

## Great Changes are Here – Is Your Agency Prepared?

There are a million names for the unprecedented trend we are experiencing in the current employment market. Many people are calling it the Great Resignation, the Great Shuffle, the Great Recognition, or even the Great Questioning. Whatever name you want to use for it, one thing for sure, it is without question GREAT. [Over 40 million people voluntarily quit their jobs last year](#) and this is leaving a lot of businesses – including independent insurance agencies – in a tough spot. In fact, many agencies that I have worked with over the past several months cite challenges with turnover and staffing as the reason they are considering selling. And these are primarily agencies that have never considered that possibility before.

In addition to the changes in the employment market, we are experiencing a hardening insurance market, rising interest rates and a possible recession in the next several months. The experts are predicting that the 30-year fixed rate mortgage will vary between 5-7% by the end of 2022 and that we are headed towards a recession.

This has led many agency owners to ask themselves what does all of this mean for me, my agency, my staff, and my future? Is the M&A activity going to slow down? What will this do to the value of my agency? And maybe the most important question of all is “What can I do to best prepare for these changes?”

### Will M&A slow down?

Over the past 6 years we have experienced record-breaking M&A activity with no slowdown in sight. Many are thinking this might be the start of the slowdown, but I disagree. In my opinion, these factors are widening the gap between agencies that will acquire and those that will be acquired – **but the overall rate of M&A will not slow down; in fact, it may continue to accelerate.** The core reasons that make independent insurance agencies an attractive investment have not changed, and these economic factors will not significantly change them either. Agencies will continue to have predictable performance, the hardening insurance marketplace will cause revenue to increase, and the need for insurance is not going away.

It is true that rising interest rates make the cost of borrowing money increase. However, it is important to remember that the market for agencies is still hot. There are many buyers making the demand for agencies stronger than ever. Rising interest rates may impact the ability for some buyers to be competitive in the marketplace but, overall, the impact will be minimal because the demand is expected to remain high.

In many cases, independent agencies have performed well in times of economic down turns, some even claim that they are recession proof. M&A and PE buyers are interested in independent insurance agencies because they are profitable, have very predictable income streams, and they provide something that everyone needs, which is why many consider independent insurance agencies to be “recession proof”.

## **What will this do to the value of my agency?**

Now that we have established that M&A will not slow down, I predict that nothing in the independent agency market will change. For agencies that are focused on growth; investing in their people; developing strong niches; and creating scale by investing in technology, relationships, and a strong infrastructure – this is your time! Your value is strong and will remain strong through these uncertain times. As the market for acquisitions continues to be hot, your agency is poised for growth and well-positioned to acquire those agencies that have not made these investments. As agencies acquire and grow their volume, the demand will continue to increase – making the value of the agencies that remain INCREASE.

## **How can I prepare for these changes?**

*Assess your level of energy and appetite for change.*

You need to be honest with yourself, take a good look at your agency and your appetite for change. Investing in change is hard work and takes a lot of time and energy. If investing to adapt with the changing marketplace is not something you are interested in taking on, then it might be time to take a step back and consider your options. Agencies that wait too long to transition their ownership end up selling for a discount. There are far more buyers than sellers as well as many different types of buyers and deal structures for you to consider. Get educated and give yourself as many options as possible to make sure that you find the right fit for you, your customers, your staff, and your family.

## **Positioning Your Agency for the Future**

Position your agency for growth, scale, and a strong future. Take a step back and ask yourself if you are investing in the areas that will position your agency to have a competitive advantage. There are many things you can do right now to position your agency for the future.

### **Invest in technology and data**

Identify the pain points in your agency and assess the technology solutions that can increase your efficiency, profitability, and overall performance. This is a cultural change that will take time, but the payoff for those that invest and implement effectively will be significant.

### **Consider joining a network**

Over 72% of independent insurance agencies are part of a network, aggregator, cluster, or alliance. These groups can make a huge impact on your agency by providing markets, increased commission rates, aggregation to maximize contingencies, access to services

and strong networking opportunities. Not all networks, alliances, and aggregators are created equal making it critical to thoroughly review the cost, benefits, and terms of these agreements. There is no question that these groups can help agencies grow and scale through access to markets, higher negotiated commission rates, aggregation to achieve higher contingencies, access to resources, services, and networking.

### **Make your agency attractive for talent**

Ask yourself: “Do I have an agency that is attracting talent or driving talent away?” Be sure you are investing time, technology, partnerships, resources and education to empower your team and set them up for success. You will need to have a strong onboarding and training program, invest in ongoing training and create a communication loop to make sure that you are staying in touch with the challenges that may need to be addressed.

Explore utilizing virtual assistants, remote workers like WHAVE or other creative resources to create capacity on your current team and give them the support needed to continue to grow and scale. Redefining the roles and responsibilities can create capacity on your staff and make a big impact.

Be willing to provide a flexible work environment so you can maximize your ability to recruit talent. In addition, consider offering the most valuable members of your team a career path or pathway to ownership. Lastly, be sure that you are communicating your plans for the agency’s future with your staff. With the amount of transition and M&A activity in the insurance industry, silence can create unnecessary uncertainty for those that are depending on you and the agency to build their future. Put their minds at ease.

The current job market is filled with companies with great benefits, preferred work culture, and opportunities to grow. Make sure your agency is competitive and attractive for top talent. This means you should have an onboarding and training program, flexible and adaptable work schedules, support through technology, and data investments to set your strongest talent up for success. Make space in your agency for your employees to learn new skills and develop their interests.

Through these unpredictable times, those who are investing in their agencies are going to be very well positioned now and in the future. The demand for agencies that are growing, profitable, and have volume will continue to rise for the foreseeable future. The best place to invest now is right inside your agency. For more information visit [www.agency-focus.com](http://www.agency-focus.com).