

The background features a blurred image of a bar chart and a line graph in shades of blue and green, overlaid with a grid of binary code (0s and 1s).

IS IT TIME TO TRANSITION OWNERSHIP? 10 FACTORS TO CONSIDER

WORKBOOK

BY IA VALUATIONS
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10 Factors to Consider for Transitioning Agency Ownership

In this workbook, current agency owners should consider 10 factors when contemplating whether the agency needs an ownership transition. Transitioning ownership is a time-consuming process that requires careful planning in order to create an orderly transition of the clients, business, leadership, and management of the operation. Current agency owners should score themselves on the questions in this workbook every year and begin planning for a transition at least 5 years in advance of the first transition date. This workbook provides the questions necessary to determine whether it is time to transition to the next generation.

WHAT WE DO

You wouldn't leave money on the table anywhere else, so why would you do it with your agency? Simply believing that your agency is worth some multiple of revenue (2x) could be an expensive mistake. So many factors go into a true calculation of agency value. Get a professional analysis and complete a valuation that only the experienced team at IA Valuations can provide.

Here are just a few reasons why you should get started with a valuation:



VALUATION SERVICES

IA Valuations will provide you with a fair market value of your agency, along with detailed insights to help you grow. We also offer renewal valuations for agencies looking to update their numbers each year.



AGENCY LINK

Part of our passion is strengthening the independent agency system. If you are looking to buy or sell, we can help you navigate this process and find the best option for your agency within the IA system.



CONSULTING SERVICES

For other issues weighing on your agency, including internal perpetuation, employee contracts, and other business planning needs, we are here to provide our expert opinions.



Top 10 Factors to Consider Whether it is Time to Transition Ownership, Leadership and Management of the Agency:

Provide your thoughts on what factors in your agency apply in each of the following 10 factors. Identify where you think your agency falls and rank it on the scale from 1 – 10, (1 being the lowest/poor performance, 5 being average and 10 being the highest performance) and provide some reasoning why in the space below. Add up your scores at the end to see where you fall on the spectrum of the agency owner life cycle.

1. Personal Factors

Includes factors such as:

- Energy – do you have the energy to put into the agency? Are you still excited about going to work every day? Are you excited about your staff? Are you still proactively trying to write new business?
- Focus – are you focused on growing the business? Are you willing to invest the resources to grow the business?
- Optimism – are you optimistic about the IA system, insurance industry and economy?
- Health – are you in good health? Do you have good genes? Is your significant other in good health?
- Age – are you working past the age (65) of traditional retirement in the US? If so, are you working past the average age (77) of life expectancy in the US?



A horizontal scale from 1 to 10, where each number is inside a circle, and all circles are inside a larger rounded rectangle.

2. Agency Performance

Includes factors such as: annual growth, retention, and profitability

- Annual Growth Rate – In 2024, agencies have experienced an average growth rate of 8%. What is your growth rate?
- Retention Rate – Agencies have an average retention rate of 89%, what is your retention rate?
- Profitability Margin – Agencies average a 25% profitability margin, what is your margin?
- Do you closely track the Key Performance Indicators (KPIs) and other metrics?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

3. Agency Value

Includes factors such as: valuation, external factors affecting valuation, net worth of the agency

- Do you know the value of your agency? Are you tracking it YOY?
- Are you aware of the external factors affecting your agency's value and how are you monitoring those?
- Do you have financial reserves in your agency?



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4. Team Health

Includes factors such as: generational health of the staff, employee-to-revenue spend

- How is the generational health of the agency staff? What is the average age of your staff? Do you have any upcoming retirements?
- What is your staff attrition rate?
- How efficient is your staffing model – meaning what is your employee to revenue spend? How much revenue is each employee responsible for?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

5. Complexion of the Book

Includes factors such as: CL/PL/L&H mix, age of clients, top 10 accounts

- What is the PL/CL/L&H split of the book of business?
- What is the average age of the clients? Are the clients aging with the owner(s)?
- What is the age of the Top 10 accounts? What percentage of the book of business do they represent? How secure are the accounts? Who is managing the relationships?
- Has the agency added any Top 10 accounts in the past 5 years?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

6. Carrier Partnerships and Commitment

Includes factors such as: loss ratios, contingency performance, agency agreements

- How profitable is the book of business? What are the average loss ratios?
- What percentage of the annual revenue is made up of profit sharing?
- How secure is the agency with its carrier relationships?
- How concentrated/spread out is the book of business with the carriers?
- How healthy are the key carrier partners? Are they open for new business? What type of UW restrictions have they implemented?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

7. Technology Systems and Marketing Efforts

Includes factors such as: technology stack, proactive marketing efforts

- What technology systems is the agency using?
- How efficient is the staff with technology systems?
- Is there a designated technology leader in the agency?
- What is the agency's marketing strategy? How does the agency communicate with its clients?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

8. External Factors

Includes factors such as: economy, stock market performance, tax consequences

- What are the external factors in the economy? How is the stock market?
- Are capital gains tax rate changes being considered?



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9. Personal Financial Preparedness

Includes factors such as: retirement savings, importance of the agency sale to the owner(s) retirement plans, owner(s) lifestyle

- How has the owner(s) planned for retirement? Have the owner(s) been savers during their career or living outside of their means?
- What are the owner(s) plans for retirement?



A horizontal row of 10 numbered circles (1-10) inside a rounded rectangular border.

10. Perpetuation/Transition Plan

Includes questions such as: Do you have an internal or external plan?

- Does the agency have perpetuation options? Does the agency have young producers and potential owners?
- Does the agency have external options?



A horizontal row of ten numbered circles (1 through 10) enclosed in a rounded rectangular border, used for self-ranking each factor.

It's time to add up your score!

After self-ranking each factor from 1 – 10, add up your score to get a total between 1 – 100.

- **80 – 100** – Your agency is doing excellent. You are showing all the signs of having the energy levels to keep going. It is still important to have a plan for your future, but no immediate action is needed.
- **50 – 79** – Your agency is doing decent, but it is showing signs of weakness. It is time to focus and start planning for your next steps. Planning takes at least 5 years, begin now even if you don't plan to transition right away.
- **0 – 49** – Your agency is in need of serious help. This score reflects that your agency is at risk of losing value due to the above factors. It's time to seriously consider your transition strategy and exit plan.

THANKS FOR JOINING US!

If you enjoyed this session and are interested in working closer with IA Valuations on your valuation, internal perpetuation, external sale, or any other consulting needs, please reach out to us at contact@iavaluations.com or directly at any of our emails below.



ABOUT IA VALUATIONS

Founded in 2017, the IA Valuations team has performed over 250 valuations to independent insurance agencies across the U.S. Our advisors have 25+ years of experience guiding agency owners on maximizing their agency value, planning, and legal needs for ownership transition. In addition, IA Valuations has provided perpetuation planning, financial modeling and business planning for independent insurance agencies. Finally, IA Valuations has advised dozens of agency owners on selling their agencies through our Agency Link process. Agency Link is a platform that connects buyers and sellers together to further the growth and strength of the IA system.

CONTACT US

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