

Allstate Agency Value Index - 2021 Q4

Terminations Continue to Take Toll on Agency Values

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2020	2021	2021 1st QTR	2021 2nd QTR	2021 3rd QTR	2021 4th QTR
\$0 to \$2,000,000	0.168	0.145	0.155	0.140	N/A	N/A
\$2,000,001 to \$4,000,000	0.226	0.220	0.197	0.238	0.233	.222
\$4,000,001 and up	0.249	0.236	0.228	0.253	0.240	.214
Simple Average	0.233	0.223	0.209	0.233	0.236	.219
Low	0.100	0.100	0.15	0.100	0.146	.157
High	0.322	0.322	0.276	0.322	0.274	.275
Average Earned Premium	\$4,102,072	\$4,264,462	\$4,614,481	\$3,673,382	\$4,766,772	\$3,894,178

Quarter Highlights:

- Terminations continued to put downward pressure on agency values with 27% of sellers being forced to sell due to losing their contract.
- This quarter's highest sales factor of .274 was a merger transaction by an existing agency owner. Unfortunately, there was only a single instance of PPC LOAN financing a merger transaction in Q4.
- 64% of agency purchase transactions were for outside buyers – the remaining 36% were purchased by existing agency owners.

Although terminations have proven to be a negative for agency values, the existence of mergers can often serve to offset the negative trend terminations drive. Unfortunately, this quarter had just a single instance of a merger transaction, while 36% of all purchasers were an existing agency owner.

Going forward, it will be interesting to see the level of existing agents approved to buy, along with merger volume. If both instances pick up, we can expect to see positive trends in agency values as we move into 2022.

LARGE SIZED AGENCY ANALYSIS \$4,000,001 and up:

This quarter, large sized agencies experienced the rare phenomenon of realizing a lower sales factor than those agencies with \$2million to \$4million in earned premium. The reason for this occurrence is simple – terminations. 40% of agency sellers who were financed by PPC LOAN in this size group were terminated.

MEDIUM SIZED AGENCY ANALYSIS \$2,000,001 to \$4,000,000:

Agencies with Earned Premium ranging from \$2million to \$4million saw their average value drop to .220. A possible factor contributing to this drop is the large number of agencies in this size group that were very close to the low end of the size group range, as the average sized earned premium was \$2.7million.

SMALL SIZED AGENCY ANALYSIS \$0 to \$2,000,000:

PPC LOAN is no longer financing these sized agencies for outside buyers. We are however happy to finance the purchase of smaller sized agencies in two scenarios:

- If the agency is part of a merger transaction by an outside buyer.
- If an existing agent is purchasing to either merge or maintain the seller's agency.