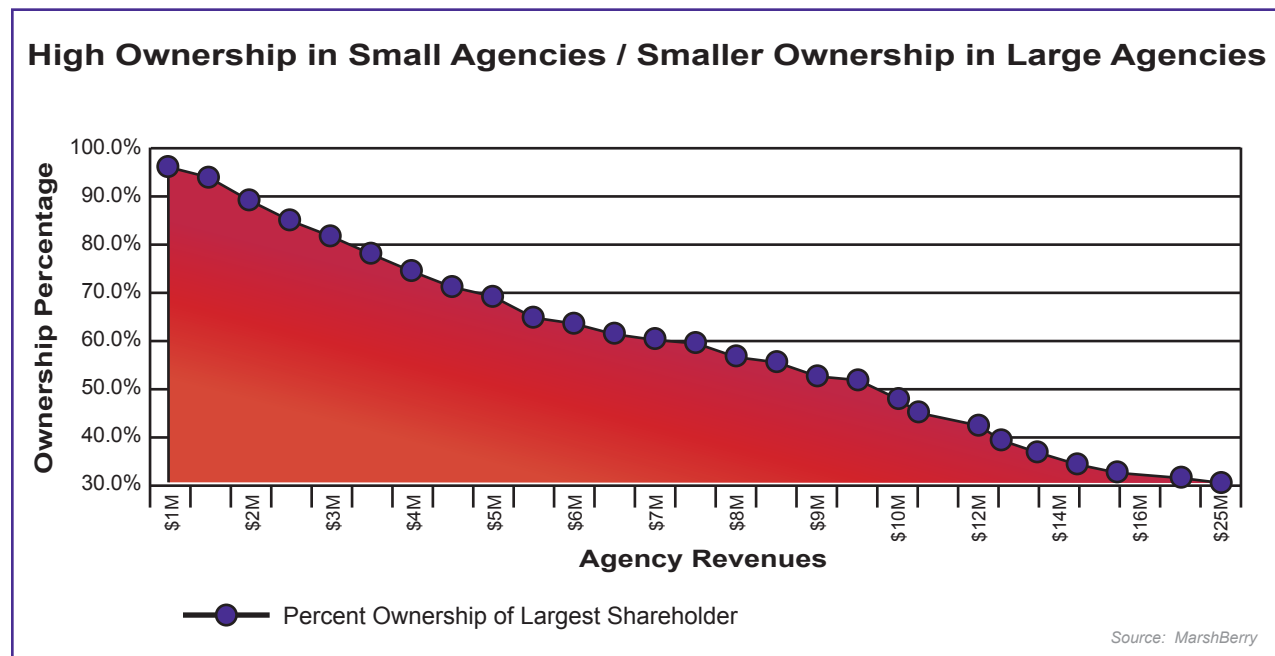


Ownership and Perpetuation

Our research indicates that an agency owner must hire six producers to yield two viable perpetuation candidates. Additionally, it takes an average of two buyers to take out one seller. Thus, agencies large enough to hire six and maintain two new producers are infinitely more likely to achieve a transfer of ownership.

One obstacle standing in the way of aggressive hiring is an unwillingness to share ownership. It is routinely resisted in smaller agencies, but is fairly common in larger agencies as well. Why? Fear of sacrificing income leads a fairly long list. But is it true? The chart below shows how the average ownership of the largest shareholder changes as an agency grows. Note that a 100% ownership of a small agency represents far less wealth than a 30% ownership in a large agency. While some agency owners refuse to reduce their ownership with growth, most acknowledge the benefits of sharing ownership. This is reflected below.



Clearly, it takes a routine sharing of ownership to grow an agency. Does it take a reduction in pay to facilitate that sharing? Stay tuned - next month we will compare the average income of the largest shareholder to ownership percentage.

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