

ACQUISITION ANALYSIS A CHECKLIST OF CONSIDERATIONS

What are the Questions to Consider for a Potential Acquisition?

Evaluation Questions

- What is your current growth plan? What would strengthen it?
- Are you trying to grow into a new geographical location? Niche? Line of Business?
- Are you looking to add a particular carrier or gain access to certain markets?
- Are you looking to expand your team and expertise? Which roles? What expertise?
- Are you looking to gain and develop future owners of your agency?
- Are there specific relationships that you are trying to develop and build?
- Are you looking to expand within your current footprint or into a new complimentary niche?

Book of Business Alignment

- What is the makeup of their book of business?
- What is the average size of their accounts?
- Are there any large accounts, specialized accounts, or accounts that would be at risk in a transition due to personal relationship with the current owner? Is the book heavy in personal lines, commercial lines, Life & Health?
- If it is heavy personal lines, what percentage is home, auto, monoline?
- If it is heavy commercial lines, what is their focus, and do you have the right expertise to facilitate a seamless transition of their accounts?
- Are there opportunities to expand and cross-sell?

Carrier Alignment

- What is the current carrier overlap?
- What will this purchase do to your volume, loss ratios, commission rates, potential contingencies, and overall revenue?
- For those carriers that both agencies have access to, be sure to consider how each of the agencies are accessing the carrier.
- Do both agencies have direct appointments or is their access through a network or aggregator?

Customer Alignment

- How often does each agency talk to customers?
- What percentage of customers come into the office for appointments? To make payments?
- What percentage pay online?
- What percentage utilize the agency app or website?
- What percentage expect to pay in cash?
- What percentage of customers have minimum limits or are monoline customers?

Geographic Alignment

There is no question that our world is getting smaller, but many agencies still have large concentration of their business within a close radius of their location. It is important to consider where the agency is located, and how much of their business is local. This will help you determine the need to maintain multiple locations, the potential commute time, how easy will it be for the team to work together and the potential synergies that may exist if this merger occurs. You will also need to consider how you will logistically manage the integration in the short-term and what the management of multiple locations will look like in the future.

Agency Performance

- What is their retention rate? This can mean many different things, so it is important to be clear on what their current retention rate is for revenue, premium, policies in force (PIF), and customers.
- What type of business are they losing? Is there a trend?
- Are they growing? What is their growth rate over the past three years? Where is their new business coming from?
- What is their loss ratio?
- What is their revenue per employee? Do they align with yours or will the volume of work that your agency handles be a shock?

People & Culture

Gaining an understanding of the people, talent, and culture is one of the most important steps in an acquisition. The current owner is a key player in any acquisition. You will need to understand their expectations and willingness to work to transition their customer, carrier and staff relationships as well as their desire to continue to work. All these details greatly impact the expected future performance, ongoing costs and ultimately the price that you may offer. Is the staff used to a hands-on manager, weekly sales meetings and metrics or do they work in an environment that is completely autonomous?

Technology & Culture

Integration of agencies and cultures will require a good understanding of the technology, and processes that exist in both organizations. The staff inside an agency that operates with paper files will have a big learning curve if they are transitioning into agency that operates completely paperless.

Agencies that are on the same systems can have a much smaller learning curve but should still expect a learning curve related to the utilization of the technology or the processes and procedures that vary between the organizations. Taking an inventory of the technology that is utilized as well as any processes and procedures that are in place is a healthy exercise in considering the fit between the agencies.

Contracts & Agreements

- What do the corporate documents state for both agencies, and what is the process they must go through to sell or buy an agency?
- Does the agency have network, cluster, and/or aggregator relationships that could impact the sale of their agency?
- What is the approval process and is continued participation in that group a requirement?
- Does that fit with your goals, and do you have any agreements or relationships in place that will prevent you from joining or that may cause you additional fees due to your carrier relationships?
- Do they have referral partners that may be impacted by a transition of ownership? Would this change the future new business leads and future performance expectations of the agency?
- Are there vendor commitments that will need to be satisfied?