

Allstate Agency Value Index- 2021 Q1

Values Drop to Start 2021

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2016	2017	2018	2019	2020	2021 1st QTR
\$0 to \$2,000,000	0.224	0.232	0.226	0.216	0.168	0.155
\$2,000,001 to \$4,000,000	0.259	0.25	0.256	0.252	0.226	0.197
\$4,000,001 and up	0.288	0.278	0.299	0.274	0.249	0.228
Simple Average	0.258	0.253	0.261	0.253	0.233	0.209
Low	0.081	0.118	0.135	0.140	0.100	0.15
High	0.378	0.362	0.365	0.358	0.322	0.276
Average Earned Premium	\$3,247,073	\$3,099,030	\$3,202,644	\$3,638,959	\$4,102,072	\$4,614,481

Terminations

Terminations remain the driving factor for the continued drop in agency values. Terminations are causing severely distressed sales to occur. Many owners are unable to reach a deal within the rigid transfer deadline causing a TPP liquidity event.

To reverse the current negative value trend, sellers need more options. Existing agents need to be approved and allowed to merge businesses, especially in situations where the seller is terminated. Outside buyers should be afforded the same opportunity to merge as well. Small agencies are not an attractive purchase opportunity as a standalone business and require heightened merger activity for value recovery.

Q&A

As the author of the Allstate Agency Value Index, I get asked various questions about the AAVI. The below Q&A is designed to answer the most recurring questions received:

Why did you start the Allstate Agency Value Index?

Prior to the formation of the AAVI in 2008, many buyers and sellers were at a loss for how to price these unique small businesses.

The Allstate Agency Value Index is a quarterly report with many purposes. The primary purpose is to provide needed clarity to the market of buyers and sellers. The AAVI was designed to avoid situations where either the buyer or seller were unknowingly executing a financially devastating agency transfer.

For example, I have seen widowed sellers receive pennies more than TPP when the agency in question was high quality. I have also seen staff members purchase for 150% of market value because they didn't know any better and their employer was taking advantage of them.

Informed buyers and sellers make better decisions. Win/win transactions occur when both parties have comparative sales information to make market appropriate decisions, and that is what the AAVI provides.

Should I sell my agency for the current AAVI ratio?

NO! The AAVI is to let you as the seller know current market trends. It is a quality starting point for negotiations. No agency sells for exactly the average.

If your agency is above average, then the value you sell for will likely be above the average. If your agency is declining and overall a poor-quality business, then you will likely have to sell for less than the AAVI average.

To provide additional clarity on the range of values Allstate agencies sell for, the report includes both a “Low” and a “High” valuation for each quarter.

The AAVI is a great barometer for buyers and sellers to get the negotiation process started!

Does the AAVI include all buy/sell transactions occurring at Allstate?

The AAVI is limited to the transactions PPC LOAN provides financing for in a given quarter. That being said, I feel confident that our sampling size is sufficient, especially for agencies with greater than \$2million in earned premium.

At the end of the day, the AAVI serves to let agents with Allstate know which way the wind is blowing with regard to the value of their business.

***PPC LOAN does not have access to the data for those agents who take TPP, those who seller finance, those who use personal funds to purchase and those who use other lending sources.

Isn't PPC LOAN just reporting the loan amount they are financing?

There has been concern that PPC LOAN is incorrectly stating the “Value” of an agency as the amount we finance. This is not the case. For every data point used to calculate the AAVI, PPC LOAN uses the sales price (not the loan amount) directly from the purchase agreement signed by buyer and seller.

As a result, the AAVI is a true reflection of the average sales price for Allstate agencies sold in a given quarter in which PPC LOAN is involved.