

## Fourth Quarter 2013

### Agency Values Remain Strong

During the Third Quarter of 2013 the simple average of Allstate agencies transitioned was 2.50, a benchmark that had not been accomplished since the Second Quarter of 2009. This accomplishment has been validated with agency values maintaining a simple average multiple of 2.50 during the Fourth Quarter of 2013.

It is worth noting that agencies with \$2Million in Earned Premium or greater realized a spike in value (see chart below). Those Allstate Agencies between \$2Million and \$3Million in Earned Premium sold for an average multiple of 2.48 times in the Fourth Quarter, an increase from 2.39 times the previous Quarter. Likewise, those agencies with Earned Premium of \$3Million or greater realized a sales multiple of 2.74 times in the Fourth Quarter, up from 2.68 times in the Third quarter.

Allstate Agency Price to New/Renewal Commissions Ratio (National Average)						
	2012 3rd QTR	2012 4th QTR	2013 1st QTR	2013 2nd QTR	2013 3rd QTR	2013 4th QTR
\$0 to \$100,000	1.96	2.14	2.1	N/A	2.19	N/A
\$100,001 to \$200,000	2.22	2.21	2.15	1.99	2.18	2.2
\$200,001 to \$300,000	2.33	2.43	2.38	2.3	2.39	2.48
\$300,001 and up	2.59	2.55	2.51	2.57	2.68	2.74
<b>Simple Average</b>	2.28	2.39	2.3	2.34	2.5	2.5
<b>Low</b>	1.27	1.53	1.28	1.88	1.59	1.07
<b>High</b>	3.24	3.36	2.95	3.07	3.07	3.49

The chart below denotes the percentage of agencies sold in each size group for each of the four quarters in 2013. The First Quarter of the year was the most diverse as each size group made up at least 17% of the total Allstate agencies transitioned. You could confidently state that the Third Quarter simple average was strong as those agencies over \$3Million in Earned Premium (the largest size group with the highest sales multiple) represents a significant 52% of the agency transactions represented in the AAVI. This makes the Fourth Quarter of 2013 exceptionally impressive, as the largest of agencies (over \$3,000,000 in Earned Premium) shrunk to 33% of the whole, yet the simple average stayed strong at 2.50 times Simply stated, the sales multiple for each size group is your best measurement for agencies values, as the simple average can move up or down depending on the number of small or large sized agencies that are transitioned in a given quarter.

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Percentage of Agency Sales by Size Group				
New/Renewal Commissions	2013 1st QTR	2013 2nd QTR	2013 3rd QTR	2013 4th QTR
\$0 to \$100,000	17%	0%	7%	0%
\$100,001 to \$200,000	28%	21%	15%	25%
\$200,001 to \$300,000	27%	38%	26%	42%
\$300,001 and up	28%	41%	52%	33%

It may be of value for agency owners in states with large amounts of third party commission income (i.e. non-Allstate commission income), to start paying attention to the "Agency Price to Total Revenues" chart below. Florida is the perfect example, where upwards of 50% of an Allstate Agents commission income might come from sources other than Allstate Insurance. Although, the market has stated that commission income paid by Allstate Insurance holds a superior value, third party brokerage commissions are valuable in that they are real money, which are used to pay overhead expenses of the business. If your agency has significant sources of income outside Allstate, it might be appropriate to start thinking about the value of your agency as a multiple of total revenues instead of just the Allstate portion of your agency.

Allstate Agency Value Ratios						
	2012 3rd QTR	2012 4th QTR	2013 1st QTR	2013 2nd QTR	2013 3rd QTR	2013 4th QTR
Agency Price to New/Renewal Commissions	2.28	2.39	2.3	2.33	2.5	2.5
Agency Price to Total Revenues	2.05	2.11	2.06	2.11	2.21	2.19

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