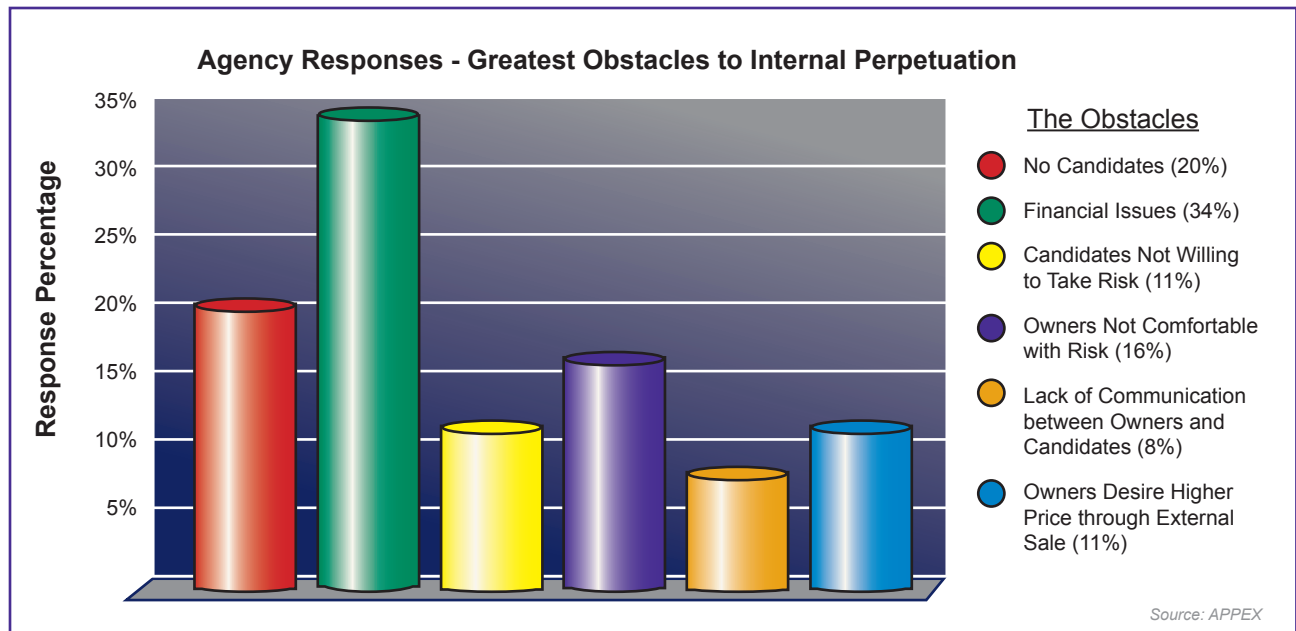


## Independent Agencies

In addition to aggressive buy-side demand, sell side issues are also spurring increasing deal activity. In last month's issue, we noted that many agencies are failing with respects to perpetuation reinvestment capital, young talent and value enhancement.

We recently surveyed 117 of the nations leading independent agencies through the Agency Peak Performance Exchange (APPEX) Network regarding perpetuation obstacles. These agencies are domiciled in 39 different states, range in size from \$2 million to over \$40 million in agency revenue, and maintain diverse product offerings, carrier relationships, and clientele. They are also some of the most sophisticated agencies with respects to defining, implementing and executing successful perpetuation strategies. We asked these agency executives about their single largest obstacle to perpetuating internally.



The perpetuation issue is not only driven by internal agency performance alone. Carrier pressure and tiering are also affecting agency sustainability. We asked the high performing APPEX group, "do any of your carriers provide assistance with internal perpetuation?" Seventy-four percent responded "no."

Whether the above is based on perception or reality, carriers need to be concerned with the long-term sustainability of their agency distribution network. The alternative for carriers? The potential loss of large blocks of business.

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