Agency Value in 2010

For the average agency or brokerage, there exists a direct correlation between P&C Net Written Premium changes and agency value. Since the height of the hard market in 2002, average agency/brokerage value decreases mirror those of premium reductions.

As we enter 2010, P&C insurance supply continues to exceed marketplace demand. Combining the supply-demand environment with historically high company surplus levels foreshadows continued soft market conditions for the remainder of 2010.

The three year decline in total P&C Net Written Premiums between 2007 and 2009 was the first three consecutive year decline since the Great Depression. And the best indicator of future performance is past performance. Should total net written P&C premiums continue to decline once again in 2010, the average independent agency/brokerage faces yet another year of declining value. Without fundamental business change, many independent agency owners, like their bank-agency counterparts outlined last month, are now managing wasting assets.

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