



AGENCY PERPETUATION QUESTIONNAIRE

There are many things to consider when perpetuating your insurance agency. Time is of the essence as there are many moving parts and the planning and execution can take several years. Please use the following guide as both a checklist of things to get in order, and as a guide that will help facilitate discussions with your partners.

TIMING

- € What is the desired exit date for each owner?
- € Do owner exit dates match the ability of the agency to transition the stock?
- € Do you wish to remain active in the business after retiring your equity?
 - If so, for how long and in what capacity are you willing to stay on?
- € Are you willing to begin the transition of your stock while still active in the business?

AGENCY TRANSFER TECHNIQUES

- € Internal sale to key employees, including family members.
- € Sale of the agency to an outside firm
- € Merging with another agency with plans to eventually sell to the new partners.
- € Passing the ownership to family or friends through inheritance
- € Will you consider a discount off market value for internal perpetuation?
- € Does the agency have the ability to finance the transitions?
- € Does the agency have a strong balance sheet that could be used to help in the transition?

STOCK TRANSFER MECHANISM

- € Are you willing to hold a note from a new owner, or do you need a lump sum?
 - What percent down do you want?
 - How long would you hold the note?
 - What security would you require?
- € What is the agency tax structure?
- € What are the tax implications of that structure?
- € Is there time to transition to a more favorable tax structure?
- € Which method of stock transfer makes the most sense with this structure?
 - Stock Purchase – funded with agency cashflow paid out as distributions.
 - Gifting – can be utilized to reduce the tax burden.
 - Agency Redemption – the agency buys back and retires the stock.

PERPETUATION PLAN

- € What events will trigger a sale of an owner's shares?
- € What will be the purchase price for each share?
- € How will the purchase price be determined?



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- € How will the remaining owners pay for the selling owners shares?
- € Should the remaining shareholders have a right of first refusal if an owner wants to sell to a family member or other outside party?
- € What restrictions should be placed on an owner's shares?
- € Do you have key man life insurance to fund the stock purchase on the death of an owner?
- € Should all owners have a right to specific performance of the sale?
- € In what circumstances should the business succession plan terminate?
- € If a dispute arises over the business succession plan, how should the dispute be resolved?

- € What sacrifices are you willing to make to obtain stock in the agency?
- € How much personal debt are you willing and able to accept?
- € Are you willing to reduce your compensation to facilitate the transaction?