



What Agencies Should Know When Considering a Merger or Acquisition

Are you looking to purchase or merge with an agency, or sell your existing agency? Here are five key questions to ask when considering this decision.

1. What are the benefits of a merge or acquisition?

Carrier Appointments

Are there more options and opportunities with carriers the agency is appointed with?

Insurance Cross-Sell Opportunities

Does the agency offer other products or services that would help expand and grow your offerings, such as Life/Health or Specialty lines, etc?

Improved Workflows and Processes Support

How will specific workflows and processes be affected by this move? Does the agency have dedicated departments to handle tasks and offer improved automation?

Technology Stack

How will your technology stack be influenced by the sale/merge?

- What technology does the acquiring agency currently have to support employees and clients?
- Is there additional technology you don't currently have that will benefit your staff and policy servicing? Will you be giving up existing technology or third-party integrations that your staff rely on?
- What is the cost to add users to each system (rater, e-signature, texting, etc.)?
- What happens with your existing software/vendor contracts?

Employment Opportunities

Does the acquiring agency open doors to accessing more talent that you would not normally have the means to accommodate?

2. What are your contractual agreements?

What are you as an owner agreeing to provide in the sale/merge?

- Shared commission
- Carrier appointments
- IVANS account
- Customer relations
- Technology add-on products and integrations (or loss of add-ons)
- Agency brand recognition (who are customers communicating with now)?

What financial obligations do you have as an agency after the sale/merge?

▪ Management system

Is the fee to your management system covered, or are you obligated to continue to pay until the sale/merge is complete? Who is obligated to pay for providing an unencrypted copy of data to the seller/merging agency?

▪ Commissions

Who is responsible for continuing the relationship with current producers (who pays commissions owed to producers?)

▪ Carriers

Who will maintain carrier appointments? Are the thresholds maintained?

▪ Employees

- Remaining employees: is the acquiring agency providing an equitable benefits package (compensation statement) with commissions, health insurance, etc.?
- Displaced employees: who is responsible to provide severance pay, if applicable? If employees file for unemployment, which FEIN/Fed Tax ID will be responsible for the unemployment claims?

3. How will the sale/merge affect your staff?

How do employees feel about the sale/merge?

- Do employees have to worry about employment? Are their jobs safe in the short-term and long-term?
- Does the acquiring agency have a plan to facilitate new employee relationships? What will the culture be like compared to now?
- Do employees want to be included in the sale/merge discussions and/or decisions? Should they be included (weigh the pros and cons)?
- Are employees promoting the sale/merge? Are they helping relay future agency endeavors to clients? Are they supporting the agency branding transition?

What workload do employees have as they transition?

- Manual entry of data to new systems
- Training on new systems or processes
- Balancing two systems (and for how long)
- New expectations of how staff will communicate with customers

4. What will happen with your data?

Are you moving data to the acquiring agency's management system?

Is the new system different from your existing system? Will the transition be seamless, or require a lot of work, training, etc? What are the associated costs?

- Cost of training or cleaning up data (what is the learning curve for new employees?)
- Cost of downtime (how many days you will be without a system?)
- Cost of ownership for data (are there fees to obtain the data?)

What data will be transferred from the prior management system to the new system?

Are you getting what you think you're getting? Pay attention to the details disclosed in conversion specifications!

Does the agency have the option to have a read-only copy of data after conversion to the new system?

- Archival data/backup: For the purchased agency, data must be retained for E&O purposes based on federal guidelines. Is there a cost to obtain this from the previous management system?
- For the acquiring agency, what is the value of the data?
 - Data cleanliness
 - Prospects vs current commission revenue

5. What will setup and training look like during the transition?

Is the acquiring agency aware of the workload that will be required within the management system? Is the acquired agency being provided guidance on what to expect throughout the transition?

- Setup
- Training
- Recreating of certain setups in HawkSoft that cannot be merged over:
 - Additional Interest database
 - External tools
 - Customized lists
 - Attachment categories
 - Client Tag categories
 - Commercial Hazard Classifications
 - Sources
 - Suspense categories
 - Worker's Comp Class codes
 - Correspondence Templates
 - Letter templates
 - Email templates
 - E-signature templates
 - Proposal templates
 - Receipt book
 - Database cleanup post completion
- Will the IVANS account be merged with the acquiring agency's IVANS account?
 - Does the management system support multiple IVANS accounts