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Insurance Broker M&A Activity Continues at Record Levels

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The **Agent & Broker Merger & Acquisition Update: 3rd Quarter Report** prepared by Optis Partners shows 553 transactions for the 9 months ended September 30, 2021. This exceeds the 490 transactions for the first 3 quarters in 2020.

2021 activity has rebounded from 2020 with 213 transactions in the Q3-2021. Over the 12 months ended September 30, 2021, there were 854 transactions.

The report anticipates that agency M&A will continue with active acquirers increasing purchasing activity outside of metropolitan centers.

Agency 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.



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