

The Acquisition Process in Eight Steps

You have decided to sell your agency—now what?

Whether you opt to pay for the services of an investment banker or manage the process yourself, knowing the key steps of the acquisition process in advance can result in a smoother and more successful transaction.

Continue Vetting the Buyer



1 Get to Know Potential Buyers

As you get more serious about selling your firm, you should start to take calls from potential buyers and proactively reaching out to buyers who could be a fit. Consider your priorities and how they align with those of potential buyers, including the interests of your team, your clients, and yourself. You should continue vetting the buyer throughout the process until the transaction is closed.



2 Find an Experienced M&A Attorney

Experienced insurance agency M&A attorneys understand how agencies work and are familiar with the market terms of agency acquisition contracts, providing services equivalent to an investment banker.



3 Reach out to Potential Buyers and Execute a Non-Disclosure Agreement (NDA)

An NDA will keep your information confidential during the M&A process. Your attorney can review the NDA to ensure the terms and conditions are reasonable.



4 Share Initial Financial and Operational Information About Your Agency

Buyers will look to understand your book of business and the profitability of your operations. They will also be considering how your business fits operationally and culturally. Be cautious if the Buyer is skipping this step and providing an offer without a detailed understanding of your business as one tactic is offering a high multiple then 're-trading' during due diligence.



5 Negotiate Deal Terms

Once initial information has been shared, buyers will present valuations for discussion. Primary discussion items should include the up front payment, maximum potential purchase price, form of payment (i.e. cash or stock of Buyer), how long the earnout period will last, how the earnout is calculated, key integration items, compensation of the shareholders and key teammates, and non-compete/solicit terms.



6 Agree to Non-Binding Letter of Intent (LOI)

Once deal terms are agreed to, the buyer will send a detailed LOI outlining the principal components of the offer. Review the LOI thoroughly to confirm that key points and purchase price detail reflect what you agreed upon previously.



7 Complete Due Diligence (DD)

Now is the time to inform key accounting and operational teams about the potential acquisition. The DD review process requires an extensive data request from finance, insurance operations, payroll and benefits, IT and legal, requiring the support of internal staff, external advisors or a combination of both.



8 Finalize the Purchase Agreement and Close

Your attorney will be primarily responsible for finalizing the purchase agreement with the Buyer's counsel. You will be involved in key decisions and preparation of final schedules. Once the purchase agreement is executed and payment is made, the transaction is closed.