



Acquisition Strategies Not The Same For All Buyers

By [MARK E. RUQUET](#) | Published 5/7/2009

NEW YORK—While buyers of insurance agencies may not share the same strategies for purchasing agencies, they all have clear ideas about why they make the deals they do, according to a recent panel discussion.

Hales & Company, in sponsorship with *National Underwriter*, a unit of Summit Business Media, held a seminar here Monday on merger and acquisitions and organic growth titled, “Agency at a Crossroads, Learn How to Maximize Shareholder Value and Choose Your Best Route.” The seminar was one of four this month being held throughout the country to help agents, brokers and other professionals develop growth strategies for their firms.

Six senior executives from major brokerage firms discussed their acquisition strategies during a panel discussion moderated by *National Underwriter’s* Editor-in-Chief Sam Friedman.

The foundation of their strategies is finding business that will help them grow their firms either in terms of their book of business or territory.

“We are looking for businesses that are accretive and that fit into our existing footprint,” said Clark Wormer, director of M&A for Hub International in Chicago. Hub, he said, plans to be very aggressive this year and beyond.

“We do not want revenue for revenues’ sake,” said Kevin Kenny, executive vice president, insurance brokerage East for Wells Fargo Insurance Services in Madison, N.J. He said firm’s interest is in bringing new talent to the firm or expanding its territory.

A new firm, Ascension Insurance, based in Kansas City, Mo., is seeking growth through acquisition, explained Len Kline, president and chief executive officer. With five acquisitions under its belt, he said the firm is seeking to build a management team that has no intention of leaving after the deal is completed. Its growth plan calls for using the hub-and-spoke model, aimed at building a national firm of \$200 million to \$250 million in revenue within the next four to five years.

A major agency acquirer, Brown & Brown, is seeking good opportunities that are accretive, said Tom Riley, regional president for the Daytona Beach, Fla.-based insurance firm.

However, Greg Zimmer, president of Alliant Insurance in Newport Beach, Calif., and Patrick O'Keefe, vice president of M&A, Northeast Region for Digital Insurance in Iselin, N.J., said their firms are narrowly focused in acquisitions.

Mr. Zimmer said his company's focus is on organic growth and specialty niche business. Over the years, the firm has become very selective and will only consider acquisitions that compliment their niches.

Mr. O'Keefe said Digital Insurance's focus is on books of business rather than agencies, primarily in the employee benefits arena.

Despite the credit crunch, financing deals is not an issue, explained Mr. Kenny. The reason there has been a slowdown in deal making, he explained, is a shortage of good deals available to make.

Mr. Riley agreed with Mr. Kenny that there is not much selling going on right now, saying for Brown & Brown while it has available credit, most of its deals are for cash.

Offering advice on what makes a successful deal, Mr. Wormer suggested that the best thing for both parties is to get to know each other well. Mr. Kenny noted that sellers should take the time to get good, professional advice and get their books in order. Sloppy books can be a deal breaker, or lower the value of the firm.

Mr. Riley warned that one major deal breaker is producer compensation, which needs to be ironed out with realistic expectations.

Sellers, said Mr. O'Keefe, need to understand the emotional impact the sale can have on them and they should make sure they understand the process before going through it.

During the seminar, Rob Lieblein, managing partner with Hales & Company in Harrisburg, Pa., noted that when it comes to selling an agency, owners are "terrible" at it because they get caught up emotionally.

"You are horrible negotiators of selling your own business," he said.

One major problem is seller inexperience and the other is emotional attachment to the agency, he said. Because of this, many fail to recognize when it is time to walk away from the deal.

He emphasized that sellers need to set goals and lay out realistic expectations—and then follow those plans. He added that in any deal the hard part is not the sale, but integration.