

ACQUISITION DUE DILIGENCE CHECKLIST

If acquisition is part of your growth strategy, it is critically important that you put time into understanding the agency or book that you're considering purchasing. Doing your due diligence homework will ensure that you know exactly what you're getting and whether it's a strategic fit for your business. *To support your decision making process, we've developed this Agency Acquisition Due Diligence Checklist.*

FINANCIALS

It takes time to research and review financial information for a privately held company. You should plan to focus 80% of your time and energy on verifying the seller's financials.

Conduct a full financial review

Call in experts as needed to review bank statements for operating and trust accounts. Are the trust accounts appropriately funded and have they been used only for paying premiums to the carriers? Are profit and loss statements and balance sheets available? What do the agency's expenses look like and could you run the business more efficiently?

Production trend data

- Request commission reports, retention rates, agency management system reports.
- Have they added or lost carriers?
- Is the bulk of their business in one or two accounts, or spread over many?
- If the book is mainly commercial policies, when do they renew?
- How long before you would receive commissions?

Existing contracts and agreements

- Are there non-compete agreements in place with existing employees?
Will they transfer?
- Will existing carrier contracts move with the new book?
- Are there agreements or contracts you would be responsible for carrying out?

Tax status

- Does the agency have a history of paying taxes fully and on time?
- Are taxes filed and current at the time of your review?
- Do you notice any unusual line items? Ask for additional information.

Insurance and legal

- Will your acquisition be covered through the transition period for professional liability, errors and omissions, worker's comp and data breach?
- Are there any outstanding legal issues?

Loans and debt

- What's the status of their loan debt?
- What are the dates and amounts of payoffs?
- Are there any liens on assets?

OPERATIONS

Assess whether your target's everyday operations will merge easily into yours.
Visit the agency to experience the office first-hand. Get to know the staff.

Geography, location and property

- Is the office in a good location?
- Will you consolidate sites or maintain two locations?
- Which of the hard assets will you acquire?
- Will you negotiate for computers, equipment, software?

Employment and management issues

- Will you need to hire or lay-off staff?
- Who are the top performers in the agency?
- Are there key client relationships you must maintain?
- Will the seller provide the proper introductions to facilitate the transfer?

Technology and intellectual property

- Are client files kept electronically or on paper?
- Do they carry the necessary insurance?

Network affiliation?

- Does the agency affiliate with networks? Will any affiliation affect your sale, transfer or financing?

STRATEGIC FIT

Make sure you understand and are capable of marketing to and serving the agency's customer base.

Complementary books?

- Will the new book integrate well with your existing books?
- Can you service the business with existing employees?
- Will you be expanding into new markets? Do you know and understand the customer base?

Competitive landscape

- Are there new challenges associated with the purchase?
- How will you market the new book?
- Do you know what has/has not worked for the current owner?

FINANCING

Once you're sure this is the right acquisition, you need to start arranging basic financials before meeting with a lender.

Arrange basic financials

- Can you come to the table with a down payment in place?
- How much additional financing will you need to complete the acquisition?
- Is the seller willing to finance a portion of the purchase or negotiate a buyout plan? Obviously, the more equity you can arrange, the lower your financing costs will be. Also, it's useful to keep the seller engaged with you even after the acquisition is completed.

Schedule a complementary consultation with an AgileCap Lending Advisor to review your acquisition and lending requirements. Learn how we can craft a loan for your specific needs. It's easy and quick, and there's no risk or obligation.

- 855-514-1189
- AgileCapFunds.com