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## WHY SHOULD I PAY A CONSULTANT

### WHEN BUYING OR SELLING AN AGENCY?

by [Roger Thomas](#)

I often hear it said by agents that a consultant "costs too much," particularly when someone is anticipating a sale, merger or acquisition. Granted, you may pay a good consultant in the range of \$175 to \$225 per hour. But is the expertise really worth the money? Is the benefit worth the cost?

To determine if the cost *is* worth the benefit, you must first examine your own level of expertise. You may be fairly knowledgeable about buying, selling or merging agencies, and a consultant may only be needed to guide you through the rough spots of the deal where your experience may be a little rusty. On the other hand, if your expertise level is low, you will want to rely more broadly on the consultant's expertise in such areas as finding prospects confidentially, qualifying and eliminating prospects, negotiating terms that will be beneficial, putting the contract together, and much more.

Once you have determined the level of expertise required from a consultant, you must then ask what your cost would be if you *don't* retain a consultant. At a minimum there are two important considerations that simply cannot be overlooked: the legal aspect and the time aspect.

#### LITIGATION

Even one step of a deal handled incorrectly can eventually result in a lawsuit.

What if you fail to include an important-or even not so critical-provision in your contract, or what if you neglect to include a minor warranty? Has confidentiality been handled in the best way? Have you set up the negotiations and contract to assure that you get or give the best deal for "target" accounts? What provisions have been made contractually if a large account is lost? Will the value of the agency be reduced? How? If your solution is not viable-or worse, if you didn't even think of this possibility-will there be a lawsuit?

Did you remember to check into the other party's debts? What if the buyer ends up defaulting on your sale? Will you have to sue? How airtight is the collateral given to you? Did you remember to even ask for collateral? Do others have a verbal or written agreement to have first right of refusal for the agency? Will you or the other party get sued if these obligations are not honored?

How will the producers' contracts "fit" into your deal? If each agency has a commercial lines department head, how will this be handled effectively to avoid problems.? How do you handle the fears that the employees will have about being replaced? Will an employee sue because of promises previously made?

Consultants have experience that can help you plug many of the holes that you may have not even considered-heading off an eventual lawsuit.

There are a myriad of things that can go wrong, either during the process or even after the deal is inked. If something adverse does happen, your costs will include lawyers' fees, deposition fees,

court reporter fees-and, yes, the cost of a knowledgeable insurance consultant to act as an expert. Figure on spending, at a minimum, approximately \$10,000 to \$20,000 to defend yourself-or to bring a suit. And these monetary costs don't even take into consideration your lost production time dealing with the suit, the anxieties you will develop, and the bad P.R. with clients and carriers that will surround your agency. Goodwill may be lost-and so may agency value-because of a lawsuit.

Perhaps a consultant's fees aren't really so costly after all if the consultant can help you avoid legal problems.

## LOST SALES

To take a sale or acquisition from its embryo stage to its completion may take as many as 200 to 300 hours of your time, if done correctly. If the hats you wear in your agency include both management and production, every hour you spend putting together a viable sale, merger or acquisition takes you away from the sales arena-and that costs you money due to lost sales and lost opportunities.

Take a look at your monetary value from a strictly sales point of view by calculating the hourly income your sales and "hand holding" efforts produce. Add to that the cost of your management skills for running the agency. Multiply that number times 200 or 300 hours.

In many cases, the *income you would lose* by handling the intricacies of a sale or acquisition yourself is much greater than the fees you would pay a consultant to handle much of the deal on your behalf. Besides being able to take care of business as you should, you may also gain the experienced expertise of the consultant, who may be able to do a more thorough job.

If you are not extremely experienced in the fine art of handling every aspect of a sale, merger or acquisition, you may be fooling yourself when you think that "consultants cost too much." Make an informed decision by considering the legal costs and the lost opportunity costs before finalizing your decision to "go bare" on what could be one of the largest monetary events in your life.

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