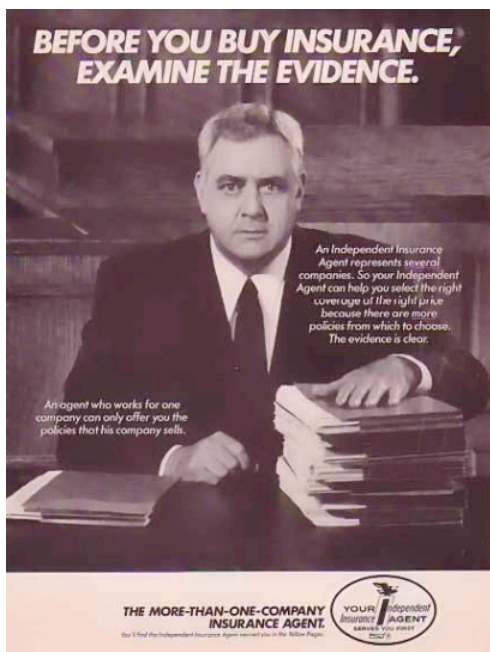




# The Wildly Successful Evolution of Independent Agencies

OPTIS  PARTNERS

## EVOLVE OR DEVOLVE???



## EVOLUTION!!

### We Are Corks

2000-2001: 9/11 Terrorist Attack

2008-2009: Great Recession

2020-2021: Global Pandemic

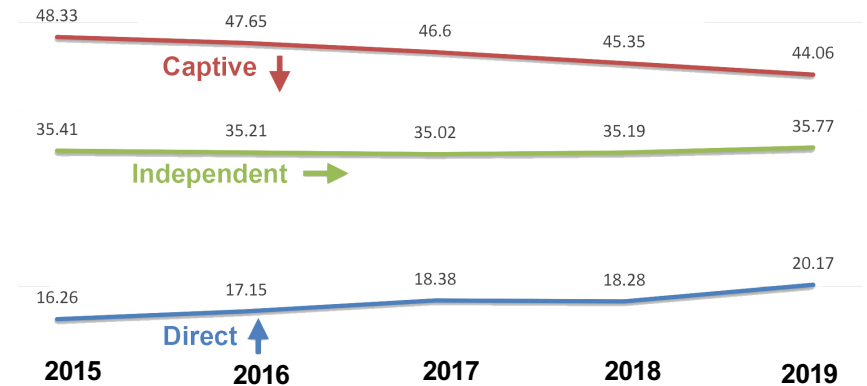
2025-20??: Trade War ?



## WHO ARE THESE PEOPLE?

**1990 – 65,000 Agencies**

**2024 – 39,000 Agencies**



Agency Size	2014	2024	Annual % Change
Small Local (<\$1.25M)	34,000	29,796	(1.3%)
Mid-Size (\$1.25 - \$10M)	4,200	8,190	6.9%
Regional (\$10 - \$100M)	289	958	12.7%
National (>\$100M)	11	56	17.7%
<b>Total</b>	<b>38,500</b>	<b>39,000</b>	<b>0.1%</b>

Source: Independent Insurance Agents of America

*Look for Regeneration*

## TAKING THE CONVERSATION TO A HIGHER LEVEL

- 1) Are we paying attention to agency M&A?
- 2) How do carriers relate to Private Equity?
- 3) What does a sale of an agency mean to us?
- 4) Are we doing a demographic study of the agency base?
- 5) How do we engage with our agencies?

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## MERGER & ACQUISITION DYNAMICS

Pre-consolidation  
(up to mid-1990s)

Maturation of M&A  
(mid-2000s to mid-teens)

1990

2000

2010

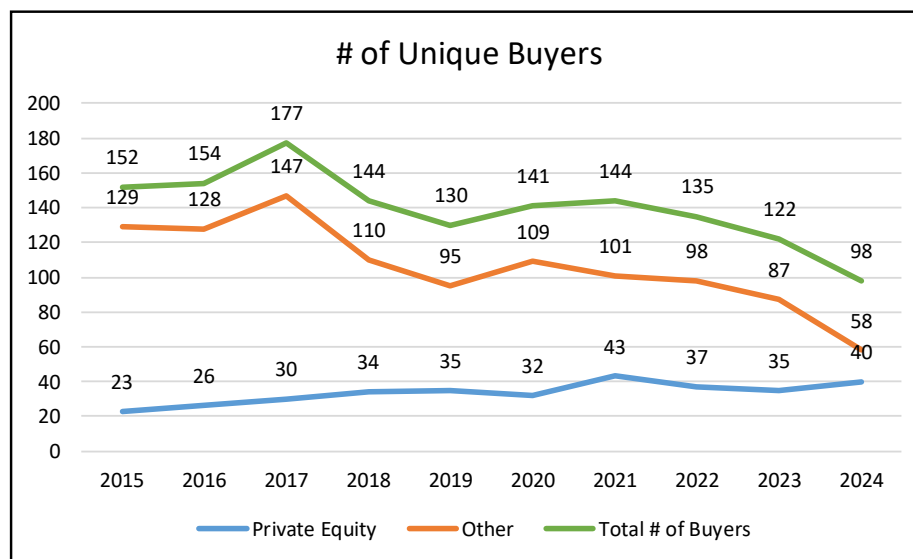
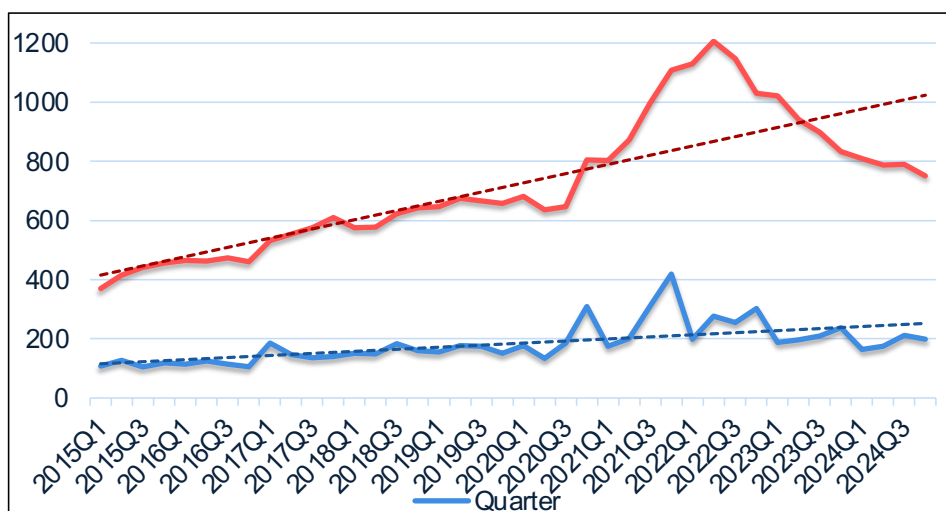
2020

Early Consolidation  
(mid-1990s to mid-2000s)

Ownership Exodus  
(mid-teens to present day)  
and

*Regeneration*

## MERGER & ACQUISITION DYNAMICS





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## WHAT ABOUT PRIVATE EQUITY?

- Flush with capital
- Favorable tax treatment
- Investing in insurance
  - Stable, predictable, resilient cash flow
  - Little capital expenditure required
  - Low cost of entry
  - Sky high client retention rates
  - Ownership is aging out
- Looking for Scale
  - Build It
  - Flip It

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## WHAT DO MERGERS & ACQUISITIONS MEAN TO US?

- Increased distribution
  - or -
  - Loss of distribution
- Potential disruption in relationships
- How much is your book exposed?
- End of agent life cycle

## WHAT DOES THIS MEAN?

### **CONSOLIDATION MUST CONTINUE**

- Need for Scale
- Lack of internal ownership succession
- Investors with capital that must be put to work
- Incursions into insurance distribution space

## DO WE KNOW THE DEMOGRAPHICS?

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## DO WE KNOW THE DEMOGRAPHICS?

**Path is Set for Some**

**Many are at a Crossroads**

### **Perpetuation Plan**

- Committed to next generation
- Have resources to grow
- Viable perpetuation plan in place
- Changes in tax rates do not matter
- Time is on their side

### **Sell Later**

- Greater return is worth risk
- Have resources to grow
- Possible perpetuation plan
- At least 5 years to run
- Plenty of time to recoup loss from increased taxes

### **Sell Now**

- Prudent to reduce risk
- Need resources to grow
- No viable perpetuation plan
- Limited time to commit to stay on after sale
- Limited time to recoup loss from increased taxes

**Applies to independent and captive agents**

## DO WE KNOW THE DEMOGRAPHICS?

- WASA and WAPA
- Classify your agencies within their life cycle
  - Emerging, comfortable, growing, dying on the vine, etc.
- Growth v. Lifestyle
- How many have an ownership succession plan?
- How many have a book of business succession plan?



## DO WE KNOW THE DEMOGRAPHICS?

### Identify Your “Thrivers”

- Growth-oriented
- Multi-generational
- Focused on producing profitable business
- Committed to their Carriers
- Committed to their independence
- In Possession of the “It” factor

## TAKING THE CONVERSATION TO A HIGHER LEVEL

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## HOW DO WE ENGAGE?

- Blocking & Tackling
  - Competitive product
  - Great service
  - Consistent and committed “partnership”
  - Those things that have made your company a valued insurer for insureds and agents alike
  - Work with this as influencers in the organization
    - How do we compare to the competition in these areas?
    - Why are they giving us business or why are we losing it?

## HOW DO WE ENGAGE?

### Support Your “Thrivers”

- Organic growth
- Perpetuation
- Inorganic Growth
- Talent Development
- Exclusive Product Development
- Long-term Revenue Enhancements

## HOW DO WE ENGAGE?

### BUILD RELATIONSHIPS WITH PRIVATE EQUITY

- Thrivers often become the leaders in the private equity broker
- Understand their model
- Who is in charge of carrier/broker relationships
- Understand their footprint
- “White Label” products

*Darwin Was Right!*

*We Survive Through Evolution*

*How Will **Your Company** Evolve?*

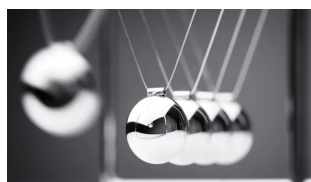
*How Will **YOU** Evolve?*

## ADVISORY SERVICES BY OPTIS PARTNERS



### **Fair Market Valuations**

We provide valuation services to various firms across the insurance distribution and related sectors. Fair Market Valuation reports provide great insight to management regarding the internal and external factors affecting the value of the business and are commonly used to establish the value of the firm for business planning in support of both shareholder agreements and perpetuation plans.



### **Perpetuation Planning**

We advise owners on internal perpetuation of ownership under the guiding principle that perpetuation is a process, not an event. Ownership perpetuation requires careful thought, discussion, and planning. A successful perpetuation program requires periodic reviews of structure and valuation, and modifications will be required as circumstances change.



### **Mergers & Acquisitions**

We are hands-on advisors throughout the M&A process. From providing buy-side structuring, modeling and financial due diligence review of prospective sellers to complete sell-side client representation, OPTIS Partners has a proven track record of success and stellar reputation throughout the industry.



### **Strategic Advisory**

We have led seminars on perpetuation and M&A topics to agents and insurance company personnel, as well as assisted individual agencies to design and plan their strategies, helping them educate participants on these key business strategies. We will help you identify and achieve the strategic goals needed to grow and expand the value of the organization.

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