Knox McLaughlin Gornall & Sennett, P.C.
Erie • Pittsburgh • Jamestown, NY
814-459-2800 • www.kmgslaw.com

Agent and Broker Mergers and Acquisitions

Posted on May 08, 2019

Mergers and acquisitions among insurance agencies and brokers in the United States and Canada continue to occur at record levels.

The 2019 Agent & Broker Merger & Acquisition Update: March 2019 report prepared by Optis Partners shows that the 632 transactions for the 12-months ended March 31, 2019 was the highest number of such transactions of all time, exceeding the record of 631 transactions set in calendar year 2018, by one. More than 90% of the transactions occurred in the United States.

Activity in 2019 has not slowed. The Optis' report indicates that 151 agent and broker transactions closed during the first quarter of 2019. On an annual basis, transactions have increased from 457 in 2015 to 632 in 2018.

The report indicates that while private and public company buying activity has remained relatively constant from 2008 to the present, there has been a significant increase in purchasing activity by private equity backed buyers and privately owned buyers with financial support for acquisition activities.

Agent and broker purchase transactions are generally structured as asset purchases. The asset purchase structure allows the buyer to acquire the core operating assets and exclude the owner's automobiles, art and real estate.

Pricing is generally a multiple of EBITDA [Earnings Before Interest, Taxes, Depreciation, Amortization], which EBITDA has been adjusted to reflect the normalized earnings anticipated by the buyer. The payment terms include an upfront cash payment [and in some instances an equity interest in the buyer] and an earn-out payment. The upfront payment typically approximates 85% of the transaction value and the earn-out component [achieved if EBITDA meets certain growth targets] is generally payable after the third year. The owner-producers will be expected to enter into employment agreements and non-solicitation and non-competition agreements.

Planning for the future of an agency is an ongoing process. With private equity buyers having fueled premium pricing for agents and brokers, that planning should include consideration of a sale to a third party. **Knox Law has a history of representing both agent and broker buyers and sellers and would be happy to work with you.**

Legal Advice Disclaimer: *The content of this website is provided for general information purposes only. It should not be used as a substitute for consulting an attorney for legal advice regarding the reader's own affairs. Knox McLaughlin Gornall & Sennett, P.C. is not responsible for the content provided on any third-party website which may be accessed via links provided by this site.*

Copyright © Knox McLaughlin Gornall & Sennett, P.C.
Not to be reproduced without permission.