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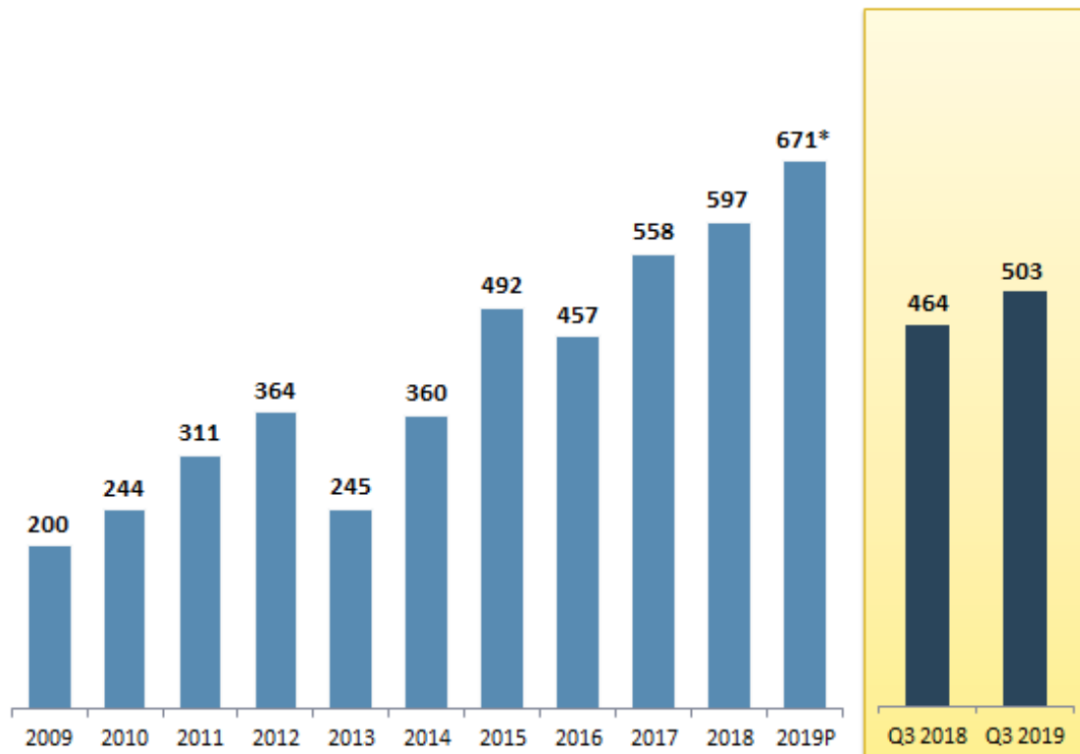


Beyond the Money: What Motivates Agency Sellers?

To our friends and clients,

Astonishingly, the blistering pace of M&A in our industry continues to accelerate. 2019 will almost certainly finish as the 3rd consecutive record year for insurance broker deal activity.

Recent Deal Activity by the Numbers



*2019 Projection that annualizes the Q3 deal total

Fueled by rising public broker valuations and abundant equity and debt capital, the largest and most varied collection of agency acquirers ever assembled presses forward, ready to open their wallets. This group includes public brokers, private equity-backed players, a few bank-owned agencies and employee-owned regional and local firms.

With so many competing buyers, how does an aspiring acquirer differentiate itself?

Most buyers today seem to speak from a similar script. They tout their size and position in the marketplace, the strength of their culture and their track record of creating massive wealth for their shareholders. But in focusing on these issues, they sometimes miss the two most important factors for many agency sellers.

In our view of today's marketplace, two issues seem to matter more than others in driving seller decision-making: Resources and Autonomy.

1. **Resources.** What tools or capabilities does the buyer bring to the table that will actually help the seller's agency be successful after the sale?
2. **Autonomy.** Defined by Webster as "the right of self-government," autonomy is important to many sellers who value their independence and fear that, after a sale, a buyer will demand changes that undermine their culture and the overall success of their business.

since they are frequently geographically complete and their size naturally necessitates a certain level of bureaucracy.

In the Resources-Autonomy Matrix below, the largest brokers tend to occupy the lower right portion of the matrix – high resources, low autonomy. Their upstart private equity-backed competitors occupy the opposite position – offering almost no resources but delivering freedom and flexibility to the seller to operate as they see fit.



If your firm aspires to be in the acquisition game, here are a few questions worth considering:

- Where does your firm plot on the Resources-Autonomy Matrix?
- What is most important to the firm(s) you are courting?
- Are you effectively messaging your positioning to acquisition candidates?
- If you tout the strength of your resources, what evidence can you share with candidates to demonstrate that those resources truly lead to better outcomes for producers?
- In what ways can you increase the resources and/or autonomy that you offer to acquisition candidates?

In today's hyper-competitive marketplace, effectively addressing these questions might spell the difference between winning and losing your next deal.

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. . . as well as those aligning with strategic buyers

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