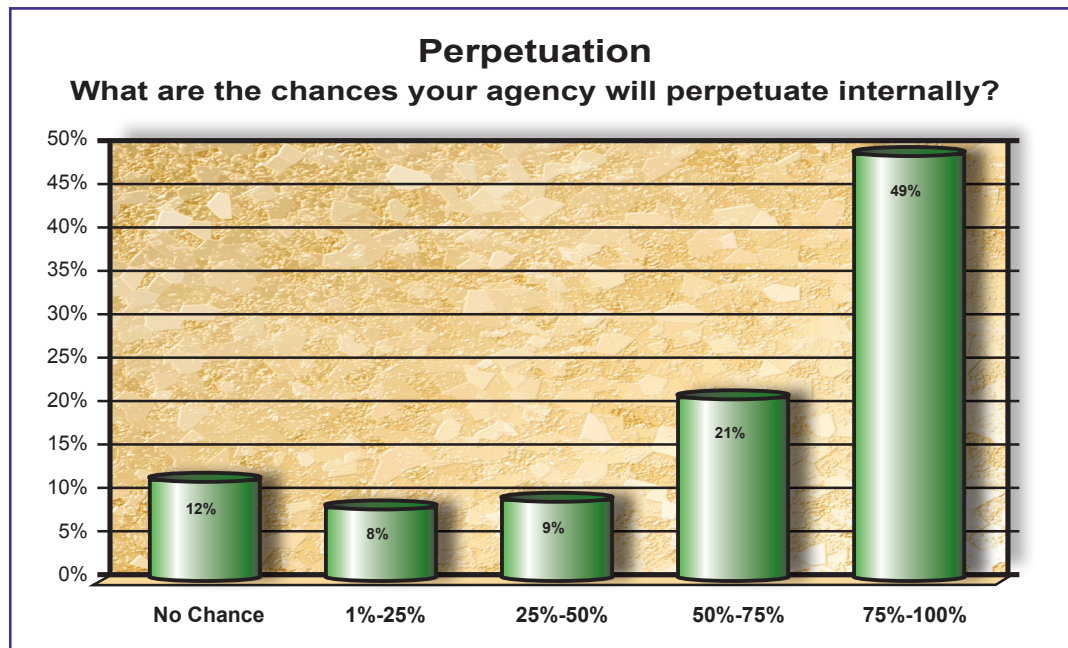


## Perpetuation - Controlling Your Future Viability

In a recent survey, we polled agency owners to see how many were confident in their agency's ability to perpetuate ownership internally. Figure 1 illustrates the results of the survey. The majority of the respondents felt their chances of internally perpetuating ownership were at least even. Seventy percent gave the agency a 50% or higher chance of pulling off this difficult feat. Almost half gave the probability of 75% or greater.

While we are encouraged by the optimism shown in the poll results, unfortunately we have not seen these results materialize in our consulting practice. As advisors and consultants to thousands of agencies for more than 30 years, we know that **the majority of independent agents and brokers will NOT perpetuate ownership internally at a fair market value.**



What seems to be an unbelievable statistic is actually a harsh reality. The reality is that most agency owners view perpetuation as an event, rather than a continual process. This view inevitably leads to an external sale as the owner lacked the discipline to continually invest in the agency. To perpetuate internally, agencies need the **discipline** to:

1. Construct and execute a long-term business plan
2. Continually Reinvest in all staff personnel (Production, Leadership, Service & Support Roles)
3. Drive financial metrics: operate the business like a business, not as a personal bank account
4. Consistently transfer stock

The good news is that agencies can overcome these challenges and remain independent. With discipline and focus, an agency can position itself to proactively choose between selling stock internally or externally. Next month we will highlight additional obstacles to internal perpetuation.

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# MarshBerry Solutions

Information Services	Management Consulting	Exchange Networks	M&A Advisory
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Surveys                      For The Record (Statistical Analysis)                      Dealmaker's Dialogue (M&amp;A Advisory)</p> <p><b>Public Speaking Engagements</b>                      Keynote / State of the Industry                      Topical education</p> <p><b>Carrier Services</b>                      Distribution System Management                      Field Personnel Training and Development                      Agency Management Symposiums</p>	<p><b>Sales Management</b>                      Cultural Mapping and Alignment                      Producer Goal Setting                      Sales Portal – Pipeline / Service Timeline                      Accountability / Compensation Design                      Producer and Sales Manager Training                      Differentiation Design and Execution</p> <p><b>Business Planning</b>                      Strategic Business Planning                      Execution / Action Plan Management                      Strategic Options Analysis</p> <p><b>Agency Valuation</b>                      Agency Fair Market Valuation                      Valuation Assessment</p> <p><b>Perpetuation Plans</b>                      Perpetuation Plan Design                      Plan Execution Management                      Transfer Strategies (Stock / Leadership / Books of Business)</p> <p><b>Financial Consulting</b>                      Internal Financial Controls                      Compensation Consulting                      Value Enhancement Planning</p> <p><b>Operational Consulting</b>                      Staff Workload / Comp. Management                      Workflow and Procedures                      E&amp;O Audit, Policies and Procedures                      E&amp;O Market Access</p> <p><b>Recruiting</b>                      Position profile, search, screen, hire                      Compensation development plan                      Technical and sales training year one</p>	<p><b>Agency Peak Performance EXchange (APPEX)</b>                      Over 115 Agencies                      Over \$1.1 Billion Revenue</p> <p><b>Bank Agency Network (BANK)</b>                      Over 25 Banks                      Over \$1.0 Billion Revenue</p> <p><b>Total Agency Sales Culture (TASC) Network</b>                      Over 35 Agencies                      Over \$1.1 Billion Revenue                      Nation's leading organic growth agencies                      Enhanced new business production and retention strategies</p> <p><b>Royal Sun Alliance (RSA) Summit Brokers Improvement Network</b>                      Canadian agencies affiliated with Royal &amp; Son Alliance Insurance Company</p> <p><b>Standard Partner Services</b>                      State of the Industry Research                      CEO Peer Exchange / Networking                      Semi-annual Conferences                      Semi-annual Consultation                      Regimented Benchmarking Services                      MarshBerry.com                      MarshBerry Letter                      Priority Consulting Opportunities                      Exclusive Programs                      Distance Learning Groups (DLG's)</p>	<p><b>Strategy</b>                      Acquisition Planning                      Deal Return Modeling                      Strategic Options Analysis                      Alternative Buyer Comparison</p> <p><b>Preparation</b>                      Sale Preparation Management                      Offering Memorandum Development                      Strategic Pitch Book Design                      Candidate Profile Creation</p> <p><b>Representation</b>                      Buy Side Representation                      Sell Side Representation                      Letter of Intent / Negotiation                      Creative Deal Structure Alternatives</p> <p><b>Analytics</b>                      Agency Fair Market Valuation                      Market Comparables / Benchmarking                      After-Tax Return Optimization                      IRR, ROI and EPS Analysis</p> <p><b>Execution</b>                      Diagnostic Due Diligence                      Confirmatory Due Diligence                      Intangible Asset Allocation – GAAP Rep.                      Fairness Opinion                      Definitive Agreement (Best Terms / Conditions)</p> <p><b>Post-Deal Management</b>                      Post-Closing Integration                      Goodwill Impairment Testing                      Peer to Peer CEO Exchange                      Earn-Out Maximization Consultation</p>

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