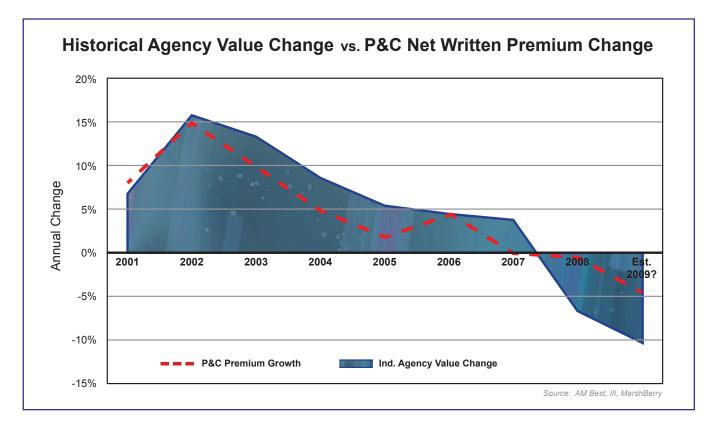


# Agency Value in 2010

For the average agency or brokerage, there exists a direct correlation between P&C Net Written Premium changes and agency value. Since the height of the hard market in 2002, average agency/brokerage value decreases mirror those of premium reductions.

As we enter 2010, P&C insurance supply continues to exceed marketplace demand. Combining the supplydemand environment with historically high company surplus levels foreshadows continued soft market conditions for the remainder of 2010.



The three year decline in total P&C Net Written Premiums between 2007 and 2009 was the first three consecutive year decline since the Great Depression. And the best indicator of future performance is past performance. Should total net written P&C premiums continue to decline once again in 2010, the average independent agency/ brokerage faces yet another year of declining value. Without fundamental business change, many independent agency owners, like their bank-agency counterparts outlined last month, are now managing wasting assets.

Authored by Patrick T. Linnert, Executive Vice President, 440-392-6568

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# **Exchange Networks**

## Agency Peak Performance EXchange (APPEX) Over 115 Agencies Over \$1.1 Billion Revenue

Bank Agency NetworK (BANK) Over 25 Banks

# Over \$1.0 Billion Revenue

Total Agency Sales Culture (TASC) Network Over 35 Agencies Over \$1.1 Billion Revenue Nation's leading organic growth agencies Enhanced new business production and retention strategies

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Strategy Acquisition Planning Deal Return Modeling Strategic Options Analysis Alternative Buyer Comparison

#### Preparation

Sale Preparation Management Offering Memorandum Development Strategic Pitch Book Design Candidate Profile Creation

#### Representation

Buy Side Representation Sell Side Representation Letter of Intent / Negotiation Creative Deal Structure Alternatives

### Analytics

Agency Fair Market Valuation Market Comparables / Benchmarking After-Tax Return Optimization IRR, ROI and EPS Analysis

## Execution

Diagnostic Due Diligence Confirmatory Due Diligence Intangible Asset Allocation - GAAP Rep Fairness Opinion Definitive Agrmt . Best Terms / Conditions

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Post-Closing Integration Goodwill Impairment Testing Peer to Peer CEO Exchange Earn-Out Maximization Consultation

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