

## **Merger Considerations**

***The following is a format that has been used by some farm mutual companies in the past to study the pros and cons of amalgamation:***

**a) Products – Geographic Markets – Distribution Systems (Similarities & Differences)**

- types of products
- geographic scope
- product pricing
- agents and brokers commission expense
- distribution system
- agent and broker compensation
- agents offices
- computerization of agents
- collection of premiums

**b) Company Operations & Procedures (Similarities & Differences)**

- applications renewal underwriting
- auto business
- outside consultant/professionals
- inspection
- approval process
- adjusting
- claims reporting

**c) Computer Systems (Similarities & Differences)**

- hardware
- personal computers and printers
- software – word processing and spread sheet
- insurance system and general ledger system
- computer expenses
- agent broker interface
- other hardware

**d) Human Resources (Similarities & Differences)**

- management
- staff
- specialization

**e) Premises (Similarities & Differences)**

- location of offices
- utilization of space
- branch offices

**f) Financial Analysis (Similarities & Differences)**

- assets/liabilities/surplus
- asset size
- asset portfolio
- investment mix
- investment management
- goodwill
- unpaid claims

**g) Profitability (Similarities & Differences)**

- underwriting results
- expense ratio
- mix of business
- investment yield

**h) Reinsurance (Similarities & Differences)**

- reinsurance rates
- automobile
- retention levels – property
- retention levels – automobile & liability
- reinsurance rates – property
- reinsurance costs (historical)
- adjustment expenses

**i) General Advantages & Disadvantages**

- improved efficiency?
- enhanced expertise?
- reduced cost?
- amalgamation costs?
- long-distance costs?
- personnel relations?