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How Coronavirus will impact Agents and Brokers

To our friends and clients,

We are aware of the massive disruptions currently facing every individual and industry in the US as a result of the Coronavirus. Some people, firms, and segments of our economy will be affected more significantly than others. In the big picture, those of us in the insurance distribution space (both wholesale and retail agents and brokers) are more fortunate for a number of reasons, including:

- People and businesses cannot stop buying insurance. We are not selling optional luxury goods.
- The majority of agent/broker income will continue despite the downturn in payroll and receipts.
- Future revenues are likely to be buoyed by the potential hardening of the P&C and Health markets.
- Agent/Brokers' work remains largely uninterrupted as they can effectively serve the insureds from remote locations through email, phone, and electronic conferencing.

other market segments. As further evidence, in the middle of our country's economic collapse in 2008 and 2009, the median agent/broker in our database saw their annual per share values drop less than 2%, while other industry segments saw values drop by 50, 60 or 70% or more.

- As a result of the above factors, our segment of the economy and insurance market (insurance distribution) is truly a safe harbor and will continue to be perceived as such by those looking to remain privately-held and those looking to make investments in our space.

Further, as we adapt to “self-quarantining” and “social distancing” through reduced business travel, video conferencing, and working remotely, we will find that many will get comfortable with these changes and learn how well they can work and why these practices may be preferable. If consumers and trading partners find these habits preferable and they become more acceptable, it could change the competitive landscape. In the past, the fact that one broker was located across the street from the insured and one was located across the country made a difference. If video conferencing becomes preferable, the broker across the country will enjoy a more level playing field.

With the immense difficulties that many insureds are going to have over the next six to twelve months, life for agents and brokers will be challenging as well. We will find many insureds unable, or at least slow to pay their premiums and will have to deal with insolvencies (although the government may provide a backstop and prevent much of this). It will also require agents and brokers to find ways to respond to their insureds' financial and operating challenges as their insureds change/adapt the way they are forced to do business. This may simultaneously cause agents and brokers to “elevate their games” through more effective management of data, more effective use of technology, strategic alignment with other peer organizations or providers and the elimination of inefficiencies. To the extent that “necessity is the mother of invention”, our industry will be faced with necessities that will compel invention, creativity, flexibility and elevated performance.

One final thought for all of us to consider. To the extent that we are in an industry that has performed exceptionally for the last ten years and an industry that will weather the storm better than most, we have an opportunity, if not a responsibility, to look around us and seek to help those that will be suffering in the coming months. There are many waiters and waitresses that will lose their jobs with “in-restaurant” dining being suspended. Many of those associated with hotels and

profits that rely on contributions will likely have to cut back services and staffing. We would encourage everyone within our industry to look around in your community and find those that need your help and be willing to provide it to them. “To whom much is given, much is expected.”

Bobby Reagan

Partner and President, Reagan Consulting

[Email Bobby directly >>>](#)



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. . . as well as those aligning with strategic buyers

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