

2022 Q4

Allstate Agency Value Index- 2022 Q4

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Mergers Dominate 2022

Allstate Agency Price to 12MM Earned Premium Ratio (National Average)						
	2021	2022	2022 1st QTR	2022 2nd QTR	2022 3rd QTR	2022 4th QTR
\$0 to \$2,000,000	0.145	.192	0.212	0.176	0.182	.181
\$2,000,001 to \$4,000,000	0.220	.213	0.218	0.212	0.208	.208
\$4,000,001 and up	0.236	.228	0.221	0.230	0.236	.229
Simple Average	0.223	.210	0.218	0.208	0.212	.203
Low	0.100	.130	0.147	0.130	0.138	.132
High	0.322	.293	0.256	0.293	0.284	.276
Average Earned Premium	\$4,264,462	\$3,331,831	\$3,168,816	\$2,997,243	\$3,874,428	\$3,956,488

2021 vs 2022

Now that 2022 has come to a close, it is a good time to compare trends in the mergers and acquisitions market year over year. As outlined below, merger activity exploded in 2022 compared to 2021:

	2022	2021
% of Sales = Mergers	48.90%	3.35%
Average Book Size (EP)	\$3,331,831	\$4,264,462

With merger activity in 2022 expanding 15 times from the prior year, the average agency size (as measured by Earned Premium) was bound to fall in 2022. In fact, the average agency size transitioned in 2022 was nearly \$1 million smaller in comparison to 2021. This is highly driven by the fact that Allstate allowed Elite agents to purchase and merge up to \$3 million in earned premium starting in 2022.

The merger activity in 2022 was the driving factor for a higher sales multiple for smaller sized agencies. As listed in the chart below, agencies with less than \$2 million in earned premium saw their average sales factor increase from just .145 in 2021 to .192 in 2022.

	2022	2021
Factor \$4million EP+	0.228	0.236
Factor \$2-4million EP	0.213	0.220
Factor under \$2million	0.192	0.145

Unfortunately, with the unknowns surrounding a new compensation plan, Allstate experiencing an uncharacteristically high combined ratio, and dramatic changes in customer premium/product competitiveness, those larger sized agencies that were not part of a merger transition suffered when it came to value/sales price.

Both of the larger sized groups saw their values decrease in 2022 compared to 2021. Agencies with \$4 million in premium or greater sold for an average of .236 in 2021, while dropping to .228 in 2022. The chart below shows the decline in average value a seller of an average sized agency in each size group would have realized in 2022 versus 2021:

	2022	2021
Avg Sales Price \$5MM EP	\$1,140,000	\$1,180,000
Avg Sales Price \$3MM EP	\$639,000	\$660,000

The drop in average sales price year-over-year is \$40,000 and \$21,000, respectively.

Although no agency sells for exactly the average sales factor (all sell for either more or less than the average), it is worth noting that there is a high level of comfort the reader can take in the accuracy of these numbers due to the large sampling size from a year's worth of transitions. At the bare minimum, we are able to confidently state that agency values trended down in 2022 for those agencies with greater than \$2 million in earned premium.