

Case Study: Acquiring an Agency With No Out-of-Pocket Expense

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Agent Profile:

Insurance Experience: 5 years

Product: P&C

State: IN

Annualized Commissions: \$60,000



Situation:

Agent X has been selling P&C insurance for 5 years building a strong book of business that has annualized commissions of \$60,000.

A successful, self motivated entrepreneur, Agent X is looking to double her market share within 2 years. She realizes that by acquiring another agency, this would be the quickest way to gain clients without incurring marketing expense. After evaluating her financial situation, Agent X determines she is ready to purchase an agency. She learns through a colleague that an agency is available for sale within her desired location and price range.

The agency's annual commissions are \$67,000 making it a perfect fit for doubling her market share. The owner of the agency wants to sell the agency for 1.5 times the commissions resulting in a \$100,500 price tag.

Problem:

Agent X does not want to go out-of-pocket to acquire the agency. Because of her low credit score and high debt-to-income ratio, she researches many different financing options. Because this is her first time acquiring an agency, she is looking for a company that is also able to educate her about the acquisition process.

After seeing a [video](#) featured on CNBC about TWG Capital – a leading financial provider exclusively for the insurance industry since 2000 – she contacts them for a **free** consultation.

Solution:

Agent X is only willing to use a third of her book of business as collateral in order to get a loan to buy the agency. After providing Agent X a free valuation on that portion, TWG Capital qualifies her for a loan that will net \$16,750 at closing – which does not cover the total needed capital of \$100,500.

Because Agent X is acquiring an agency with annualized commissions of \$67,000, she is able to use the book of business of the agency she's purchasing as collateral for the loan. After TWG Capital completed the underwriting and due diligence process, the loan to Agent X increased an extra \$83,750, creating a combined loan amount of \$100,500 – enough to cover the cost of the agency.

Benefits and Results:

Agent X acquired the agency within 10 days of contacting TWG Capital. Not only was she able to double her market share within 2 years, but she was also able to increase profitability by cross-selling to the newly acquired policy holders. With these new renewals, she is able to comfortably make the debt service payments on her new commercial loan and deduct the interest on her taxes.

Due to the significant increase in her book of business, Agent X was able to leverage herself with her carriers to increase the commission percentage earned and receive additional production bonuses as well.

In summary, Agent X was able to acquire an agency with no out-of-pocket expense and the seller was able to receive a lump sum cash payment in exchange for the business.

Interested in a loan for working capital or to purchase an agency? [Click here](#) for a free valuation.