

2022 Q3

Allstate Agency Value Index- 2022 Q3

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Values Stabilize in Q3

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2019	2020	2021	2022 1st QTR	2022 2nd QTR	2022 3rd QTR
\$0 to \$2,000,000	0.216	0.168	0.145	0.212	0.176	0.182
\$2,000,001 to \$4,000,000	0.252	0.226	0.220	0.218	0.212	0.208
\$4,000,001 and up	0.274	0.249	0.236	0.221	0.230	0.236
Simple Average	0.253	0.233	0.223	0.218	0.208	0.212
Low	0.140	0.100	0.100	0.147	0.130	0.138
High	0.358	0.322	0.322	0.256	0.293	0.284
Average Earned Premium	\$3,638,959	\$4,102,072	\$4,264,462	\$3,168,816	\$2,997,243	\$3,874,428

Quarter Highlights:

- Average agency size increased by nearly 30% this quarter over the prior quarter with an average earned premium of **\$3,874,428**
 - *This is due to fewer mergers of smaller sized agencies*
- Mergers accounted for 33% of the transactions financed by PPC LOAN in the 3rd quarter, down from 66% in the 2nd quarter
 - *Mergers are likely to be an early year / seasonal occurrence as most Elite agents will acquire and merge early in the year*
- Only one transaction financed by PPC LOAN in the 3rd quarter involved a terminated seller
 - *This helped drive values up*

Existing Agents – Merger vs Satellite:

Type of Transaction	% of Transactions	Average Size	Average Factor
Existing Agent - Merger	57%	\$ 2,522,270	0.196
Existing Agent - Satellite	43%	\$ 5,495,858	0.239

- Existing agents historically have been willing to pay a higher sales factor for a merger than for a satellite acquisition due to the lack of additional overhead associated with a merger. This was not the case in the 3rd quarter as existing agents paid an average sales factor of .196 for mergers, while satellite acquisitions went for an average sales factor of .239.
- This can be explained by the significant difference in average agency size between the two categories as the average merger size was just \$2,522,270 in earned premium, while the average satellite acquisition size was more than double that at \$5,495,858. Regardless of

whether an acquisition is part of a merger or not, agents know the value of the additional cash flow that comes with a larger sized agency, and they were willing to pay a premium for it this quarter.

Outside Buyer vs Existing Agents:

Type of Transaction	% of Transactions	Average Size	Average Factor
Outside Buyer	39%	\$ 3,995,392	0.208
Existing Agent	61%	\$ 3,796,665	0.214

It is well known that agencies sold to existing agents typically go for a higher sales factor than those sold to an outside buyer. This is because of an existing agent's increased purchase power due to their equity and cash flow from their existing book of business. This theory held true in the 3rd quarter as existing agents paid an average factor of .214, while outside buyers paid an average sales factor of .208 despite their slightly larger average agency size.

Medium Sized Agency Analysis – \$2,000,001 to \$4,000,000:

This continues to be the most popular size group, as agencies with between \$2MM - \$4MM in earned premium accounted for more than 66% transactions financed by PPC LOAN in the 3rd quarter. While the average sales factor for this group slightly decreased to .208 this quarter, it is worth noting that the average factors for agencies with \$2MM - \$3MM in earned premium was noticeably lower than those with \$3MM - \$4MM.

The average sales factor for agencies between \$2MM - \$3MM was .202 and more than 83% of these sales were mergers for existing agents. The average sales factor for agencies between \$3MM - \$4MM was .211 and included a single terminated seller. Without the termination, the average sales factor increases to .214. The sales in this group were split 50% / 50% between outside buyers and existing agents, and there was only one merger.

Large Sized Agency Analysis – \$4,000,001 and up

Larger agencies with \$4MM+ in earned premium continue to see their values increase as they realized a four-quarter high back up to their 2021 average sales factor of .236. Agency size has played a role in this increase as the average earned premium in this size group was significant this quarter at just over \$7MM.

Small Sized Agency Analysis – \$0 to \$2,000,000:

Since PPC LOAN no longer finances these sized agencies for outside buyers, 100% of the agencies financed in this size group were part of a merger transaction. The increased prevalence of mergers continues to have a positive impact on this size group as these sized agencies saw their average sales factor increase to .182 in the 3rd quarter.