



## Second Quarter 2020 Allstate Agency Value Index



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## COVID-19 Validates Strength of Allstate Agency Ownership Model

The buy and sell market for Allstate insurance agencies was a rare bright spot in the U.S. financial market during the height of the COVID-19 pandemic. Merger and acquisition activity in the Allstate space was very active; in fact, Allstate agencies with \$2 million in premium or greater realized an increase in average sales multiple during the second quarter of 2020 (as seen in the chart below).

The performance of the PPC LOAN Allstate loan portfolio over the last three months has been exceptional and serves as a testament to the Allstate agency ownership model. Unlike other small business owners, our Allstate customers are continuing to make money and their loan payments without requiring payment deferral assistance due to COVID-19 hardship.

PPC LOAN has more than 550 Allstate customers and we received just one modification request specifically due to COVID-19, which turned out to be riddled with false claims about expected loss of business (essentially one agent trying to take advantage of the situation).

### Why have Allstate agencies continued to transition and experience value increases during the pandemic?

1. Base need product – Allstate agents are selling a product that virtually all Americans need regardless of economic conditions. Insurance is not a discretionary expense for the consumers of Allstate, specifically for those who own their home and/or auto.
2. Allstate customer refunds likely a positive for retention – Allstate was the first to issue shelter-in-place paybacks to its auto customers. I have personally been a customer with Allstate since 1993, and I enjoyed my refund check that was received very rapidly. The shelter-in-place payback program should have a positive impact on customer retention, which could result in higher premium growth if sales objectives are being met. Who is going to shop for insurance while they are getting money put back in their pocket by their current carrier?

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2016	2017	2018	2019	2020 1st QTR	2020 2nd QTR
\$0 to \$2,000,000	0.224	0.232	0.226	0.216	0.224	0.140
\$2,000,001 to \$4,000,000	0.259	0.25	0.256	0.252	0.234	0.241
\$4,000,001 and up	0.288	0.278	0.299	0.274	0.233	0.254
Simple Average	0.258	0.253	0.261	0.253	0.233	0.234
Low	0.081	0.118	0.135	0.140	0.145	0.100
High	0.378	0.362	0.365	0.358	0.297	0.322
Average Earned Premium	\$3,247,073	\$3,099,030	\$3,202,644	\$3,638,959	\$3,486,112	\$3,590,303

## Size Group Analysis – Earned Premium

### \$0 to \$2,000,000:

The smallest agencies were the only size group that realized a decrease in value during the second quarter of 2020. The reason for this drop is that 50% of agency sellers in this size group had no vested TPP at the time of book transfer.

Buyers of agencies where the seller does not have a vested TPP do receive a fully vested TPP once they take over the agency (which entices lenders on these book transfers). However, savvy buyers negotiate a favorable sales ratio, often well less than TPP, as they know their seller has no other option when their TPP is not vested.

### \$2,000,001 to \$4,000,000:

Agencies in this size group realized a factor of .241 in the second quarter of 2020. This is a solid increase from the previous quarter of .234, especially considering the issues surrounding COVID-19.

In this size group, 14% of the agencies were purchased by an existing agency owner, which certainly contributed to the growth in value this quarter.

### \$4,000,001 and up:

Agencies in this size group realized a strong increase in value during the second quarter, increasing from a factor of .233 in Q1 to .252 this quarter.

It will be interesting to see where the new high-water mark is for larger sized agencies over the next one to two years. Compensation structure and any advancements on Integrated Services will certainly play a factor in larger sized agencies either seeing their values continue to increase or flatline at recent value levels.