

A BVR SPECIAL REPORT

EXCERPT FROM

WHAT IT'S WORTH:

Valuing Insurance Agencies



BVR
What It's Worth

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Introduction

The purpose of this report is to provide a solid foundational understanding of the business of insurance agencies and brokerage firms. The report discusses how these firms operate, the nature of their revenue streams, value drivers, the industry environment, the risks involved, and other relevant factors. On the quantitative side, this report provides benchmarking data on transaction multiples, financial ratios, rules-of-thumb pricing, and advice from experts in the field.

Valuation experts, financial analysts, legal counsel, and any other professional advisor to this industry will find this report to be an important source of information. Also, insurance agency owners and managers who read this report will gain a better understanding of what drives the value of their firms.

Some of the highlights and features of this report include:

- Concise, need-to-know information and data all in one place;
- Handy lists of questions to ask management that delve into issues such as overall operations, impact of industry trends, inherent risks, and financial needs;
- How current trends such as the pandemic (and related business interruption claims), an aging population, and a shift in the way consumers purchase insurance impact this industry;
- Leading sources of key financial metrics and transaction multiples;
- Key insights from a thought leader on the valuation of insurance agencies;

- Expert analyses of recent court cases involving the valuation of insurance firms, including the landmark *Held* case, a precedent-setting case on the treatment of goodwill; and
- List of resources and trade associations.

The industry research in this report is drawn from information Vertical IQ provided that represents just a small part of what it offers. Vertical IQ's industry reports and regular updates have intelligence on small- and medium-size businesses in more than 500 industries that details the risks, industry trends, financial metrics, operations, and financial challenges.

This report also includes insights and perspectives on insurance agencies from valuation expert Lucas Parris, a senior vice president at Mercer Capital, a national valuation and financial advisory firm that has developed a specialty in insurance agencies. He discusses the value proposition, revenue streams, key value drivers, the M&A landscape, and the best methods for valuing these types of entities.

Even though the markets have been subject to turmoil, the market approach still must be considered in valuing insurance agencies, so there is an entire section devoted to benchmarking data from DealStats, financial ratios, pricing rules of thumb, and advice from experts in the field via the *Business Reference Guide*. There is also a listing of additional resources related to the industry, including trade associations.

After reading this report, you will have a higher understanding of the nature of insurance agencies and how to better advise their owners and managers.



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