Valuing Insurance Agencies

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Contents

Background and Industry Landscape
Key Value Drivers
How are Insurance Agencies Actually Valued?
Case Studies
Other Valuation Considerations
Q&A
### A Little Insurance Jargon

| Agent/Broker | Agent typically represents the insurer, rather than the insured.  
|             | Broker typically represents the interests of the insured, rather than the insurer. |
| Commission  | Agency commission = agency share of insurance premium, typically recorded as revenue.  
|             | Producer commission = producer’s share of the agency commission |
| Premium     | Amount charged by an insurer to provide coverage. Typically recorded as revenue by the insurer. |
| Producer    | Common term for an agent, broker, or other insurance representative who sells insurance. |
Where Do Agencies Fit?

**Insurance Carriers**
- Price and underwriting risk
- Investment management

**Insurance Agencies & Brokerages**
- Intermediaries
- Commission/fee based income

**Insureds**
- Pays premium
- Insures against risk
## Types of Insurance Agencies

<table>
<thead>
<tr>
<th>Type</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Insurance Carrier</strong></td>
<td>Develop product, file rates with regulators, Collect premiums, service policies, pay claims</td>
</tr>
<tr>
<td><strong>Captive Agency</strong></td>
<td>Contracted through a single carrier, Example: State Farm, Allstate</td>
</tr>
<tr>
<td><strong>Independent Managing General Agency (MGA)</strong></td>
<td>Intermediary b/w Carrier and the Insured, Binding, underwriting, pricing authority</td>
</tr>
<tr>
<td><strong>Independent Wholesale Agency</strong></td>
<td>Intermediary b/w retail agent and carrier, Typically no contact with insured</td>
</tr>
<tr>
<td><strong>Independent Retail Agency</strong></td>
<td>Intermediary b/w the insured and marketplace, Relationships with one or more carriers</td>
</tr>
</tbody>
</table>
Overview of the Insurance Market

Net Premiums Written, 2014, U.S. entities, in billions

<table>
<thead>
<tr>
<th>Property &amp; Casualty</th>
<th>Life &amp; Health</th>
</tr>
</thead>
<tbody>
<tr>
<td>≈ 50/50 PL/CL</td>
<td>Individual Annuities</td>
</tr>
<tr>
<td>Auto</td>
<td>Individual Life</td>
</tr>
<tr>
<td>Home</td>
<td>Group Annuities</td>
</tr>
<tr>
<td>Commercial lines</td>
<td>Group Life</td>
</tr>
<tr>
<td>Workers’ Comp.</td>
<td>Accident/Health</td>
</tr>
<tr>
<td>Marine</td>
<td>Other</td>
</tr>
<tr>
<td>Financial/Mortgage</td>
<td></td>
</tr>
</tbody>
</table>

Source: SNL Financial and Insurance Information Institute
Property & Casualty Insurance Cycle

1. **Prospect of rising prices and higher profits attracts more capital**

2. **Premium rates begin to fall as companies compete for market share**

3. **Prices fall until profits eliminated or capital is depleted**

4. **Supply of insurance limited, leads to rising prices**

5. **Fewer companies writing business, more stringent underwriting**

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Insurance Cycle in Perspective

Quarterly Average Composite Rate Change for Commercial Insurance (Yr/Yr % Change)

Rate increases begin slowing in Q2’13...
Flat-negative since December 2014

Source: MarketScout (Q3’01 - Q4’15), Mercer Capital analysis
Commercial vs. Personal Lines

Quarterly Average Composite Rate Changes

Source: MarketScout (Q1'12 - Q4'15), Mercer Capital analysis
Some Lines Are More Volatile Than Others…

Commercial Insurance Rate Changes by Line of Business

Source: The Council of Insurance Agents & Brokers
And Account Size Matters, Too…

Commercial Insurance Rate Changes by Account Size

Source: The Council of Insurance Agents & Brokers

- Small Accts. (<$25K)
- Med. Accts. ($25K-100K)
- Large Accts. (>=$100k)
Robust Transaction Environment


Source: SNL Financial (as of 1/14/16).
Includes all states, completed transactions only.
Public Broker Valuations

Average (last 10-years) = 10.8x

Enterprise Value / LTM EBITDA

Source: SNL Financial. Includes AON, AJG, BRO, MMC, WLTW
Key Value Drivers
Caught in the Middle?

Insurance Carriers
- Underwriting Cycle
- Investment Climate
- Capital

Insurance Agencies
- Market/Niche Relationships
- People Culture

Insureds
- Local/Macro Economy
- Employment Growth/risk Industry

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Carriers: Pressure from the Top

Supply Side issues Typically Outside of Agency Control

- Market Cycle
- Investment Climate
- Capital
- Product/Niche
- Growth Strategy
- Regulatory Issues

Impact on Agency
Insureds: Pressure from the Bottom
Demand Side Issues Typically Outside of Agency Control

- Local Economy
- Unemployment
- Industry
- Competition
- Profitability
- Risk Aversion

Impact on Agency
Macro Events Impact Exposure Units

- Employment levels
- Business and capital spending
- Population growth and density
- Home ownership rates
- Motor vehicle registrations
- Per capita disposable income
- Healthcare expenditures
Impact of Catastrophes and Weather

Catastrophes (CATs) include

**Natural disasters** (hurricanes, winter storms, tornados, wildfire, earthquakes)

**Man-made disasters** (terrorism, fire, maritime, aviation, explosions)

CATs and non-CAT events trigger claims, impacting insurer capital levels, pricing, and coverage availability
Diversification

The Grass is Always Greener on the Other Side

- P&C
- Life & Annuities
- Employee Benefits
- Wealth Management
Key Value Drivers of Agency Value

Industry Conditions

Local/Macro Economy

Cash Flow
Growth
Risk
# Key Value Drivers of Agency Value

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Management Experience &amp; Depth</td>
</tr>
<tr>
<td>Expenses</td>
<td>Succession Planning</td>
</tr>
<tr>
<td>Profitability</td>
<td>Employee Relationships</td>
</tr>
<tr>
<td>Growth</td>
<td>Agency Culture</td>
</tr>
<tr>
<td>Headcount</td>
<td>Brand Value</td>
</tr>
<tr>
<td>Efficiency Metrics</td>
<td>History</td>
</tr>
<tr>
<td>Concentrations</td>
<td>Community Involvement</td>
</tr>
</tbody>
</table>
Management and Employees

How is the agency managed day-to-day?
Are executives also producers?
Key-man issues
Succession planning

Management depth
Compensation policies
Commission structure
Producer development
Training and support
Non-compete agreements
Products and Markets

All lines to a particular industry or a specialty line to all industries?

Diversification vs. product focus

Growth for today or tomorrow?

Product innovation

Complementary lines

Differentiating factors?
Sales and Marketing

How do you get new clients?
- Advertising
- Referrals
- Cold-calling
- Cross-selling

Producer incentives
- Community involvement
- Sales culture
Acquisition History

Has the agency completed prior acquisitions?

Integration success?

Businesses or books?

New client retention

Pricing and terms

Employee retention

Contribution to growth

Carrier retention
Customer Relationships

Who holds the relationship?
Customer retention and attrition
Related parties

Concentrations by line, customer, industry, geography?
Servicing customers
Competition

Market share in your area?
Local/regional/national?
Compete on what – price, service, access to coverage, reputation?

Technology

Websites and portals

It’s not just the agency down the street…
Direct carrier sales models
Competition for talent
Threats on the Horizon?
Disruptors to the Traditional Business Model or just a Fad?

Google Compare

Introduced in March 2015
Online price-comparison insurance broker
Started with personal auto in CA, now in other states

PolicyGenius

Founded in 2014 – Raised $21M+ (through Jan’16)
Online price-comparison insurance broker
“Insurance help without the insurance agent”
Currently offers term life, renters, long-term disability, pet
Lemonade: The Uber of Insurance?

U.S. startup aims to be the first peer-to-peer insurance underwriter

Raised $13 million seed round from Sequoia Capital in Dec. 2015

Awaiting state regulatory approvals

Business model not yet disclosed

“Mobile-first experience”
Key Value Drivers – Pro Forma EBITDA

Why look at Pro Forma EBITDA?
- Ongoing revenue
- Scrutinize expenses
- Compensation policies
- Non-recurring items
- Reinvestment
Examining Revenue
Not all Revenue is Created Equal

Core Commissions and Fees

Direct revenue from insurance policies sold
Excludes contingent/bonus commissions
Often normalized for multi-year policies
Core Commissions and Fees

Gross or net of agent commissions?
Impact of one-timers?
P&C vs. life commissions
## What about Contingent Commissions?

Weren’t These Things Regulated Away?

<table>
<thead>
<tr>
<th>CCs are profit-sharing commissions from carriers</th>
<th>May be based on Underwriting results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alternative arrangement is “Guaranteed Supplemental Commissions”, not tied to loss ratios</td>
<td>Volume</td>
</tr>
<tr>
<td></td>
<td>Growth</td>
</tr>
<tr>
<td></td>
<td>Policy retention</td>
</tr>
<tr>
<td></td>
<td>Other</td>
</tr>
</tbody>
</table>

Examine sources and history of CC

Normalize to multi-year average?

Exclude?
Sources of Revenue Growth

- Total Growth
  - Organic Growth
    - Price (Rate)
    - Volume (Exposure Units)
  - Acquisition-Based Growth
    - Revenue Mix Timing
Projecting Revenue Growth

My Crystal Ball Appears Cloudy…

**Historical**
- How did you grow?
- Did a rising tide lift all boats?
- Context of eco, rate, volume

**Future**
- Is the past relevant?
- Drivers of future growth?
- Why pay for past growth?
Public Company Growth Rates

Not all Revenue Growth is What it Seems...

Average Total vs. Organic Revenue Growth

Source: SNL Financial. Includes average for AON, AJG, BRO, MMC, WLTW
Examining Expenses

Like *most* professional services firms, the largest line item expense is people.

Like *some* professional services firms, always issues of owner/manager compensation.
Owner/Manager Compensation

Returns on Capital vs. Returns on Labor

Are owners/managers the same?

Agency structure might influence compensation policies (S-corp, C-corp)

Are owners also producers?

Pro forma expense structure should properly account for all labor in the P&L

Adjust via compensation studies, agency benchmarks, other sources
### Producer Compensation

Producers are Often the Highest Paid Individuals in the Agency

<table>
<thead>
<tr>
<th>Compensation via</th>
<th>Typical structures (new/renewal)</th>
<th>Different terms for different people?</th>
<th>Does agency pay travel, meals, entertainment, etc?</th>
<th>Non-competes?</th>
<th>Who owns the book?</th>
</tr>
</thead>
<tbody>
<tr>
<td>commission, salary, or both?</td>
<td>30/20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>40/20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other Expense Items

Similar Considerations as for Other Professional Service Firms

Owner-related discretionary items

Non-recurring expenses

Potential Synergies (depending on the context)

Professional fees

Rent expense

Marketing/advertising

Corporate functions
Pro Forma EBITDA

For a fast-growing agency, might be based on normalized last twelve months

For a slower-growing, but profitable agency, might consider multi-year perspective

For cyclical, volatile, or unprofitable agency, use appraiser judgment…
Margins in Perspective

Is your Agency Middle of the Pack or Above Average?

EBITDA Margin Comparison

Source: SNL Financial, RMA, Mercer Capital analysis. Public group includes AON, AJG, BRO, MMC, WLTW
How Are Insurance Agencies Actually Valued?
Like Most Appraisals…

Different levels of value for different purposes

- External sale
- Internal perpetuation
- Buy-Sell planning
- ESOP valuation
- Estate/gift tax planning
- Other
# Asset Approach

**Rarely Used for Insurance Agencies**

<table>
<thead>
<tr>
<th><strong>Tangible Assets</strong></th>
<th><strong>Intangible Assets</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Assembled workforce</td>
</tr>
<tr>
<td>Working Capital</td>
<td>Customer Relationships</td>
</tr>
<tr>
<td>Computers and Equipment</td>
<td>Carrier Relationships</td>
</tr>
<tr>
<td>Furniture and Fixtures</td>
<td>Trade name</td>
</tr>
<tr>
<td>Building?</td>
<td>Software</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
</tr>
<tr>
<td></td>
<td>Goodwill</td>
</tr>
</tbody>
</table>
Market Approach

Use with caution…

Guideline Transactions

Active M&A market
Lots of activity but little transparency

Guideline Public Companies

Few “pure” public brokers
Potential for comparability issues re: size, diversification, growth, etc…
Guideline Transactions Method


Source: SNL Financial (as of 1/14/16).
Includes all states, completed transactions only.

Private Equity Deals
All Deals Ex-PE
~440 reported deals in 2015
Filter by focus (P&C, L&H, etc…)
Filter by size
Deal value disclosed?
Deal multiples disclosed?
?
Guideline Transactions Method

Agency Transaction Earn-Out Trends

% of Deals with an Earn-Out

Earn-Out as a % of Total Deal Consideration

Source: SNL Financial, Mercer Capital analysis. Includes deals with reported (and classified) deal consideration.
Guideline Transactions

But my Buddy Sold his Agency for 8x EBITDA?!?

Rules of thumb and anecdotal multiples are just that

Quality of the opinion only as good as the underlying data

With the right data in the right context, this method can be very compelling
Guideline Public Companies

There are Comps. But are They Comparable?

Enterprise Value / LTM EBITDA

Source: SNL Financial. Includes AON, AJG, BRO, MMC, WLTW
### Guideline Public Companies

Public Brokers are Large and Diversified

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap.</th>
<th>LTM Revenue</th>
<th>EV / LTM Rev.</th>
<th>EV / LTM EBITDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marsh &amp; McLennan Cos Inc</td>
<td>$29.0</td>
<td>$12.8</td>
<td>2.6x</td>
<td>12.1x</td>
</tr>
<tr>
<td>Aon PLC</td>
<td>25.3</td>
<td>11.7</td>
<td>2.7x</td>
<td>13.5x</td>
</tr>
<tr>
<td>Willis Group Holdings PLC</td>
<td>8.7</td>
<td>3.8</td>
<td>nm</td>
<td>nm</td>
</tr>
<tr>
<td>Arthur J Gallagher &amp; Co</td>
<td>7.2</td>
<td>5.3</td>
<td>1.8x</td>
<td>13.3x</td>
</tr>
<tr>
<td>Brown &amp; Brown Inc</td>
<td>4.5</td>
<td>1.6</td>
<td>3.4x</td>
<td>11.5x</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>$14.9</strong></td>
<td><strong>$7.1</strong></td>
<td><strong>2.6x</strong></td>
<td><strong>12.6x</strong></td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td><strong>$8.7</strong></td>
<td><strong>$5.3</strong></td>
<td><strong>2.6x</strong></td>
<td><strong>12.7x</strong></td>
</tr>
</tbody>
</table>

Source: Bloomberg, as of Nov. 30, 2015. US$ in billions.
Guideline Public Companies

How do Growth and Margin Compare to our Subject Company?

<table>
<thead>
<tr>
<th>Company</th>
<th>EV / EBITDA</th>
<th>Rev. Growth</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LTM</td>
<td>'16E</td>
<td>'15E-'16E</td>
</tr>
<tr>
<td>Marsh &amp; McLennan Cos Inc</td>
<td>12.1x</td>
<td>11.0x</td>
<td>4.5%</td>
</tr>
<tr>
<td>Aon PLC</td>
<td>13.5x</td>
<td>11.4x</td>
<td>3.1%</td>
</tr>
<tr>
<td>Willis Group Holdings PLC</td>
<td>15.6x</td>
<td>7.7x</td>
<td>64.4%</td>
</tr>
<tr>
<td>Arthur J Gallagher &amp; Co</td>
<td>13.3x</td>
<td>9.7x</td>
<td>6.1%</td>
</tr>
<tr>
<td>Brown &amp; Brown Inc</td>
<td>11.5x</td>
<td>9.9x</td>
<td>5.3%</td>
</tr>
<tr>
<td>Average (ex-WLTW)</td>
<td>12.6x</td>
<td>10.5x</td>
<td>4.8%</td>
</tr>
<tr>
<td>Median (ex-WLTW)</td>
<td>12.7x</td>
<td>10.4x</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Source: Bloomberg, as of Nov. 30, 2015. Estimates per analyst consensus at 11/30/15.
Guideline Public Companies

Can We Really be Compared to Those Guys?

How do we compare?
- Cash flow
- Growth
- Risk

But what about?
- Scale
- Diversification
- Capital

For agencies of a certain size, market multiples should be considered

But even when they are not, be aware of market sentiment
Income Approach

Single Period Capitalization

Value = Earnings \times \text{Multiple}

Might be considered for a stable, profitable, “slow-grow” agency

Discounted Cash Flow

Allows for specific assumptions about growth, margin, and length of forecast

Commonly used
Discounted Cash Flow Method

A few caveats…

The output is only as good as the quality of the inputs

Greater precision does not necessarily contribute to greater accuracy

The conclusion must make sense in light of other methods

Use of a DCF is neither appropriate nor necessary in every appraisal
## Discounted Cash Flow Method

Observations on the DCF Method for Insurance Agencies

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Projection Term</th>
<th>Pro forma for acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status quo</td>
<td>Forecast as many periods as necessary until earnings are stabilized</td>
<td></td>
</tr>
<tr>
<td>Pro forma for acquisition</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Something else?</td>
<td>Consider insurance cycle?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Specific industry cycles?</td>
<td></td>
</tr>
</tbody>
</table>
Discounted Cash Flow Method

Observations on the DCF Method for Insurance Agencies

Projection source

Management

Other “interested” parties

Industry sources

Bias and motivations
Discounted Cash Flow Method

Observations on the DCF Method for Insurance Agencies

Revenue

Organic vs. acquisition
Rate and/or volume
Contingent commissions
What does rate assumption imply about volume?
What does volume assumption imply about rate?
Connection to product/industry growth?
What do we assume about existing book (retention)?
Do we have producer/CSR capacity to sell/service this growth?
Discounted Cash Flow Method

Observations on the DCF Method for Insurance Agencies

Expenses

What in the business is truly fixed?

How are producers compensated?

Is there enough marketing/sales spend to achieve projected growth?

Are synergies being considered?

Interest expense – how are we financing growth?

Depreciation/Amortization

Margin comparisons to history/publics/privates
Discounted Cash Flow Method
Observations on the DCF Method for Insurance Agencies

Other Cash Flow Items

Working capital – a source or use of cash?
Capital expenditures – technology replacement, system upgrades
Amortization policies
Earn-out payments from prior deals

Debt financing – is leverage part of the business?
Debt payoff for past acquisitions
If our revenue projection presumes acquisitions, do we forecast the purchase prices as an outflow?
Discounted Cash Flow Method

Observations on the DCF Method for Insurance Agencies

Discount Rates

Equity or WACC?

Industry betas are usually less than 1.0

Mature industry

High proportion of recurring revenues

Common Risk Factors

Size

Key-man risks with owner, executives, or producers

Concentrations by customer, carrier, product, or industry

Other
Discounted Cash Flow Method

Assessing the Overall Reasonableness of Your Conclusion

**Relative Value Analysis**
- Check implied multiples against industry
- Check pro forma leverage multiples

**Sensitivity Analysis**
- How is the value impacted by key variables (rate, volume, etc…)?

**Comparison to Other Methods**
- Guideline Public Company
- Guideline Transaction
- Other Income Methods
Case Studies
Case Study #1
Employee Benefits Agency

Agency A

- $10 million in revenue. 5% EBITDA margin. 3 principals.
- 50% Employee benefits, 50% individual life/annuity sales
- Appears only marginally profitable
- Digging deeper – Agency A pays out virtually all earnings as owner/manager compensation

Potential Adjustments

- Normalize compensation to owners using peer benchmarks, public data, or other sources. Adj. margin of 20%
- Consider normalizing life/annuity revenue to average levels if lumpy
- Consider separating life/annuity business and valuing separately
- Risk should reflect stability of employee benefits side but also volatility of the life side
Case Study #2
Property & Casualty Agency

Agency B

- $10 million in revenue. 50% EBITDA margin. 2 principals
- 100% P&C focus
- Agency B looks extremely profitable
- **Digging deeper** – Agency B compensates owners solely through distributions (not in operating expense)

Potential Adjustments

- Normalize compensation to owners using peer benchmarks, public data, or other sources. Adj. margin of 40%
- Contingent commissions of $350k, $45k, and $110k in each of last 3 years. Consider normalizing
- Risk considerations: agency is (still) highly profitable, solid retention characteristics. Arguably lower discount rate than Agency A
Case Study #3
Potential Acquisition of a P&C Agency by a Bank

Agency C

- $5 million in revenue. 30% EBITDA margin. 2 principals (one is a bank director)
- 70/30 personal/commercial lines
- Flat revenue for last 5 years
- A bank is considering purchasing the agency to diversify its sources of non-interest income
- Bank does not already have an insurance operation

Potential Adjustments

- Normalized compensation and entry into employment agreements with 2 principals
- Expense synergy – rent, marketing, finance/insurance, legal, benefits?
- Revenue synergy – cross-selling?
- Risk considerations: personal lines may be subject to greater competition, lack of experience, integration risk, leadership/management issues?
Other Valuation Considerations
Challenges for the Smaller Agency

Traditional small business challenges

Limited resources, competition with bigger players, key-man considerations

Insurance-Specific

Increasing regulation, carrier-specific rules, product/industry trends, ACA compliance

But the smaller agency also has flexibility…
How Are Insurance Brokerage Transactions Typically Structured?

Most are asset purchases, with true up for working capital.

Buyers don’t want the risk of a stock sale with associated liabilities.

Most negotiated on a multiple of pro forma EBITDA.

Disagreements in the EBITDA figure or the multiple usually are resolved via an earn-out.
What Is the Typical Deal Consideration in an Insurance Brokerage Transaction?

Smaller deals might be seller-financed

Larger deals typically consist of 70-75% cash upfront, with 25%-30% in form of a multi-year earn-out on based of future profitability or retention
Affordable Care Act (ACA)

Has it Helped or Hurt?

Impact on agencies has been mixed

Created advisory opportunities for some benefits brokers

Companies need help navigating the rules

For small employee groups (<50), going with an exchange is just an option

Some reports of rate increases this year due to unfavorable losses in the pools

Employers may have trouble recruiting the talent to grow if they don’t offer healthcare benefits

Likely see rise of “skinny” plans to meet minimum requirements for small groups
Consolidation is Everywhere

250+ deals a year (and that’s just what get reported)

If your independent agency is doing well, chances are you’ve already been approached (and probably more than once)

Buyers are not just the publics anymore (PE-firms, family offices, pension funds, institutional investors)

Are you a platform agency or a bolt-on?
Consolidation is Everywhere

What are Buyers Looking for?

Internal Growth
  Leadership
  Deep bench
  Youth
Validated producers
Sales culture
Participation

Combinations of these factors is what differentiates a single-digit multiple from a double-digit multiple.
Potential Headwinds

High Public Multiples, Robust M&A Market, What Could Possibly Go Wrong?

Rising interest rates
Banks pulling back leverage
Prolonged soft market
Political/regulatory changes
Industry disruptors
Closing Considerations

What aspects of the agency are transferable, not just to a third-party buyer, but to your other partners/managers/producers?

Agencies are valued on what they’ll do in the future not necessarily what they’ve done in the past.
Lucas M. Parris, CFA, ASA

Lucas leads the Mercer Capital Insurance Industry Team and is active in the valuation of insurance agencies, brokerages, and underwriters for corporate valuation and compliance matters.

Lucas Parris is also a senior member of Mercer Capital’s Financial Reporting Valuation group, providing public and private clients with fair value opinions and related assistance pertaining to goodwill and other intangible assets, stock-based compensation, and illiquid financial assets.

Mercer Capital’s Insurance Resources

Quarterly Newsletter – Value Focus: Insurance Industry

The Financial Institutions Group of Mercer Capital publishes Value Focus: Insurance Industry, a quarterly e-mail newsletter illustrating trends affecting firms in the insurance industry.

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Whitepaper – How to Value Your Insurance Brokerage

Soft market or hard market, it is important for insurance brokerage owners to have an idea of what their business is worth. A lack of knowledge regarding the value of your business could be costly. Opportunities for successful liquidity events may be missed or estate planning could be incorrectly implemented based on misunderstandings about value. In addition, understanding how insurance agencies and brokerages are actually valued may help you understand how to grow the value of your business and maximize your return when it comes time to sell. The purpose of this whitepaper is to provide an informative overview regarding the valuation of insurance brokerages and agencies.

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Mercer Capital’s Insurance Services

Mercer Capital provides the insurance industry with corporate valuation, financial reporting, transaction advisory, and related services.

Industry Segments
Mercer Capital actively serves the following industry segments:

- Agencies
  - Independent agencies and brokerages
  - Bank-owned agencies
  - Retail, wholesale, and MGAs
- Underwriters
  - P&C, life & health, and managed care
  - Reinsurance
  - Captives and risk retention groups
- Services
  - Third-party administrators
  - Claims adjusters and other service providers
  - Financial sponsors and industry lending platforms

Mercer Capital Experience

- Nationwide client base
- Agency clients include single office agencies, public brokers, and private equity backed firms
- Underwriter clients range from monoline privates to publicly traded multi-line carriers

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About Mercer Capital

Mercer Capital is a national business valuation and financial advisory firm.

We offer a broad range of services, including corporate valuation, financial institution valuation, financial reporting valuation, gift and estate tax valuation, M&A advisory, fairness opinions, ESOP and ERISA valuation services, and litigation and expert testimony consulting.

We have provided thousands of valuation opinions for corporations of all sizes in a wide variety of industries. Our valuation opinions are well-reasoned and thoroughly documented, providing critical support for any potential engagement.

Our work has been reviewed and accepted by the major agencies of the federal government charged with regulating business transactions, as well as the largest accounting and law firms in the nation in connection with engagements involving their clients.

For over thirty years, Mercer Capital has been bringing uncommon professionalism, intellectual rigor, technical expertise, and superior client service to a broad range of public and private companies and financial institutions located throughout the world. Feel confident in our experience and expertise.

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Mercer Capital’s Core Services

Valuation & Financial Opinions

- Litigation Related Expert Witness Opinions
- Succession & Shareholder Planning
- Valuations for Corporate Tax Planning
- Valuations for Gift & Estate Tax Planning
- Fairness Opinions
- ESOP & ERISA Advisory Services
- Bankruptcy Related Valuation Services
- Valuations for Buy-Sell Agreements

Litigation Support Services

- Statutory Fair Value
- Business Damages & Lost Profits
- Valuation, Labor & Contract Disputes
- Family Law & Divorce
- Tax Related Controversies
- Corporate Restructuring & Dissolution
- Initial Consultation & Analysis
- Testimony & Trial Support

Transaction Advisory Services

- M&A and investment banking services
- Fairness Opinions
- Buy-sell Agreements & Private Company Transactions
- Strategic Assessments

Financial Reporting Valuation Services

- Purchase Price Allocation Services
- Impairment Testing Services
- Portfolio Valuation Services
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