

Succession Planning - Are You Prepared to Die?

Every once in a while, I come across an Allstate sales transaction that I view as anomalous and do not include it in the calculation of the Allstate Agency Value Index for that Quarter. This is a rare occurrence and has typically been when an agency owner is selling to a son or daughter for well below market value. Since the Seller has made a conscious decision to knowingly sell for less than market value to a relative, I have made the decision to exclude these sales from the Quarterly Report.

This Quarter (3rd Quarter 2013), I had to make a tough decision on a single transaction that one could argue should be characterized as an anomaly. Here are the facts. The agency was between \$2.5M and \$3M in Premium. Retention and Loss Ratios were both better than average and the agency was located in a desirable part of the country. The only problem was the Seller was deceased and the spouse had no idea what to do with the agency.

Without going into too many details, a staff member in the office bought the agency for 1.4 times, which was essentially the TPP Value. The book was large in size and quite frankly should have sold for a much higher multiple.

Even though I classified this agency sale as an anomaly, it is not. This happens more than once every year where a grief stricken widow is scrambling to sell an asset they know nothing about. So let me ask you the question that was in the title of the article "Are You Prepared to Die?"

I'll admit, I don't have all the right answers and I am not recommending a certain succession planning strategy. However, I do know agency owners need to ask themselves a few questions:

- If you die, would your spouse / family / significant other know who to call and how to handle the sale of your agency?
- Have you left a note for those in charge of taking care of your agency describing what a fair price is and who might want to purchase?
- Do you have someone in the family who might be a good fit to take over the agency in your untimely death that could quickly become an approved buyer with Allstate?

Succession Planning has been a hot topic amongst the agency force and Management. I have attended Regional meetings this year for agents where the company paid for attorneys and other professionals to speak about succession planning. I also presented at these meetings and I can tell you they were very well attended. If you get an opportunity to attend a meeting on Succession Planning I highly recommend you do. I don't take much joy in financing the sale of high quality agencies at 1.4 times. Market Value should rule the day and this can only be accomplished by those who as the title of the articles states are "Prepared to Die."

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