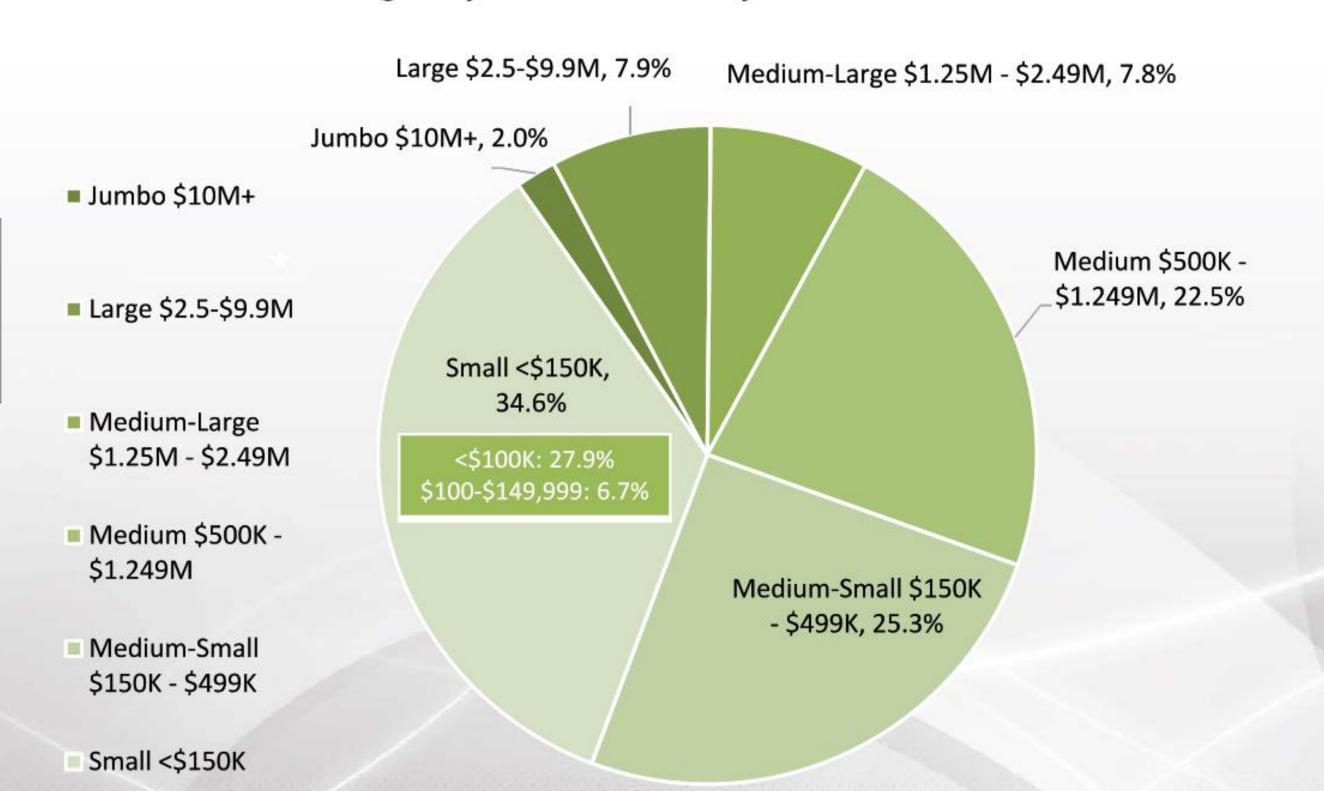
82% under \$1,250,000 Revenue

AGENCY DISTRIBUTION BY REVENUE SIZE - 2018

In 2018, 35% of all independent agencies and brokerages are Small, and 25% are Medium-Small.

➤ Note that in 2018, a new resource was used to estimate the universe size (the MarketStance database, widely considered more insurance industry-focused and reliable the data available from D&B).

Agency Distribution by Revenue Size



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2018:

- 76% of agencies increase revenues
- Average increase of 25%

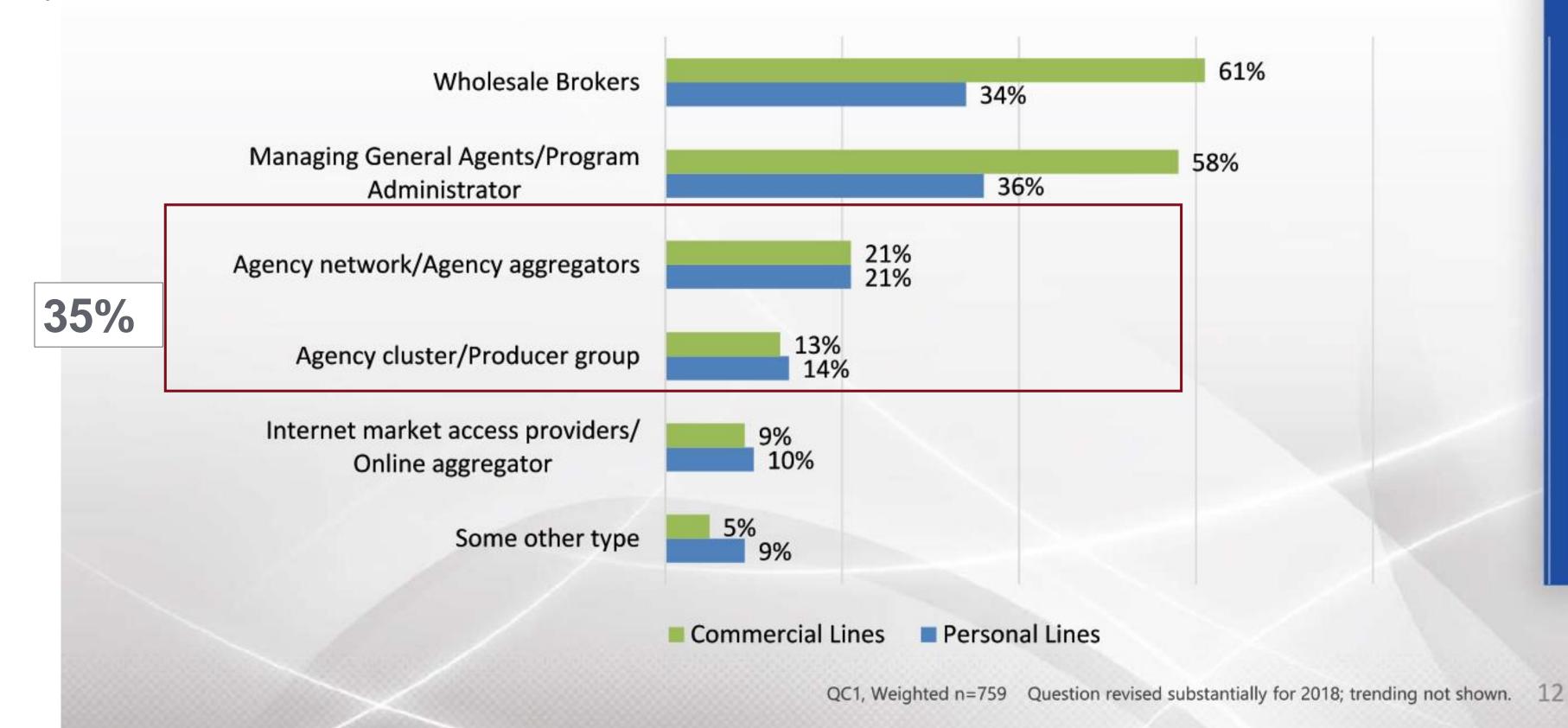
MARKET ACCESS PROVIDERS

More than half of agencies use MGAs and wholesale brokers for commercial lines, and one in three for personal lines. Overall, 79% of agencies use market access providers.

- > Smaller agencies are less likely to use wholesale brokers, while Large agencies are the heaviest users of wholesale brokers for both personal and commercial lines.
- > Jumbo agencies make very little use of Internet market access providers or agency network/agency aggregators.

*Independent Insurance Agents and Brokers of America's (IIABA) 2018 Agency Universe survey.

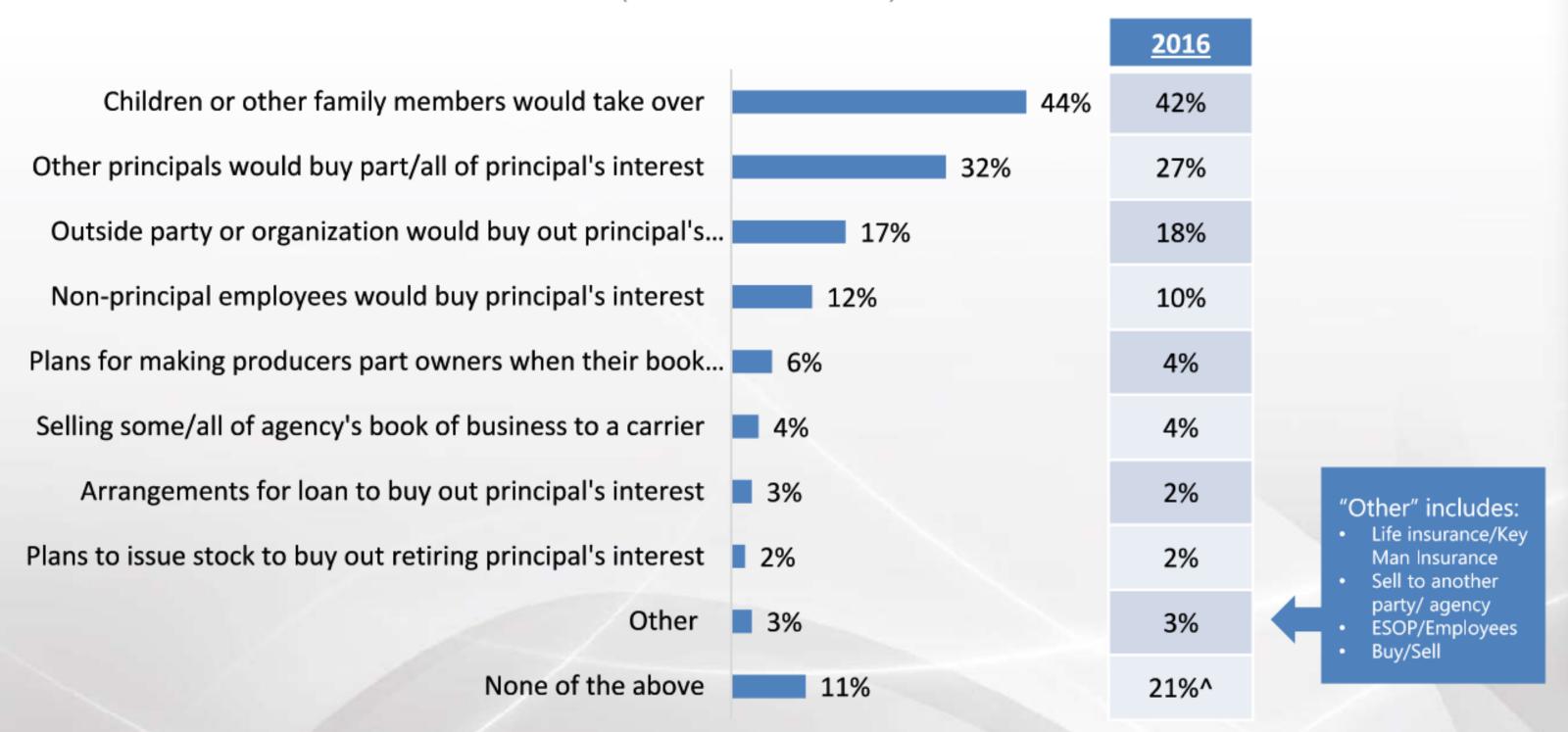
Market Access Providers Used



From a list of eight tools/plans evaluated, only four are currently in place at 10% or more of independent agencies.

Agency Perpetuation Tools In Place

(Mentions of 2% or more)



AGENCY **PERPE TUATION** PLANNING

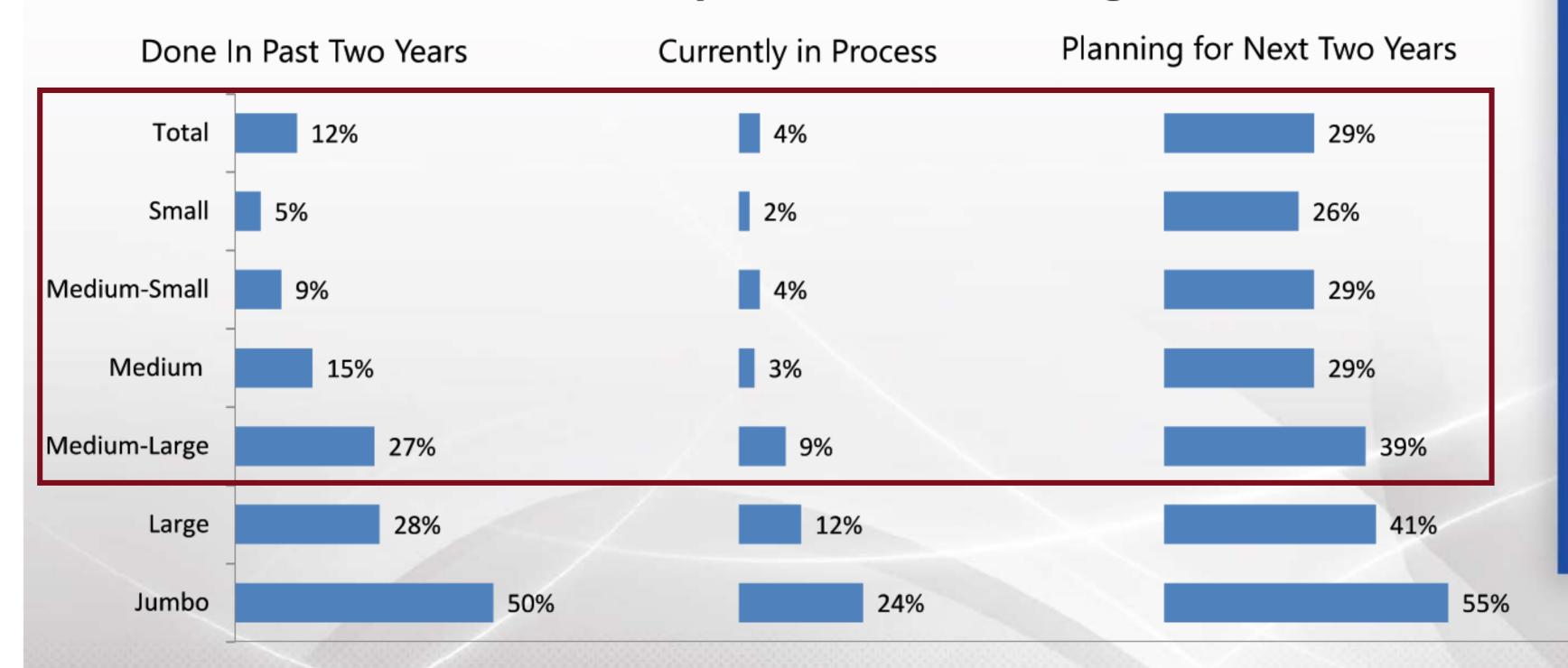
2018 Insurance Agency Universe Study IIABA

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Just over one in ten agencies have been involved in acquisitions or mergers within the past two years. Overall acquisition/merger activity is widespread among Medium Large, Large and Jumbo Agencies.

- Overall, 12% have been involved with acquisitions (7% have acquired another agency's book and 6% have acquired another agency's book and operations), 1% have merged with another agency, and another 3% have converted from exclusive/captive to independent agencies.
- Nearly one-third of agencies have plans for merger/acquisition activity in the next two years; 19% plan to acquire another agency's book and operation, 16% plan to acquire another agency's book. Just 5% anticipate being acquired by another agency.

% Involved in Acquisitions and/or Mergers



2% to 9% M&A in process

26% to 39% have Plans

Have "Plans"?

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5

YSTEM

Are they really ready?



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Network Involvement: Perpetuation & Acquisitions

"If you aren't getting better, you are falling behind".

David Goggins' new book "Can't Hurt Me"

Considerations

Considerations

- 1 Time & Money
- 2 Risk: Reputation & Transactional
- 3 Rookie Buyers

- 4 Aging touchy subject
- 5 Lack of Targets
- 6 Overheated Valuations

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1 Time & Money

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5 Lack of Targets

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6 Overheated Valuations

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How can a Network Help?

Should a Network Help?

Abundant resources to assist

Don't reinvent the wheel

Acquisition & Perpetuation

RESOURCES

Maximizing Results through Value Creation

The Maxims of Value Creation

The Maxim of Creativity

We are designed to create value in life.

The Maxim of Positivity

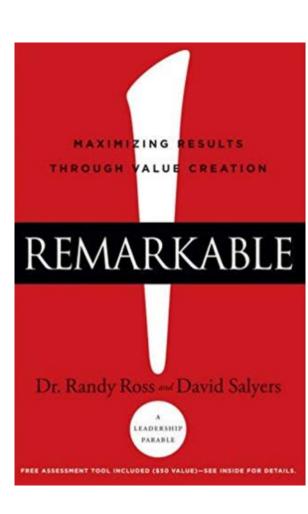
Authentic positivity is the by-product of creating true value.

The Maxim of Sustainability

To continuously create value, leverage your passion and strengths to solve problems.

The Maxim of Responsibility

Ownership empowers people to take responsibility for creating value.



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Time & Money

Prioritization

1

Determine Network scope of involvement

- Hands Off
- Incidental
- Facilitator
- Intro Only
- Full Service

Acquisitions: Annual Survey, Buyer Profiles, Pre Qualify

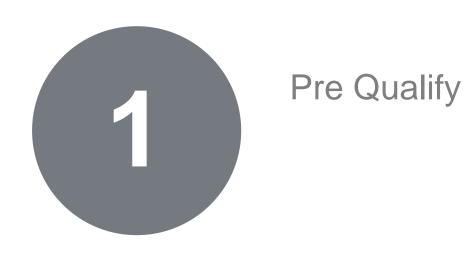




Perpetuation: Annual Survey, Perpetuation Plan, Perpetuation Checklist, Seller Schedule

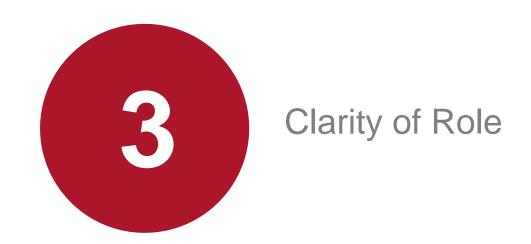
Risks: Reputation & Transactional

Prioritization



3rd Party Resources / Firms / Workshops





Member Agency Responsibility



Considerations

3 Rookie Buyers

Buyer and Deal Elements: 6 C's

Capabilities

Cash Flow

Carriers

Buyer understands the Acquisition Process

Financially stable

Resources ready

Acquisition

Curriculum

Valuation & Structure

Evaluate financials

Positive Cash Flow Day 1

Carrier alignment

New contracts reality

Expertise CL/PL

Customers

Expertise CL/PL

Retention plan

Service

Compensation

Producer compensation structure

Employee salaries

Benefits package

Continuing Education

Culture

Office environment

Technology

Management style

Employee engagement

Buyer

Capability & Timing

Timeline & Skill Set

Financial capability / cash down payment / structure

Deal

Expectations of seller role post closing / employees

Team

Begin transitioning select day to day responsibilities

Carriers

Perpetuation Plan

Get carriers comfortable with long term plan for agency

Include buyer in carrier activities

Transition relationships over time

Advisor

Valuation

Valuation of agency

Deal structure & terms

Clean up financial statements personal / discretionary expenses

Transaction coaching

CPA

Tax Scenarios

Stock / Asset / 338

"Basis"

Impact of gifting equity

Churning (if family involved)

Bank

Funding

Collaborative Bank/ Seller/ Buyer

Understand cash flows & financing requirements

Pre-Qualify the Buyer

Attorney

Deal Counsel & Docs

Experience with insurance agency deals?

Stock / Asset / 338

Buy/Sell agreement key provisions

Considerations

4 Aging touchy subject

Considerations

5 Lack of Targets

How the Buyer found the Agency

Traditional

Friend	26%
Carrier Referral	25%
Seller Initiated	23%
Buyer Initiated	13%
Broker/Consultant	6%
Other	17%

2018 The National Alliance Research Academy

How the Buyer found the Agency

New Gen



scrapehero.com

Insurance Agency Owners Alliance





79 P

New posts today

1,445 in the last 30 days

4,986 Amembers
+140 in the last 30 days



Insurance Books for Sale 1,273 members

Serious buyers have a serious process.

Considerations

6 Overheated Valuations

Extornal Acquisitions	Rev	EBITDA		
External Acquisitions	Multiple	Multiple		
Revenues Under \$300k	1.74	4.44		
Revenues \$300k to \$500k	1.65	4.01		
Revenues \$500k to \$1mm	1.43	5.90		
Revenues \$1mm to \$2.5mm	1.48	5.96		
Internal Dernetuation	Rev	EBITDA		
Internal Perpetuation	Multiple	Multiple		
Revenues Under \$300k	1.66	4.88		
Revenues \$300k to \$500k	1.57	8.49		
Revenues \$500k to \$1mm	1.56	5.41		
Revenues \$1mm to \$2.5mm	1.94	5.95		
Dortoor Duy Out	Rev	EBITDA		
Partner Buy Out	Multiple	Multiple		
Revenues Under \$300k				
Revenues \$300k to \$500k	1.57	8.49		
Revenues \$500k to \$1mm	1.76	7.66		
Revenues \$1mm to \$2.5mm	1.06	2.90		

Price:	Internal	External
Less than 4.5x EBITDA	75%	60%
4.5 - 4.99	0%	5%
5.00 - 5.49	0%	12%
5.50 - 5.99	0%	7%
6.00 - 6.99	25%	8%
7.0x or greater	0%	7%

2018 The National Alliance Research Academy

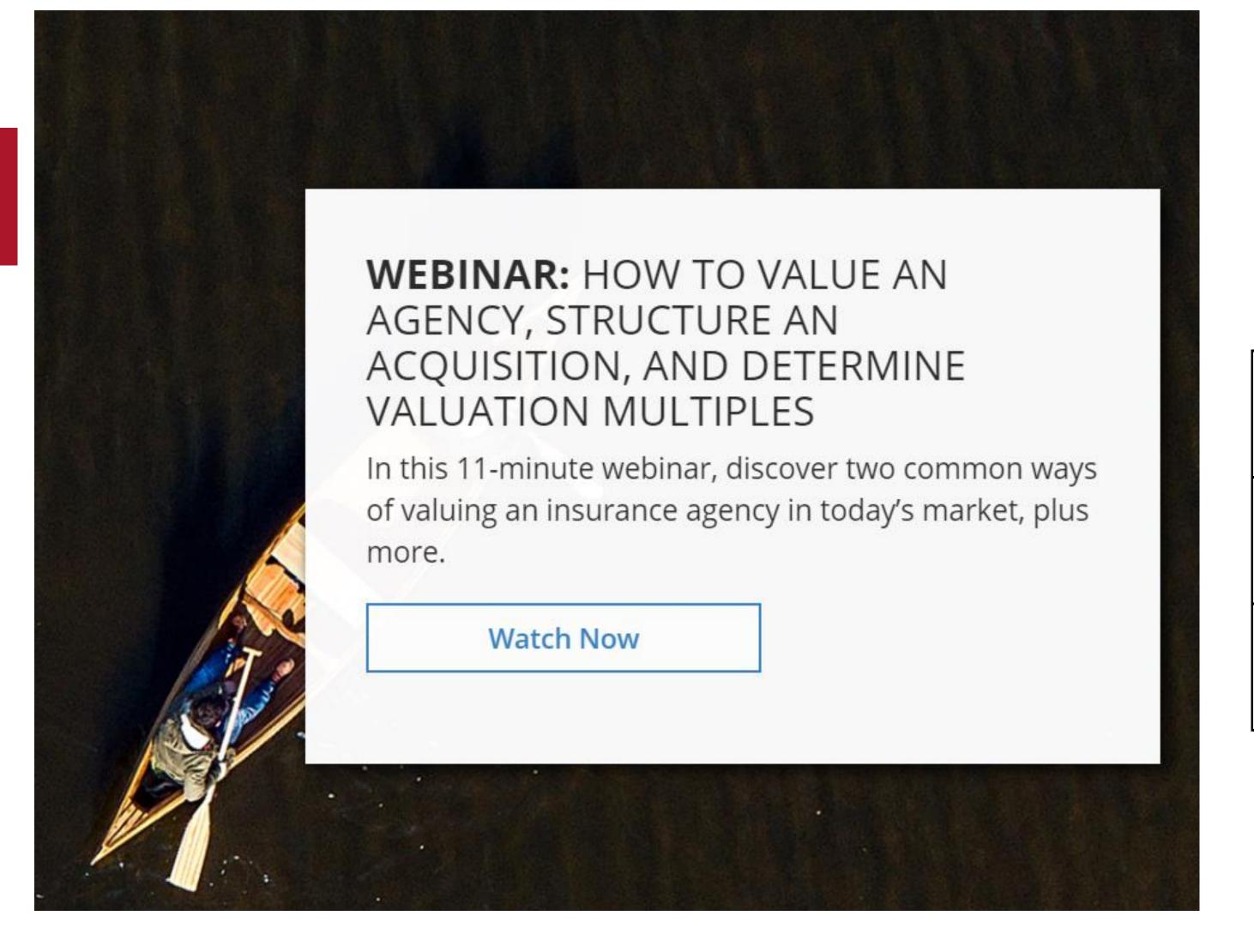
CASH FLOW is key

Toolkit

Buyer Profile

Network Name (if member)			Ви	ıyer Profile	
Please complete highlighted boxes		_		-	
Date]			
		_		Pleas	e Check One of the Following:
					This information may be shared with a 3rd party for specific acquisition
Agency Name					opportunties.
	<u> </u>				This information may not be shared.
Acquisition Contact					Any acquisition opportunities must be sent to the Acquisition Contact.
Name					<u></u>
Office Phone				All In:	formation Is Confidential unless permission is noted.
Cell Phone				<i></i> ,	
Email					
Agency Commission Revenue			Existing agency		
Agency Contingency Revenue			Existing agency		
Agency Debt (if any)			Existing agency		
, general beat (in any)					
	Yes				
	Strong	No Not a			
Lines of Business			y Size of Acau	isition to be consi	dered
Personal Lines				0k Revenue	
Commercial Lines			\$200k to \$50		
Workers Comp			\$500k to \$1m		
Professional Liability				m Revenue	
Commercial Auto / Trucking					
Excess and Surplus Lines					
Non Standard Auto					
Benefits / Group Health					
Other					
Strict		1			
Geography					
Specific City or Region					
, ,					
AL		IL	NE	SC	
AK		IN	NV	SD	
AZ		IA	NH	TN	
AR		KS	NJ	ТХ	
CA Northern		КҮ	NM	UT	
CA Southern		LA	NY	VT	
CA Central		ME	NC	VA	
СО		MD	ND	WA	
СТ		MA	ОН	WV	
DE		MI	ОК	WI	
FL		MN	OR	WY	
GA		MS	PA	<u></u>	
HI		МО	RI		
ID		MT			
Other Information:	Key carrie	ers of interest, line o	r class of business niches, o	etc.	
How much cash could y	ou provid	e for a down paym	ent on an acquisition ?		
		Have you made	an acquisition before ?		
		Esti	mated personal FICO ?		
		Have you ever	declared bankruptcy?		

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Follow on:

Tax Considerations of Buying and Selling an Insurance Agency

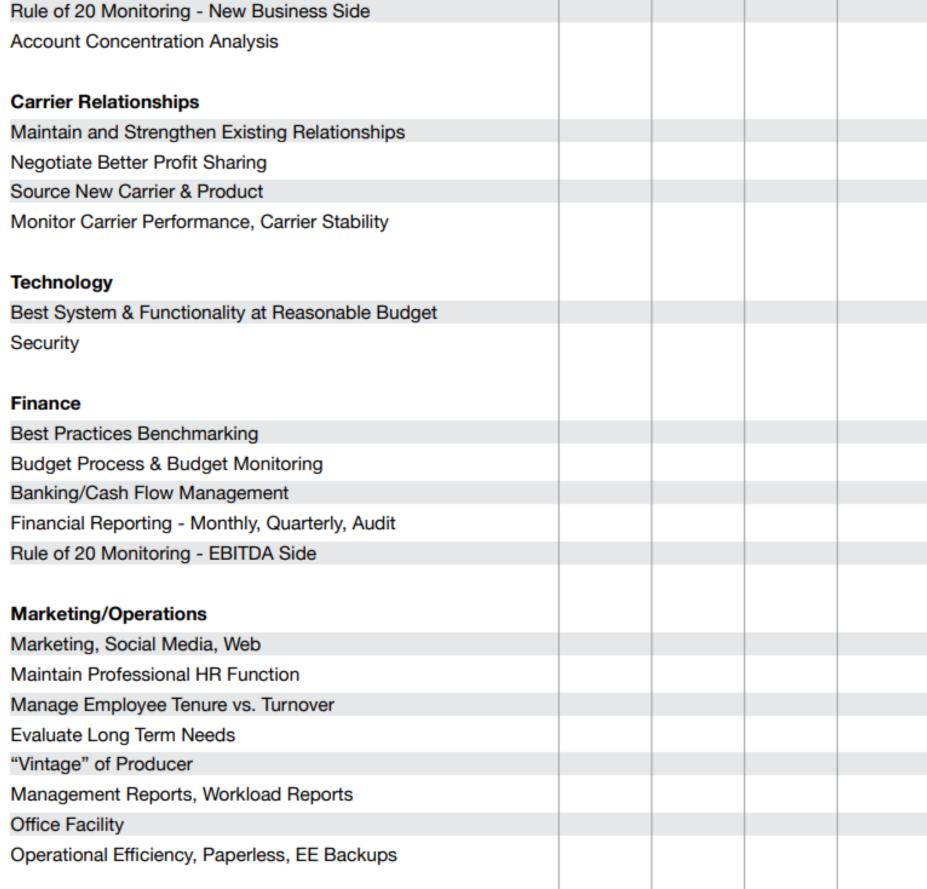
Preparing Pro Forma Revenue and Expenses Part 1

Preparing Pro Forma Revenue and Expenses Part 2"

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	Agency Name PLEASE COMPLETE THE F	OLLOWING WIT		Agency is: Ret Retail: Independ Is Agency a mem If yes, name of ag	lent or Ca ber of an aggre ggregator or ne	aptive (provide a gator or netwo htwork:	affiliation) rk? Yes/No		
	Premium and Commission by Carrier / LOE	3							
Agency DNA							Written		
			Direct		Policy	Annual	Premim		
		# of Years with	Appointment?	Annual Written	Commission	Commission	Renewal	Loss Ratio	
Profile of the agency	Insurance Carrier	Carrier	(Y / N)	Premium	%	\$\$	Retention %	%	Contingency \$
				\$ -					
and book of business				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
				\$ -		\$ -			
	Carrier Production reports will be requested during Underwriting to support this information.	TOTAL		\$ -		\$ -			\$ -
	Business Profile:						2017		
	% Personal Lines Revenue		exclude Non Standa	ard Auto			Income (the year included in tax	2016	
	% Non Standard Auto Revenue		1					2015	
% Commercial Lines Revenue 0% exclude Workers Comp and Commercial Auto % Workers Compensation Revenue 0%							return)		
							Are there any accounts greater than		
	% Commercial Auto Revenue		includes trucking (a	III types), livery, black	car		5% of revenue		Yes / No
% Benefits 0% % Life Insurance 0%						Please list:		, , , , , ,	
					Account Name	e	\$ Revenue		
	% Other (please describe)		1						,
TOTAL 0%									
	Have any carrier relationships been terminated in the last 3 years? If so, why?								
		, , , , , , , , , , , , , , , , , , , ,	,,,] # of	Employees:	
	Is there any brokered business ? Yes / No					_	Producers:		

Are there any pending lawsuits, E&O issues or any types of dispute? Yes / No
Do all producers have Non Compete / Non Solicit agreements? Yes / No



OWNERSHIP FUNCTIONS, VALUATION DRIVERS:

Revenue

Acquisitions

Corporate

Identify, Due Diligence, Negotiate, Close

Production - Size of Business

New Producer Hire and Development



Determining Shareholder Ownership in a Multi-Partner Insurance Agency

Written by Kelly Drouillard

https://www.liveoakbank.com/independent-insurance-agency-resources/ownership-multi-partner-insurance-agency/

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Partner

Partner **Partner**

Partner |

Partner



The Best Method for Insurance Agency Valuation

Written by Chris McAtee

https://www.liveoakbank.com/independent-insurance-agency-resources/best-method-insurance-agency-valuation/



Characteristics of a Good Buy-Sell Agreement

Written by Mercer Capital

https://www.liveoakbank.com/independent-insurance-agency-resources/good-buy-sell-agreement/







Webinar Replay: Tax Implications of Buying & Selling an Insura...



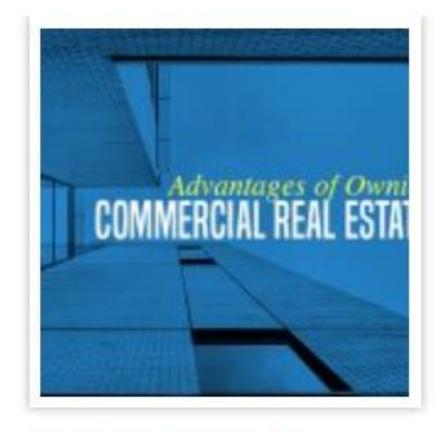
Insurance Resources

Free Webinar: How to Buy an Insurance Agency



Insurance Resources

11 Ways to Invest (Not Spend) Your Agency Profit Sharing Check



Insurance Resources

The Advantages of Owning Commercial Real Estate





Mike Strakhov CPCU Insurance Carriers /Agency

Columbus OH THISISUS

Matt Richter SLO Banking / Detroit





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