

# BEST PRACTICES STUDY.

AIM HIGHER. ACHIEVE MORE.



# 2019

CONDUCTED BY



Independent Insurance Agents  
& Brokers of America.



Strategy • Valuation • M&A

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We wish to thank the following companies for their sponsorship. The funding provided makes possible the development of the 2019 *Best Practices Study* and the Best Practices Gateway website.



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# The 2019 *Best Practices Study*

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## Introduction & Overview

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# The 2019 *Best Practices Study*

## Introduction & Overview

### About the *Study*: History & Process

The annual *Best Practices Study (BPS)* originated in 1993 as a joint initiative between Reagan Consulting and the Independent Insurance Agents & Brokers of America (the Big “I”). For over a quarter-century, the goal of the *BPS* has been to provide member agents with meaningful performance benchmarks and business strategies that could be adopted or adapted for use in improving agency performance, thus enhancing agency value. The *BPS* provides important financial and operational benchmarks and is recognized as one of the most thoughtful, effective and valuable resources ever made available to the industry.

Every three years, the Big “I” asks insurance companies, state association affiliates and other industry organizations to nominate, for each of the *Study’s* revenue categories, those agencies they consider to be among the best agencies in the industry. Nominated agencies are then invited to participate. Each agency must be willing to complete an in-depth survey detailing their financial and operational year-end results. Those results are then scored and ranked objectively to determine whether each agency qualifies as a Best Practices agency.



The 1993 *Best Practices Study*

2019 is the beginning of the current three-year study cycle. Over 1,000 independent agencies throughout the U.S. were nominated to take part in the *Best Practices Study*. Although participation took extensive time and effort, 267 of the nominated agencies qualified and were designated as Best Practices agencies. These top-performing agencies' results serve as the foundation for the 2019 *Best Practices Study*. Benchmarks for these 2019 BPS agencies will be updated annually in 2020 and 2021.

Participation in the *Best Practices Study* is a prestigious recognition of superior accomplishments. Agencies that believe they have the qualities of a Best Practices agency and wish to be nominated for the next Study cycle (2022-2024) can have their state association or an insurance carrier nominate them, or they can self-nominate.

### The 2019 *Best Practices Study*

The 2019 *Best Practices Study* is made up of three main sections:

- 1) **Foundations.** An examination of the fundamental elements and principles necessary for superior agency performance.
- 2) **Executive Summaries.** Key benchmarks and perspectives presented in summary form for each of the six revenue categories.
- 3) **Cross-Category Comparisons.** The entire spectrum of *Best Practices* benchmarks for all six revenue categories is presented in a side-by-side format that allows for a quick comparison of metrics across revenue categories.

### For More Information

Visit the *Best Practices Gateway* at [www.reaganconsulting.com/research/best-practices](http://www.reaganconsulting.com/research/best-practices) for access to the annual *Best Practices Study* and other useful studies.

In addition to the annual *Best Practices Study*, other resources and tools are also available to help agencies improve their performance and enhance the value of their business via the Big “I” website, [www.independentagent.com](http://www.independentagent.com). Two of the

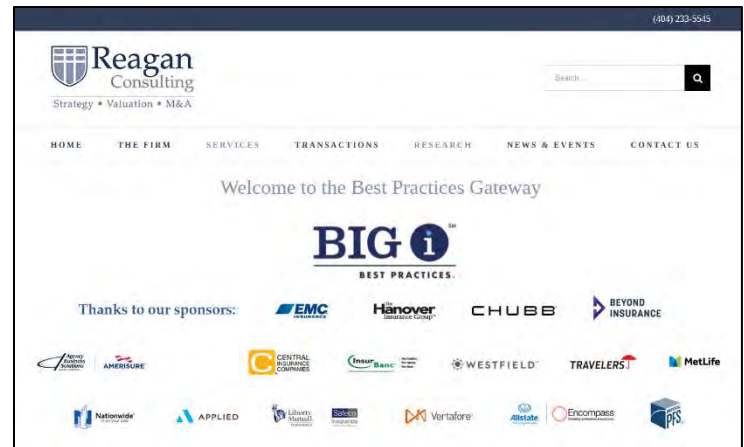


# The 2019 *Best Practices Study*

## Introduction & Overview

most frequently used tools are *The Agency Self-Diagnostic Tool* and the *Joint Agency Company Planner*. These tools are valuable components of a complete line of *Best Practices* products and services.

If you have questions about the information published in this 2019 *Best Practices Study*, please contact Reagan Consulting at 404-233-5545. If you would like access to additional *Best Practices* tools or wish to purchase the *Study*, contact the Big “I” Education Department at [www.independentagent.com/best-practices](http://www.independentagent.com/best-practices) or 800-221-7917.



The *Best Practices Gateway*:  
[www.reaganconsulting.com/research/best-practices](http://www.reaganconsulting.com/research/best-practices)

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# The 2019 *Best Practices Study*

## Introduction & Overview

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# Foundations

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## Laying the Groundwork

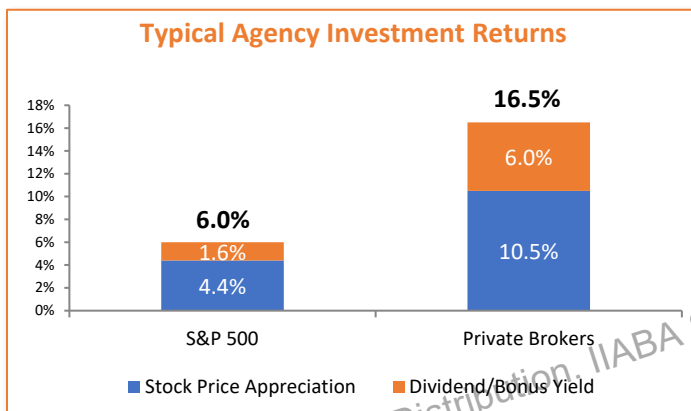
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# Foundations

## Laying the Groundwork

In the early 1990s, the Big “I” *Presidential Commission to Enhance Agency Value* partnered with Reagan Consulting to create the *Best Practices Study*. As the committee name suggested, a primary objective of the *Best Practices* initiative was to enhance agency values, which were perceived at the time to be sub-par, thereby improving investment returns for insurance agency shareholders. Has the *Best Practices* initiative succeeded in accomplishing these objectives? Let’s start by looking at the numbers.

In the early 1990s, it was common for insurance agencies to perpetuate internally at valuations that ranged from 0.9 - 1.2x revenue. Today, similar agencies transition stock internally at 1.5 - 1.9x revenue. In the early 1990s, insurance agencies sold to third-party buyers for 1.5 - 1.8x revenue. Today, agencies routinely command valuations of 2.0 - 3.0x revenue, or more, in third-party deals.



Source: Reagan Value Index, Public Filings, Yahoo! Finance

Today, investment returns enjoyed by insurance agency owners are nothing short of spectacular. Since 2000, insurance agency valuations, as captured in Reagan Consulting’s Reagan Value Index (“RVI”) have appreciated an average of 10.5% each year. Add to that a typical after-tax bonus/distribution (dividend) yield of 6.0%, and these insurance agencies have generated annual investment yields in the neighborhood of 16.5%. Compare this to the S&P 500, which grew by an average of 4.4% each year from 2000-2018 and generated after-tax dividend yields of roughly 1.6%, a 6.0% investment return.

To be sure, many variables, including technological advances and fierce M&A competition, have contributed to the massive improvements to the economics of insurance agency ownership since 1993. Nonetheless, we believe the *Best Practices* initiative has unquestionably proven to be one of the more material contributors to these improvements. The underlying financial and operating characteristics of insurance agencies began improving almost immediately after the first *Best Practices Study* was published. For the first time, insurance agency leaders were able to see what exceptional performance looked like in granular detail. With this information, they were then able to measure their agency’s results against the best-of-the-best and begin working to improve their business. As a result, the independent insurance distribution industry was literally transformed. Today, it is healthier than ever before in its history. How far have we come? Let’s look at a handful of the most important performance measures in 1993 versus today.

### BEST PRACTICES COMPARISONS, 1993-2019 (Agencies between \$2.5-\$5.0M in Revenue)

Metric	1993	2019	% Improvement
Pro Forma Profit	12%	27%	↑ 125%
Revenue per Employee	\$80,793	\$179,303	↑ 122%
Typical Internal Agency Valuation (multiple of revenue)	1.0x	1.6x	↑ 60%
Typical External Agency Valuation (multiple of revenue)	1.4x	2.5x	↑ 79%

# Foundations

## Laying the Groundwork

In this, our twenty-sixth *Best Practices Study*, we step back to address the foundational elements of the *Best Practices Study* for the current generation of agents, brokers, and leaders, many of whom were children, or perhaps not even born, when the first *Best Practices Study* was published in 1993.

Recall the biblical parable, wherein a house built on the sand collapses with a mighty crash when the winds and storms come, while the house built on the solid foundation of bedrock remains intact. So it is with the basic elements and principles that serve as the foundations of the *Best Practices* movement. When understood and correctly applied, these foundational *Best Practices* elements and principles can help secure an agency's survival and success in all seasons.

The good news about the *Best Practices Study*, with its 3,000+ data points, is that an agency leader can find virtually any key benchmarking metric imaginable to help better manage his or her business. The bad news is that these same 3,000+ data points, when viewed as a whole, can tend to be overwhelming. In this year's *Study*, we are highlighting the fundamental *Best Practices* metrics in five distinct areas:

<b>Growth</b> <i>(page 14)</i>	<b>Financial</b> <i>(page 17)</i>	<b>Operational</b> <i>(page 21)</i>	<b>Compensation</b> <i>(page 23)</i>	<b>Perpetuation</b> <i>(page 25)</i>
<ul style="list-style-type: none"><li>• Organic Growth</li><li>• Sales Velocity</li><li>• New Business per Producer</li><li>• Acquired Growth</li></ul>	<ul style="list-style-type: none"><li>• Pro Forma EBITDA</li><li>• Pro Forma Operating Profit</li><li>• Contingent / Bonus / Override Income</li><li>• Debt &amp; Leverage</li><li>• Tangible Net Worth</li><li>• Current Ratio</li><li>• Rule of 20</li></ul>	<ul style="list-style-type: none"><li>• Revenue per Employee</li><li>• Renewal Business</li><li>• Book Serviced per Producer</li><li>• P&amp;C Revenue per Support Staff Employee</li><li>• L/H/F Revenue per Support Staff Employee</li></ul>	<ul style="list-style-type: none"><li>• P&amp;C Producer Compensation</li><li>• L/H/F Producer Compensation</li><li>• P&amp;C Support Staff Compensation</li><li>• L/H/F Support Staff Compensation</li><li>• NUPP</li><li>• Effective NUPP</li></ul>	<ul style="list-style-type: none"><li>• Weighted Average Shareholder Age ("WASA")</li><li>• Weighted Average Producer Age ("WAPA")</li></ul>

# Foundations

## Laying the Groundwork

Mastery of these foundational metrics will serve as an excellent educational foundation upon which current and next-generation agency leaders can rely to ensure that their agencies will prosper well into the future.

Finally, we encourage readers to avoid any temptation to make this examination a purely academic exercise. A *Best Practices* mindset is one of application, with an eye for continual improvement. We call it the *Best Practices* Process Improvement Cycle. Here are the basic steps to follow:

- The beginning of improvement is knowing where you are – benchmark your agency
- Compare your agency to its *Best Practices* peers to see where you stand versus the best of the best
- Identify the performance gaps, if any, that exist between your agency and its high-performing peers
- Once you've identified the causes of any performance gaps that do exist, implement strategies to eliminate them
- In doing so, you will elevate both your agency's performance and value



The *Best Practices* Process Improvement Cycle is not a one-and-done proposition. Agencies are dynamic, constantly evolving and changing over time. An agency's performance gaps today are unlikely to be the same that it will experience five years from now. A commitment to a continuous process of measurement, action, and improvement will ensure, more than any other single business practice, that an agency will remain vibrant and relevant in the future.

# Foundations

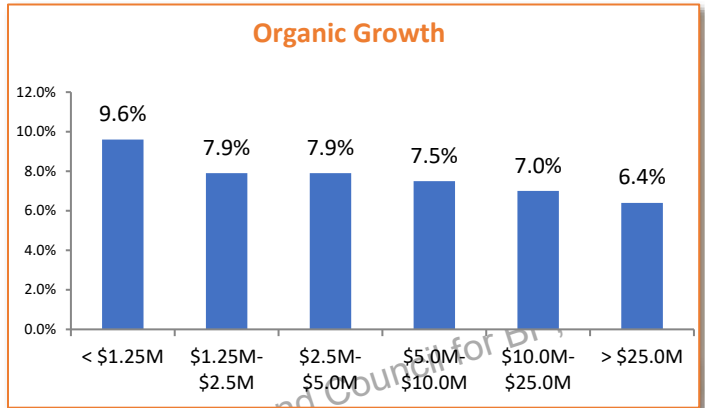
## Growth Foundations

### Growth

Two variables materially an insurance agency's value – profitability and growth. Reagan Consulting has determined that growth is twice as important as profitability in the valuation equation. Without consistent and sustainable growth, an agency will never reach its valuation potential and will likely fail to deliver appropriate investment returns to its owners.

**Organic Growth.** Organic Growth, expressed as a percentage, reflects total year-over-year growth adjusted to eliminate any acquisition or divestiture activity and to eliminate contingent, investment, and miscellaneous income. It is the most fundamental metric used when considering an agency's growth culture.

As helpful as organic growth is in considering an agency's growth culture, it does have its limitations. Organic Growth is impacted by rate, retention, exposure changes and new business. Exposure changes and rate changes are market-driven and outside an agency's control. Retention, which is impacted by both internal (service) and external (M&A) factors, is another major variable in the growth equation, but there may be limits to an agency's ability to manage retention. The most important controllable contributor to an agency's organic growth tends to be new business. As the old saying goes, "nothing good happens until someone sells something." And so it goes for an insurance agency – new business is king. Without an effective new business engine, an agency can become a static enterprise with a mediocre valuation. To better understand the role of new business in Organic Growth, we developed a complementary *Best Practices* metric known as Sales Velocity.

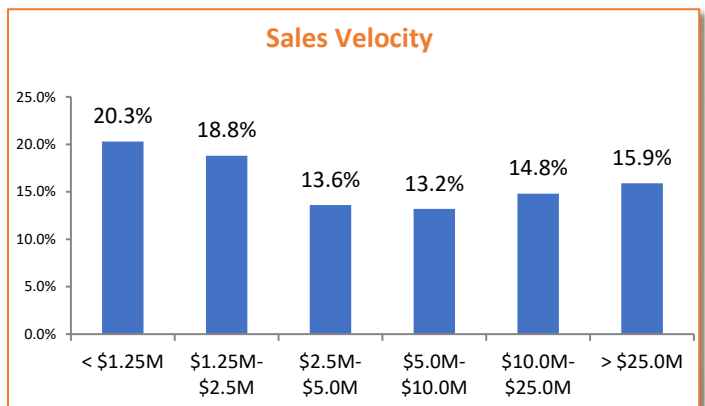


**Sales Velocity.** Sales Velocity, calculated as current period written new business divided by prior period recorded commissions and fees, is the metric that answers the question: "to what extent are our sales efforts contributing to our organic growth results?" An agency with an organic growth rate of 5% in an environment providing a 5% rate lift is likely not doing very well when it comes to new business. Sales velocity can help to highlight that reality.

**Sales Velocity =**  
Current period written new business divided by prior period recorded commissions and fees

**EXAMPLE:**

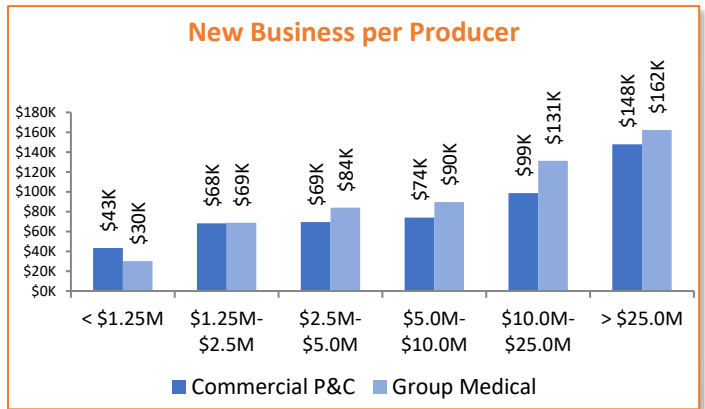
2018 Written New Business	\$250,000
2017 Commissions & Fees	\$2,000,000
<b>SALES VELOCITY</b>	<b>12.5%</b>



# Foundations

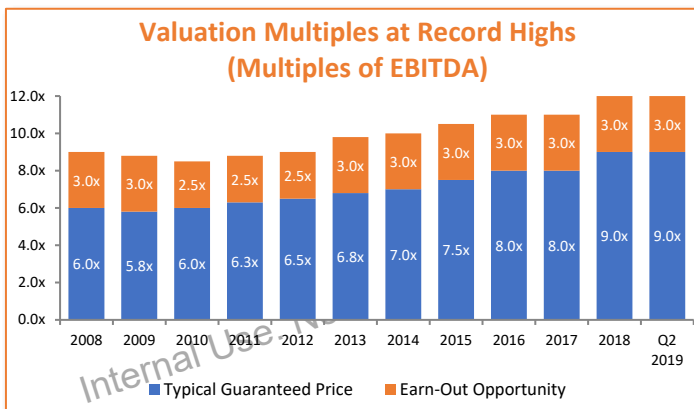
## Growth Foundations

**New Business per Producer.** New Business per Producer is the average annualized new business result generated by an agency's validated (mature/developed) producers. Whereas an agency's organic growth and sales velocity results speak to an agency's "macro" growth culture, the new business per producer metric is a "micro" measure that allows for an evaluation of each producer's individual contributions to organic growth.



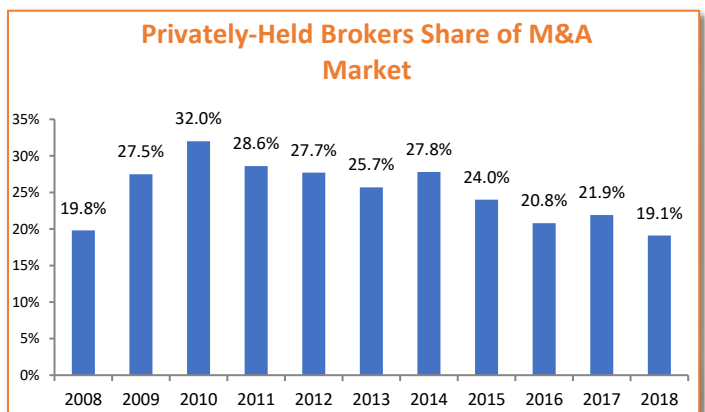
### Acquired Growth

We are currently in the most competitive mergers and acquisitions ("M&A") environment in the industry's history. Valuations are at all-time highs and the universe of well-capitalized buyers competing for deals is more expansive than ever before.



Source: Reagan Consulting. High quality agents and brokers, \$3-\$10M in revenue

As a result, Acquired Growth is an increasingly unfruitful growth strategy for most private agents and brokers, who are simply being priced out of the market. In 2010, private agents and brokers accounted for almost one-third of the M&A deals completed. Agency valuations were down at that time as a result of the ongoing financial crisis and private agents and brokers were able to compete nicely with the national buyers. By 2018, the financial skies had cleared and P/E and publicly-traded buyers were dominating the M&A landscape, reducing the private agents and brokers to a 19.1% share of the M&A market.



Source: SNL Financial as of December 31, 2018 (based on Announcement Date). Includes whole company, franchise and asset sales.



# Foundations

## Growth Foundations

Although *Best Practices* agencies did complete a few deals in 2018, the results, both in terms of numbers of transactions and average acquired revenues, were modest. Although an opportunistic M&A approach can still make good sense for private agents and brokers, the current environment makes Acquired Growth increasingly rare.

Revenue Category	% of Agencies making acquisitions in the last fiscal year	Average annualized commissions acquired
Less than \$1.25M	8.1%	\$143,333
\$1.25M - \$2.5M	10.3%	\$381,945
\$2.5M - \$5.0M	12.5%	\$526,349
\$5.0M - \$10.0M	12.8%	\$2,228,768
\$10.0M - \$25.0M	31.8%	\$1,019,969
Greater than \$25.0M	37.2%	\$2,882,017

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# Foundations

## Financial Foundations

### Financial Foundations

A *Best Practices* mentality requires a solid working understanding of accounting and finance. Without the ability to read and understand financial statements and think about investment returns, an agency leader has little hope of helping an agency to reach its full potential. And yet, many agency owners find themselves in exactly this predicament. They rely far too heavily on their in-house accounting staff, outside accountants and consultants to direct them on the financial basics necessary to manage their most prized financial assets – their insurance agencies. With this in mind, we have highlighted the foundational financial metrics every agency leader should master.

#### Profitability

Without question, profitability is the most important foundational financial metric to master. Healthy profits are necessary to ensure that suitable shareholder investment returns are achieved. Profits fund the growth investments necessary to increase agency value and to fund perpetuation redemptions. As such, healthy profits are a must. And yet, many agency owners are unsure how to measure their own profitability. Most rely on their financial statements, which are rarely an accurate indication of true profitability. Even worse, many owners have no idea how profitable they *should* be.

Let's start with some terminology. When measuring profitability, we focus on *pro forma* profitability. Pro forma is Latin for "as if," a clue that we are making adjustments to an agency's reported results. To arrive at a pro forma profitability, normalizing adjustments are made to an agency's actual financials to restate them after accounting for non-recurring and non-operating events. In other words, pro forma profit reflects the agency's real and sustainable profit after the numbers are cleaned up to remove any static.

#### ABC Insurance Agency

*Pro Forma Income Statement for the year ended December 31, 2018*

	Pro Forma		Notes
	Actual	Adjustments	
<b>Revenues</b>			
P&C Commission and Fees	2,851,207		2,851,207
P&C Contingents	299,505	45,995	345,500 <i>Adjust to trailing three-year average</i>
L&H Commission and Fees	1,505,662		1,505,662
L&H Overrides	122,000		122,000
<b>Total Operating Revenue</b>	<b>4,778,374</b>		<b>4,824,369</b>
Investment Income	14,505		14,505
Miscellaneous Income	125,000	(50,000)	75,000 <i>Eliminate non-recurring life insurance proceeds</i>
<b>Total Revenue</b>	<b>4,917,879</b>	<b>(4,005)</b>	<b>4,913,874</b>
<b>Expenses</b>			
Compensation Expense	3,196,621	(255,000)	2,941,621 <i>Eliminate non-recurring bonuses</i>
Selling Expense	245,894	(17,500)	228,394 <i>Eliminate 25th anniversary party expense</i>
Operating Expense	688,503	(55,000)	633,503 <i>Eliminate non-recurring legal expense</i>
Administrative Expense	73,768		73,768
<b>Total Expense</b>	<b>4,204,787</b>	<b>(327,500)</b>	<b>3,877,287</b>
<b>Profit \$</b>	<b>713,092</b>		<b>1,036,587</b>
<b>Profit %</b>	<b>14.5%</b>		<b>21.1%</b>

# Foundations

## Financial Foundations

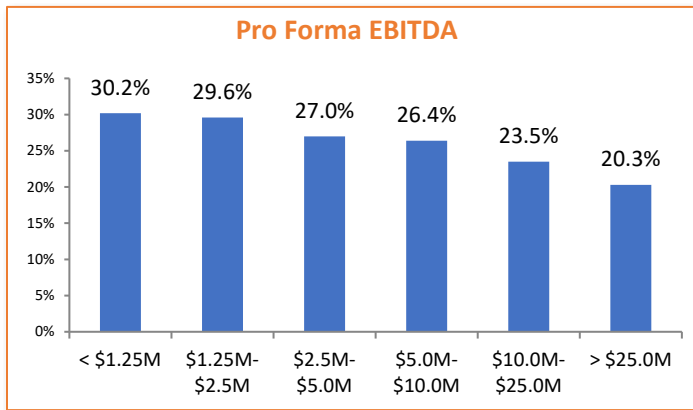
When referring to pro forma profitability, we often focus on EBITDA, or Earnings Before Interest, Taxes, Depreciation, and Amortization.

**Pro Forma EBITDA.** To arrive at pro forma EBITDA, add back Interest, Taxes, Depreciation, and Amortization to reported

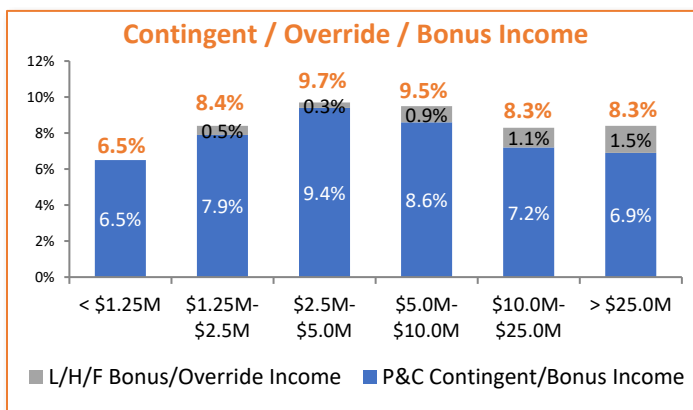
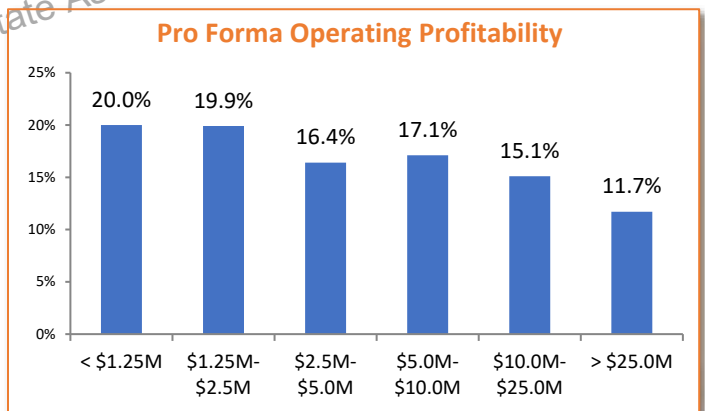
EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization.

*Think of EBITDA as pre-tax cash flow.*

net income. Then make the normalizing pro forma adjustments to arrive at pro forma EBITDA. Pro forma EBITDA is the most common profitability metric used in the *Best Practices* world. Note that pro forma EBITDA margins tend to decrease as agencies get larger and larger. The reason for this is that larger agencies tend to invest much more heavily in growth initiatives and value-added resources. When reviewing *Best Practices* profit margins, focus on your peer group's results, not those for agencies of different sizes.



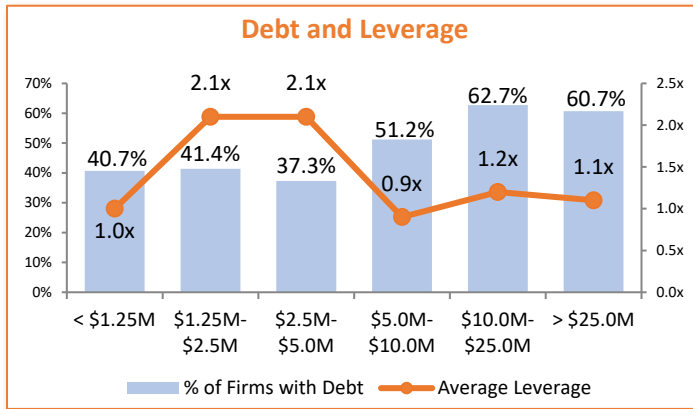
**Pro Forma Operating Profit.** Pro Forma Operating Profit is reported profit, excluding contingent and bonus/override income. This is another useful measure of profitability, especially when looking at mid-year results, as contingent income tends to skew mid-year profitability, as it is generally received early in the year. Pro Forma Operating Profit is a good measure of core operating profitability excluding contingent sources of income, which can be difficult to predict and control.



**Contingent / Override / Bonus Income.** Did you know that P&C and L/H/F contingent/override/bonus income is generally the single largest contributor to agency profitability? Reagan Consulting estimates that 40-45% of the typical agency's profit is derived from these contingent sources of income. Because few agencies pay producers on contingent sources of income, it tends to fall straight to the bottom line as pure profit. Managing and maximizing this source of income is critically important to ensure healthy profitability.

# Foundations

## Financial Foundations



### Debt & Leverage

Our industry tends to be debt-averse. While this is often a wise strategy, there are myriad reasons to take on debt: agency or book acquisitions, shareholder redemptions, growth investments, etc. The key to debt is not to avoid it completely, but to use it prudently. The banking world generally measures debt as a multiple of pro forma EBITDA. For most agencies, debt-to-pro forma EBITDA multiples of up to 2-3x are generally considered to be manageable. A wise use of the cheap debt available today could lead to

profound returns. As we demonstrated earlier, the average insurance agency generates investment returns in the mid-teens. If an agency can generate investment returns in the mid-teens using debt with single-digit interest rates, it may make great economic sense to consider a wise use of debt to fund growth initiatives and shareholder redemptions.

### Financial Liquidity

Financial liquidity measures how easily assets can be converted into cash to satisfy operating expenses and near-term liabilities such as accounts payable. An agency with an illiquid financial position will struggle to satisfy its obligations, resulting in the need to take on debt, often in the form of a line of credit, to fund obligations. Although the occasional reliance on a line of credit is not necessarily a problem, an issue may exist if you are frequently using debt to pay operating expenses.

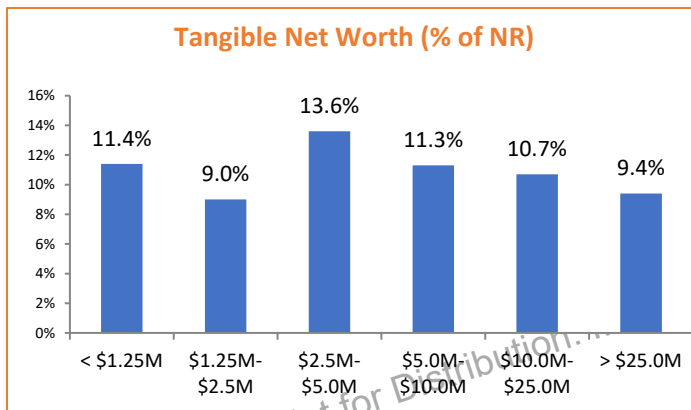
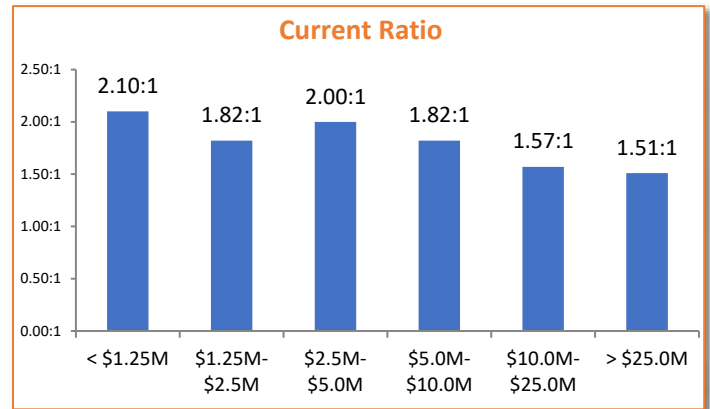
Working Capital refers to the capital necessary to fund an agency's day-to-day operations. It is the difference between current assets (cash and other assets likely to be converted to cash in the near-term, such as A/R) and current liabilities (near-term obligations like debt service and A/P). Ideally, an agency will always have a positive working capital position, eliminating the need to scramble to pay the bills in any given month.

Two fundamental financial metrics can generally assess your agency's working capital position and to determine whether or not you have healthy liquidity: the Current Ratio and Tangible Net Worth.

# Foundations

## Financial Foundations

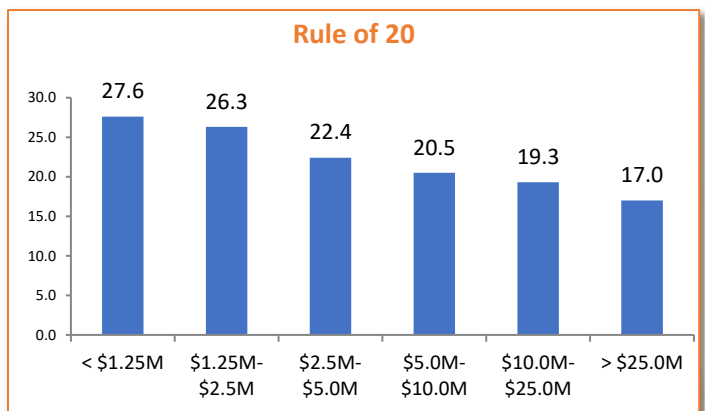
**Current Ratio.** The Current Ratio is a key indicator of an agency's working capital health. The Current Ratio is the ratio between current assets and current liabilities. A 1:1 ratio or better between current assets and current liabilities is preferred. If your agency consistently has less than a 1:1 Current Ratio, meaning you don't have enough near-term assets to satisfy near-term liabilities, you may have financial issues to address.



**Tangible Net Worth.** Tangible Net Worth ("TNW") is total tangible assets (actual assets less any intangible assets such as goodwill, covenants-not-to-compete, etc.) less liabilities. An agency's TNW represents the net value of its balance sheet if it were liquidated. A low or negative TNW impacts an agency's ability to make growth investments and facilitate shareholder redemption obligations.

**Rule of 20.** The Rule of 20, which is partially a financial metric and partially a growth metric, is the best indication of an agency's likely investment shareholder return. The Rule of 20 is calculated by adding organic growth to 50% of pro forma EBITDA.

Agencies attempting to grow their values face a dilemma – focus on growth, at the expense of profitability, or focus on profitability, at the expense of growth? The Rule of 20 is a helpful metric to ensure that an agency's balance of growth and profitability are healthy.



The Rule of 20 is a simple tool to determine if an agency is creating value for its shareholders. Generally speaking, an outcome of 20 or more, regardless of the different combinations of growth and profitability, indicates that the agency's shareholders can expect to generate a very healthy investment return (15-17%).

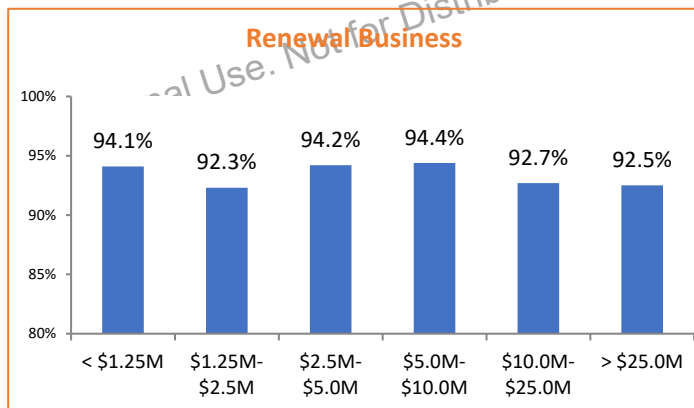
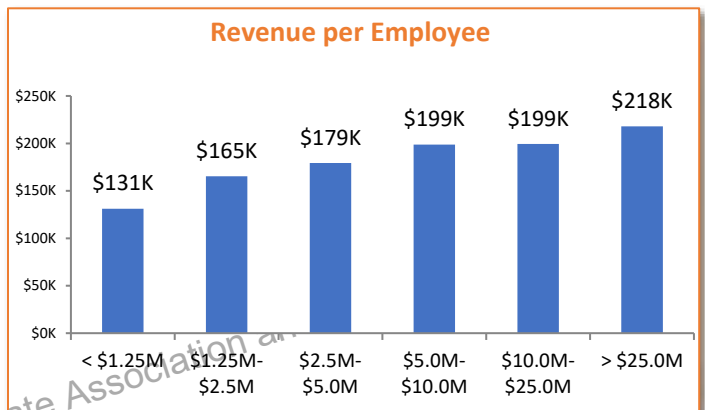
# Foundations

## Operational Foundations

### Operational Foundations

The *Best Practices Study* also contains dozens of key performance indicators to assess overall operating efficiencies, a major influencer of profitability, growth and valuation. A solid understanding of how these metrics are calculated and why they are important is essential to creating a high-value agency. Like a slow, hidden water leak in a home, operating inefficiencies can rot an agency over time from the inside out and necessitate costly and time-consuming repairs. Get under the crawl-space of your agency with the following key operating efficiency metrics to see if trouble is brewing.

**Revenue Per Employee.** Revenue per Employee, one of the single most critical key performance indicators, is simply an agency's revenue divided by its full-time equivalent employees. An agency operating at below-average Revenue per Employee is likely generating a lower level of profitability than its potential. A low Revenue per Employee result may be an indication that your agency is over-staffed, poorly structured, or in need of improved technology and/or systems and procedures, among other things.

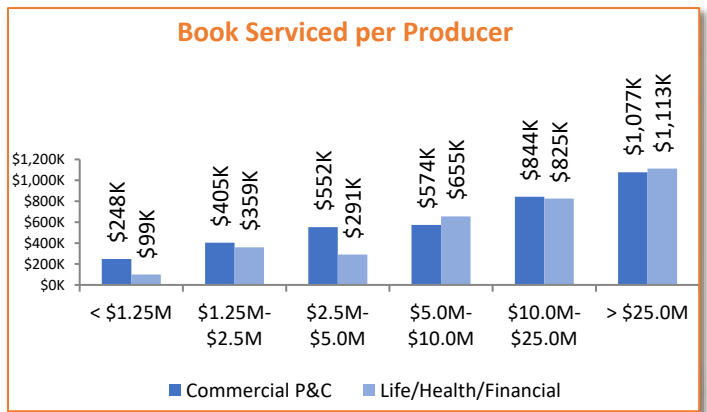


**Renewal Business.** A measure of account retention, Renewal Business is the percentage of prior period commission and fee income that renewed in the current period. Since organic growth is materially influenced by Renewal Business, poor results here will make meaningful organic growth difficult. Sub-par Renewal Business results may mean an agency has serious servicing issues. New business is hard enough to come by – make sure your insurance operations are enhancing, and not hurting, the prospects of keeping it on the books.

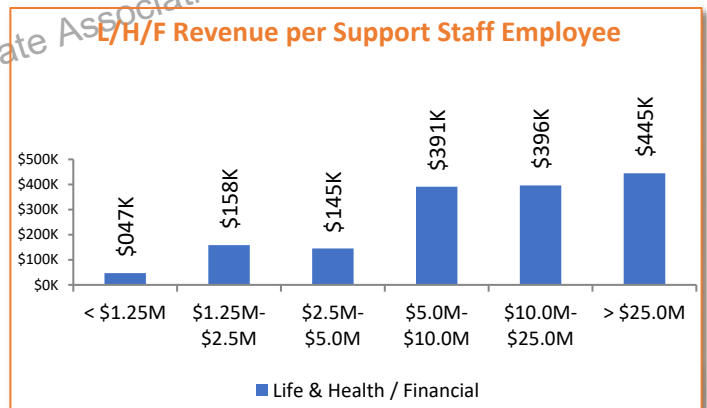
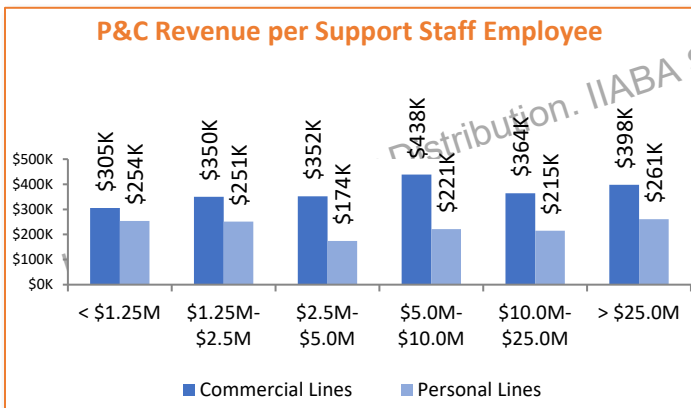
# Foundations

## Operational Foundations

**Book Served per Producer.** Book Served per Producer is another key indicator of agency efficiency. This metric measures the average annualized commission and fee income coded to validated producers. The higher the number, the better. A lower-than-average Book Served per Producer result can result for several reasons, none of which are ideal: very small accounts, servicing inefficiencies, a poorly trained support staff, too much producer involvement in day-to-day servicing issues (at the expense of their new business results), and so on.



**Revenue per Support Staff Employee.** The *Best Practices Study* also provides detailed benchmark data to assess departmental support staff efficiency. A comparison of departmental revenue serviced per staff employee versus *Best Practices* peer agencies is an important way to ensure you are right-sized. If not, it may be an indication that your agency's systems & procedures are in need of attention.



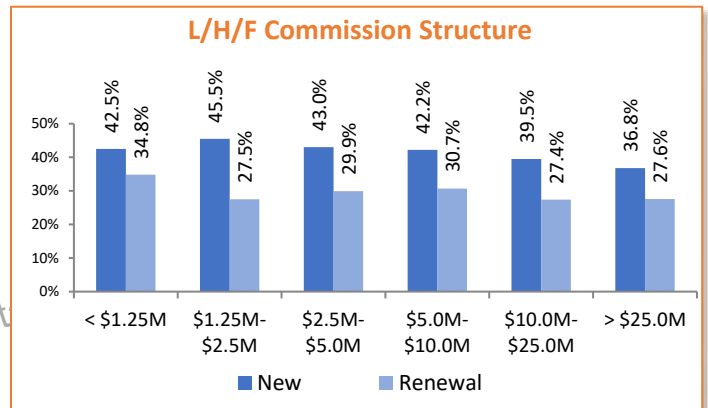
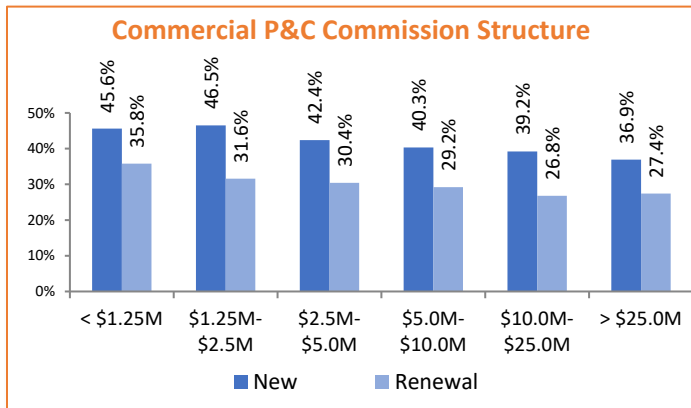
# Foundations

## Compensation Foundations

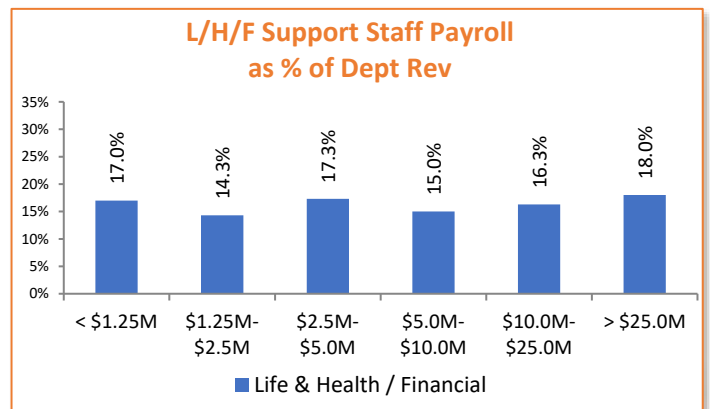
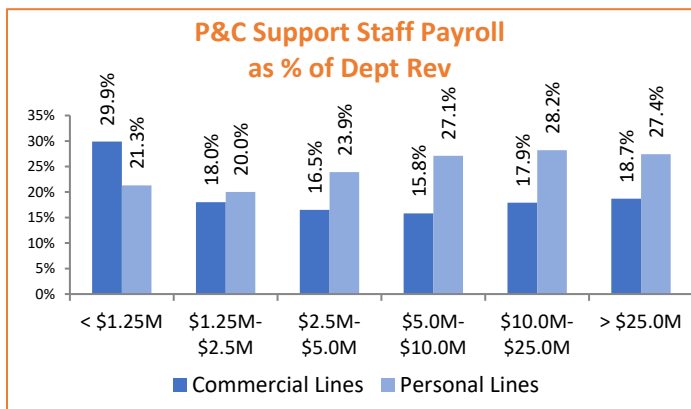
### Compensation

Without question, an insurance agency's most valuable asset is its people. An agency's compensation practices must allow it to successfully compete for talent, while at the same time ensuring healthy profit margins to deliver acceptable shareholder returns. The *Best Practices Study* identifies the most important compensation-related key performance indicators for agency leaders as they manage the delicate balance between compensation, growth, and profitability.

**Producer Compensation.** Producer Compensation in our industry is typically a function of a producer's new and renewal commission & fee results. Producers are usually paid a percentage of new (first year) commission and fee business and then a renewal percentage each year as the account renews (e.g., 40% new / 30% renewal).



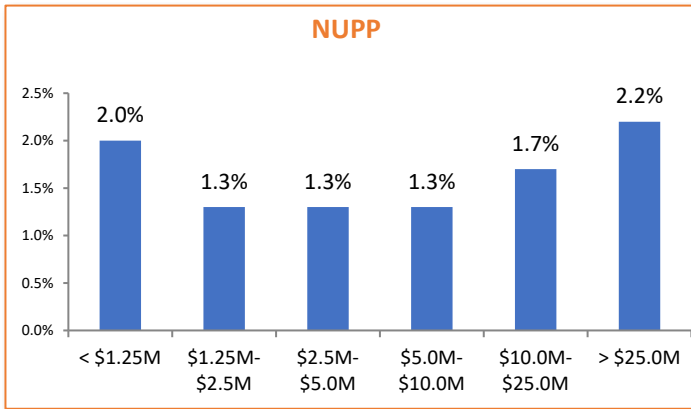
**Support Staff Payroll.** The *Best Practices Study* also provides detailed benchmark data to assess departmental support staff compensation levels. A comparison of your agency's departmental support staff payroll (as a % of departmental revenue) versus *Best Practices* peer agencies is an important way to ensure your compensation practices are in-line with industry norms.





# Foundations

## Compensation Foundations

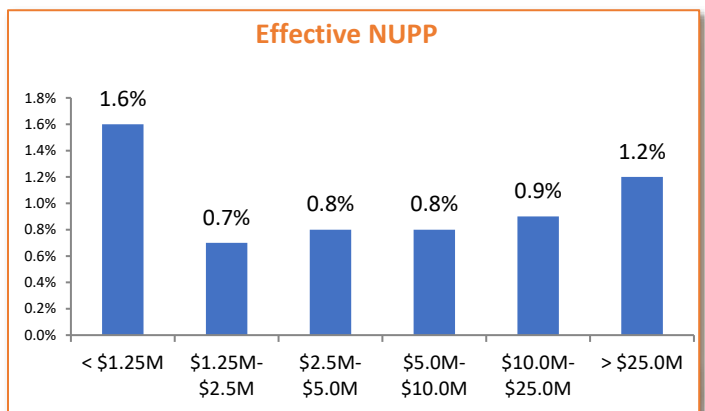


**NUPP (Net Unvalidated Producer Payroll).** Expressed as a percentage of net revenue, NUPP is the difference between what an agency pays its unvalidated producers (producers in development) and what the unvalidated producers would earn on the agency's standard producer commission arrangement, divided by Net Revenue. In other words, NUPP measures what an agency's unvalidated producers were paid vs. what they earned. It is a fundamental measure of an agency's investment in producer development, which is critical to the long-term growth capacity of any insurance agency.

### EXAMPLE:

Effective Investments in Growth: Calculating the NUPP	
<b>Step 1: Find the total compensation of all unvalidated producers</b>	
Number of Unvalidated Producers	3
Actual Payroll of Unvalidated Producers	\$174,000
<b>Step 2: What would the unvalidated producers earn under the agency's normal producer commission schedule?</b>	
Unvalidated producers total book of business	\$125,000
Agency blended commission rate	32%
Implied ("earned") compensation	\$40,000
<b>Step 3: Calculate the NUPP as a percentage of revenues</b>	
Actual payroll of unvalidated producers	\$174,000
Implied ("earned") compensation	(\$40,000)
NUPP	\$134,000
Agency Net Revenues	\$7,500,000
<b>NUPP - Net Unvalidated Producer Pay (as a percentage of revenues)</b>	<b>1.8%</b>

**Effective NUPP.** Effective NUPP is NUPP multiplied by an agency's historical success rate in hiring and validating producers (Producer Success Rate). For example, an agency with a 2.0% NUPP and a Producer Success Rate of 45% has a .90% Effective NUPP. Effective NUPP is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.



# Foundations

## Perpetuation Foundations

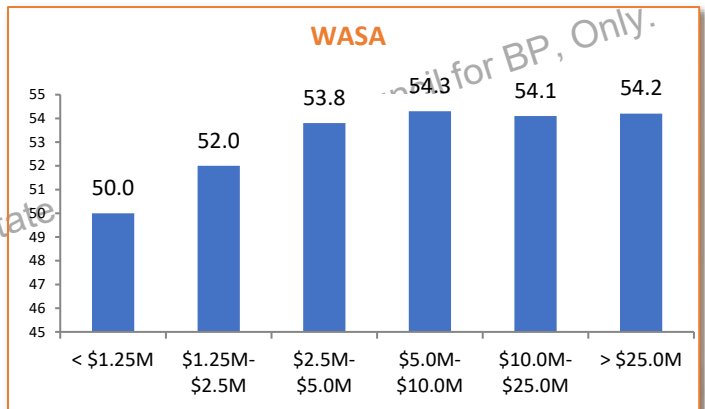
### Perpetuation

Despite the widespread M&A consolidation taking place in our industry today, a vast majority of insurance agencies intend to perpetuate internally, with departing shareholders selling their ownership interests down to the next generation of owners. The *Best Practices Study* tracks two critical metrics that are key to assessing an agency's internal perpetuation readiness: WASA and WAPA.

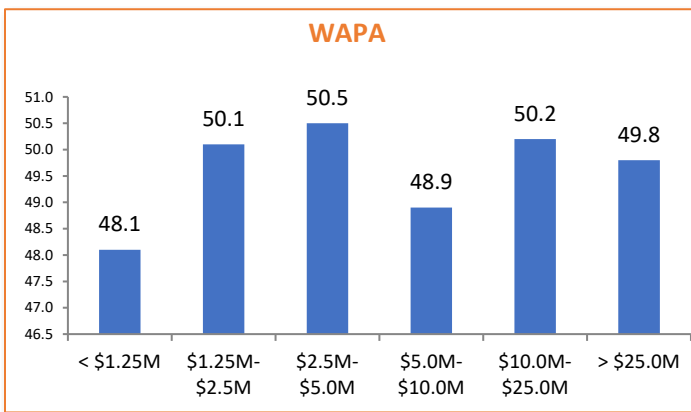
**WASA (Weighted Average Shareholder Age):** WASA is a way to gauge the relative age of an agency's ownership team, a key indicator of an agency's internal perpetuation readiness. WASA is calculated using the sum of the product of an agency's owners' ages and their respective ownership percentages. A company with a lower WASA, which we view as below 50, likely has enough shares concentrated in the hands of younger shareholders to successfully enable internal perpetuation. A company with a higher WASA, which we view as above 55, may struggle to perpetuate internally.

**EXAMPLE:**

Producer	Age	% Ownership	WASA
Bob Jones	61	65.0%	39.7
Dave Smith	54	30.0%	16.2
Dianne Davis	38	5.0%	1.9
<b>TOTAL</b>		<b>100.0%</b>	<b>57.8</b>



**WAPA (Weighted Average Producer Age):** WAPA is a way to gauge the relative youthfulness of an agency's production staff. WAPA is calculated using the sum of the product of the agency's producers' ages and the percentage of the agency's produced business handled by each - house business is excluded from the WAPA calculation.



**EXAMPLE:**

Producer	Age	Book	% of Total	WAPA
Dave Smith	54	500,000	31.9%	17.2
Bob Jones	61	808,000	51.5%	31.4
Dianne Davis	38	260,000	16.6%	6.3
<b>TOTAL</b>		<b>\$1,568,000</b>	<b>100.0%</b>	<b>55.0</b>

An agency with a relatively low WAPA (below 50) is generally easier to perpetuate, as it is more likely to have a larger number of young, highly-compensated buyers to purchase retiring shareholders' equity. Further, an agency with a low WAPA would typically have greater future growth potential than one with a relatively high WAPA (over 55), since younger producers generally have more of their career remaining to solicit new clients and to grow their book of business. An agency with a high WAPA may also find itself facing material client retention challenges as its mature producers approach retirement.

# Foundations

## Conclusion

### Conclusion

The *Best Practices Study* has succeeded beyond the founding creators' wildest dreams. On virtually every measure imaginable, *Best Practices* agencies in 2019 are operating at levels unimaginable in 1993, when it all began.

There is a danger, however, that we will become complacent. Although we are far better off as an industry than we were in 1993, the insurance broker landscape faces challenges that would also have been imaginable in 1993: Insuretech, industry consolidation, the demand for value-added-resources to satisfy clients, artificial intelligence and a systemic lack of young talent entering the industry, to name a few.

Had insurance agencies in 1993 been content to be average, even as compared to the *Best Practices* agencies at the time, the industry would not have achieved the remarkable improvements it has. We must continue to pass down the hard-fought lessons learned to the next generations of insurance agents and agency leaders. We are not as good as we can, and will, be. To realize this potential, we must continue to adapt to an ever-changing environment, with an eye towards continuous improvement. We trust these *Best Practices* fundamentals will help you to do so.

In order to make your application of these fundamentals more effective, we will offer two final suggestions regarding how to put these materials to the best use possible.

### Dashboarding

In this review of *Best Practices* foundations, we have highlighted a few dozen of the most important *Best Practices* metrics. But should you focus on every single metric? Probably not. *Good to Great* author Jim Collins encourages readers to discover and focus on their "economic denominator." He writes, "If you could pick one and only one ratio – profit per x (or, in the social sector, cash flow per x) – to systematically increase over time, what x would have the greatest and most sustainable impact on your economic engine?" Different companies will have different economic denominators. Collins' encouragement is to take the time to understand your company's unique DNA and focus relentlessly on the metric most likely to lead to economic success.

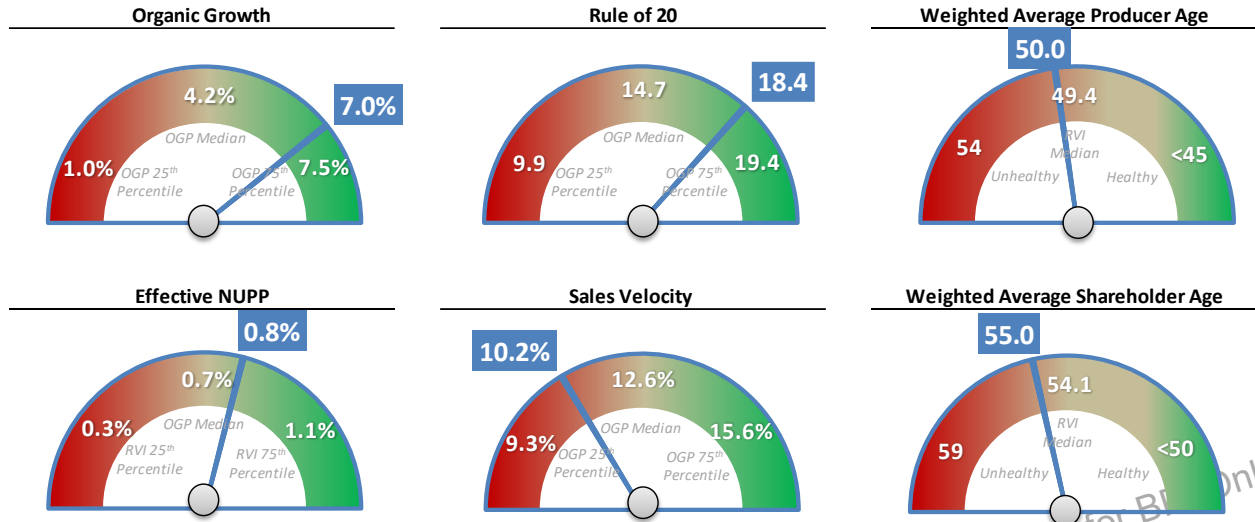
Applying this same general principle to the topic of *Best Practices*, we would argue against a focus on a *single* metric, but agree that it makes sense to focus on the few *Best Practices* metrics that will serve your agency best. Over time, many top-performing agencies find that 8-10 metrics matter most for their businesses given their unique culture, challenges and aspirations. These agencies then focus on these metrics religiously.

To create a high degree of accountability and urgency, consider developing a quarterly dashboard to deliver to your shareholders and leaders to capture and report on the *Best Practices* metrics that matter most to your agency.

# Foundations

## Conclusion

### A Hypothetical Metric Dashboard



**Strategic Planning.** Top-performing *Best Practices* agencies almost universally adopt a discipline of strategic planning, whereby the agency's best thinkers meet regularly to consider three fundamental questions: where are we now, where do we want to go, and how do we get there?

If you think this sounds a lot like the *Best Practices* Process Improvement Cycle addressed earlier, you're right. When insurance organizations are transformed, the common denominator is almost certainly a rigorous commitment to the discipline of strategic planning.

- 1) **Where are we now?**
- 2) **Where do we want to go?**
- 3) **How do we get there?**



# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies with under \$1.25 million in revenue

Internal Use. Not for Distribution. IIABA Commission and Council for BP, Only.

# Executive Summary

Agencies under \$1.25 million in revenue

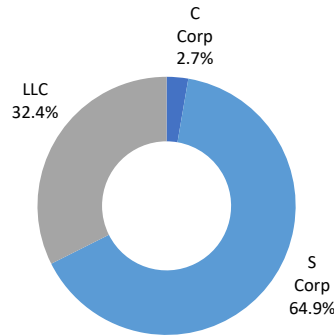
## Profile

### Regional Distribution



■ Northeast	13.5%
■ Midwest	29.7%
■ West	5.4%
■ Southeast	40.5%
■ Southwest	10.8%

### Corporate Structure



### Average Revenues

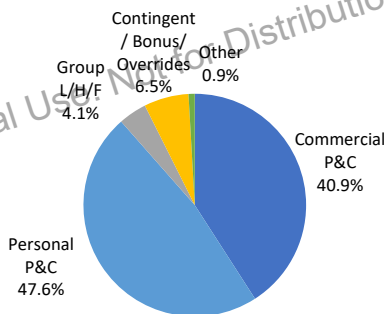
**\$906,261**

Weighted Average Shareholder Age (WASA)

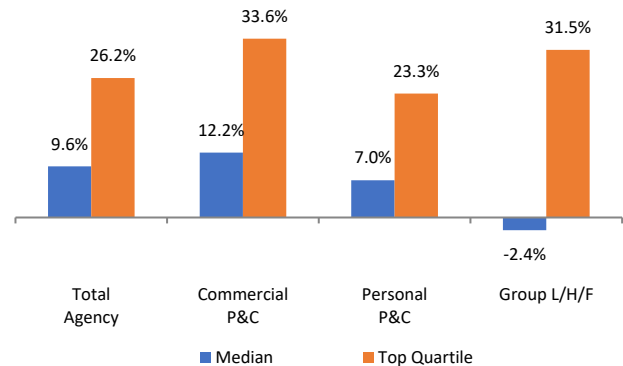
**50.0**

## Revenue and Growth

### Revenue Distribution (as a % of Gross Revenue)



### Organic Growth in Net Commissions & Fees (excluding contingents, bonuses & overrides)



**Note:** Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

### Account Stratification

#### Commercial P&C



■ < \$5K	56.2%
■ \$5K to \$10K	16.5%
■ \$10K to \$25K	15.5%
■ \$25K to \$50K	7.2%
■ > \$50K	4.6%

#### Group L&H



■ Under 50 lives	82.5%
■ From 50 to 100 lives	11.0%
■ Over 100 lives	6.5%

### Notes

- Agencies in this revenue category achieved the highest overall Organic Growth Rate (9.6%), as well as the highest Organic Growth Rate in both commercial lines (12.2%) and personal lines (7.0%).
- With the lowest Weighted Average Shareholder Age (50.0) of all the revenue categories, the agencies under \$1.25 million in revenue have relatively young ownership, which typically indicates less near-term pressure on internal perpetuation.

# Executive Summary

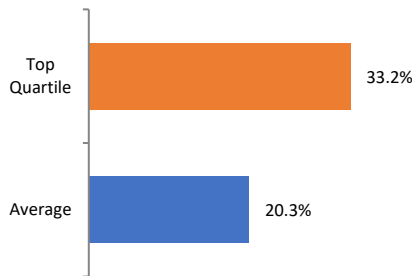
Agencies under \$1.25 million in revenue

## Production

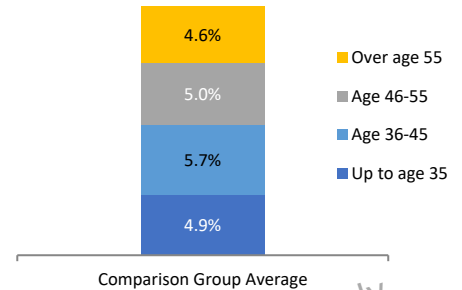
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



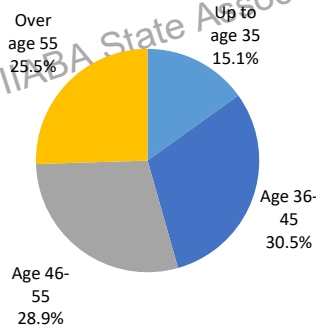
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$43,394	\$248,414
Personal P&C	\$37,969	\$227,425
Life/Health/Financial	\$30,145	\$98,967
Multi-Line	\$49,631	\$376,283

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- BPS agencies under \$1.25M generated the highest Sales Velocity (20.3%) of all the revenue categories, exceeding the second highest results achieved by agencies with revenues of \$1.25 - \$2.5M by 1.5 percentage points.
- Agencies in this category had the highest Effective NUPP (1.6%), achieved through the combination of the second highest NUPP (2.0%) and the highest Producer Success Rate of 82.3%.

### Effective NUPP

Group Average:

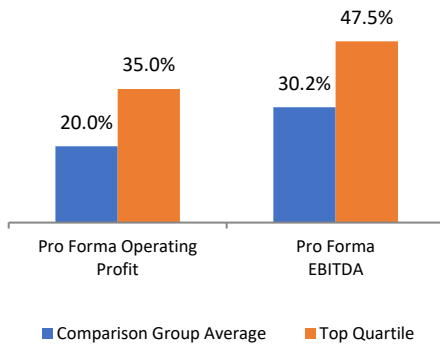


# Executive Summary

Agencies under \$1.25 million in revenue

## Profitability / Productivity

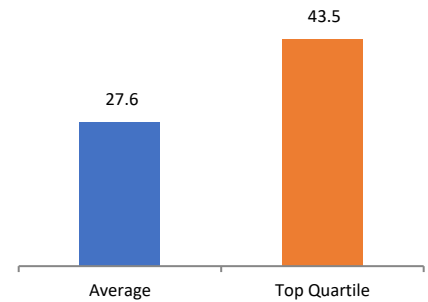
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	7.5	
Revenue per Employee	\$131,081	\$187,976
Compensation per Employee	\$62,855	\$37,059
Spread per Employee	\$68,226	\$114,351

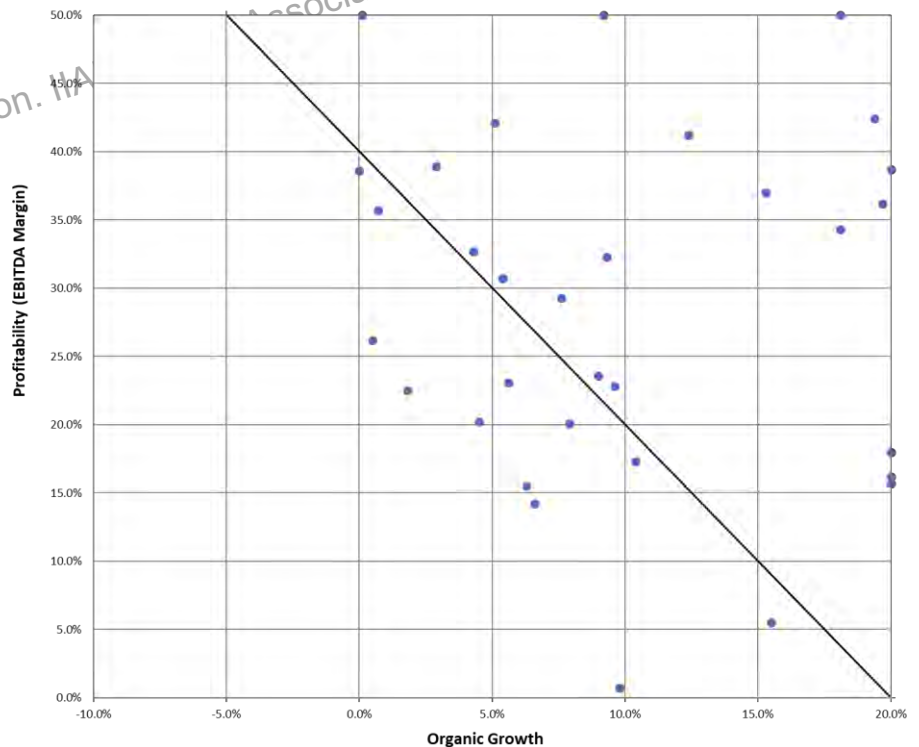
### Rule of 20 Score



### Notes

- The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission & fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.
- The graph to the right provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.



# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies between \$1.25 million and \$2.5 million in revenue

Internal Use. Not for Distribution. IIABA Staff and Council for BP, Only.

# Executive Summary

Agencies between \$1.25 million and \$2.5 million in revenue

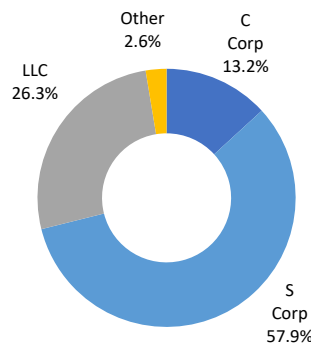
## Profile

### Regional Distribution



■ Northeast	15.4%
■ Midwest	25.6%
■ West	12.8%
■ Southeast	35.9%
■ Southwest	10.3%

### Corporate Structure



### Average Revenues

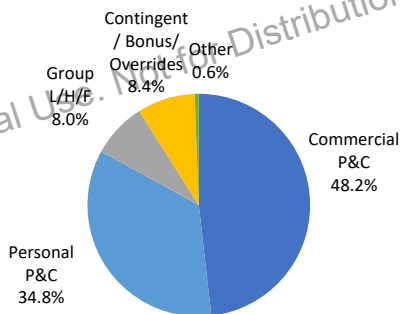
**\$1,956,918**

### Weighted Average Shareholder Age (WASA)

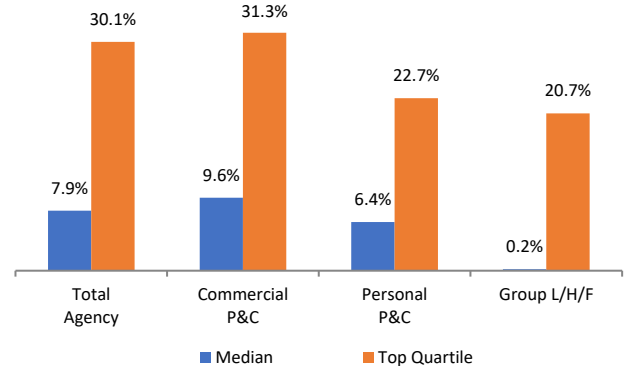
**52.0**

## Revenue and Growth

### Revenue Distribution (as a % of Gross Revenue)



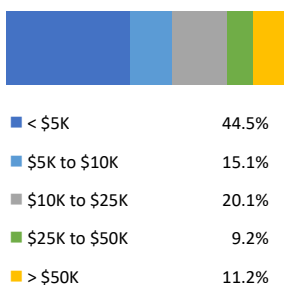
### Organic Growth in Net Commissions & Fees (excluding contingents, bonuses & overrides)



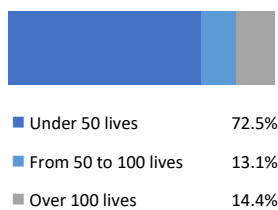
**Note:** Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

### Account Stratification

#### Commercial P&C



#### Group L/H/F



### Notes

- The \$1.25 – \$2.5M *Best Practices* group has the second lowest WASA of any size category at 52.0 years.
- Total agency organic growth for the \$1.25 – \$2.5M group was 7.9%, more than double last year's 3.6% organic growth.
- The Top Quartile growth of 30.1% was the highest of any size category.

# Executive Summary

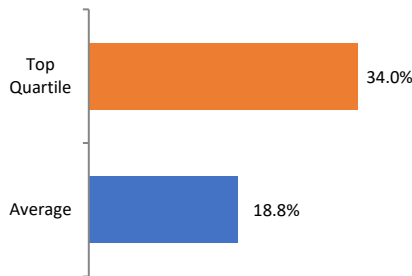
Agencies between \$1.25 million and \$2.5 million in revenue

## Production

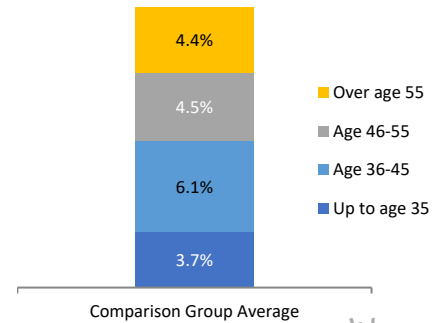
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



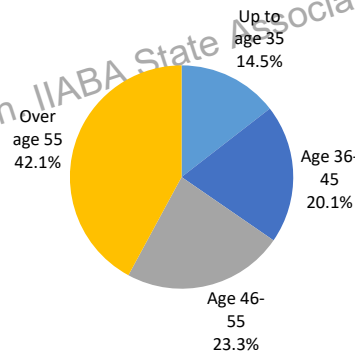
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$68,089	\$404,553
Personal P&C	\$51,376	\$218,908
Life/Health/Financial	\$68,761	\$358,903
Multi-Line	\$49,842	\$387,216

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent. This group's Effective NUPP totaled 0.7, the lowest NUPP of all the *Study* groups.
- *BPS* agencies in the \$1.25 – \$2.5M revenue category posted the second highest Sales Velocity average (18.8%) of all the 2018 *Best Practices Study* revenue categories.
- The "36-45" producer age group (the *Sophomore Class*) accounted for 6.1% of this group's total Sales Velocity, first place among all *Best Practices* revenue groups.

### Effective NUPP

Group Average:

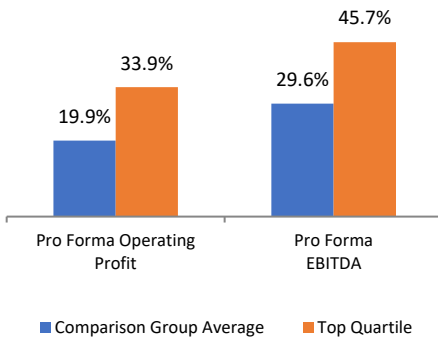


# Executive Summary

Agencies between \$1.25 million and \$2.5 million in revenue

## Profitability / Productivity

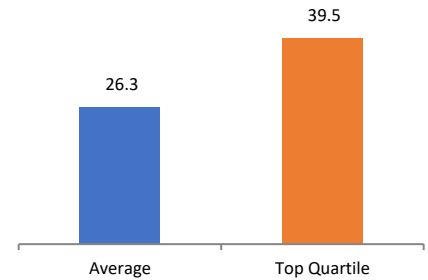
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	13.4	
Revenue per Employee	\$165,371	\$266,170
Compensation per Employee	\$80,492	\$53,974
Spread per Employee	\$84,880	\$165,698

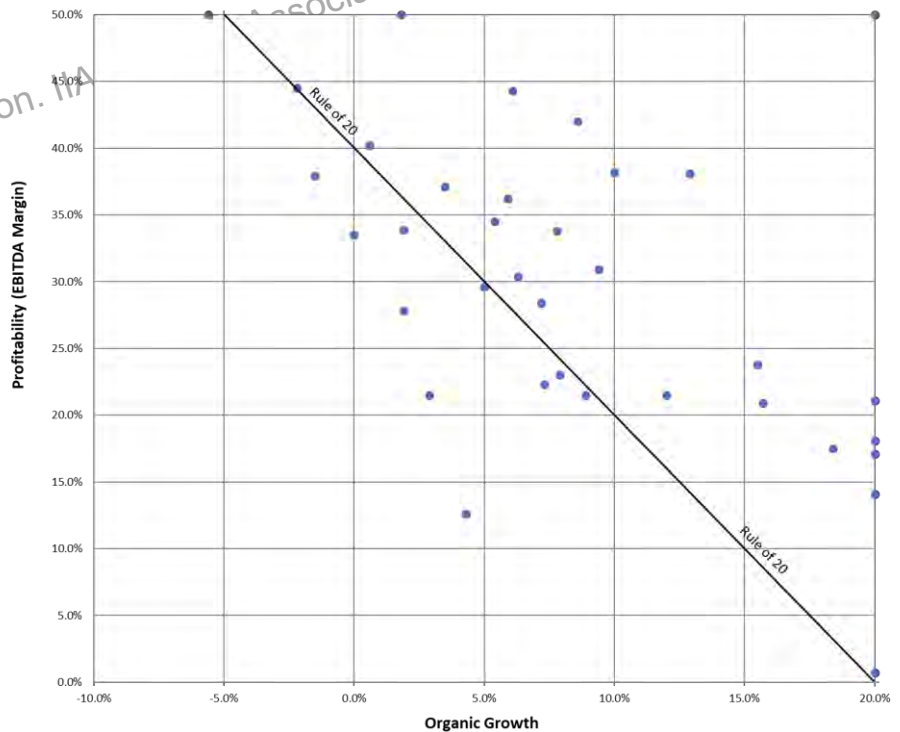
### Rule of 20 Score



### Notes

- The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission & fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.
- The graph to the right provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies between \$2.5 million and \$5.0 million in revenue

Internal Use. Not for Distribution. IIABA Staff and Council for BP, Only.

# Executive Summary

Agencies between \$2.5 million and \$5.0 million in revenue

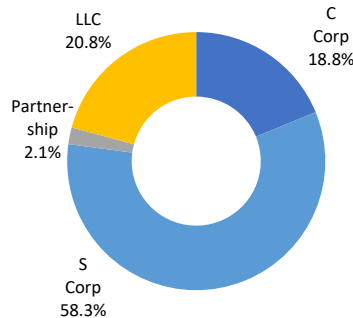
## Profile

### Regional Distribution



Northeast	16.7%
Midwest	20.8%
West	8.3%
Southeast	35.4%
Southwest	18.8%

### Corporate Structure



### Average Revenues

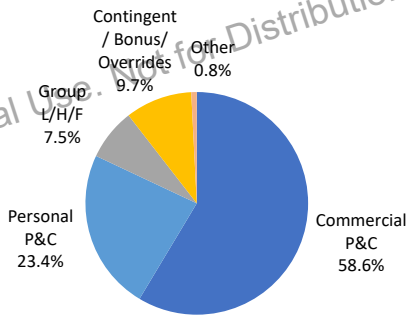
**\$3,603,247**

Weighted Average Shareholder Age (WASA)

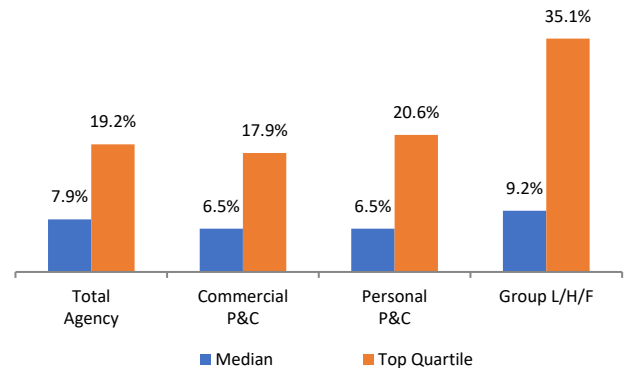
**53.8**

## Revenue and Growth

### Revenue Distribution (as a % of Gross Revenue)

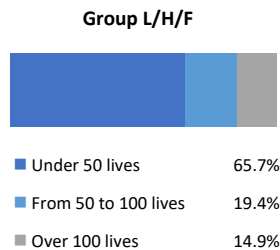
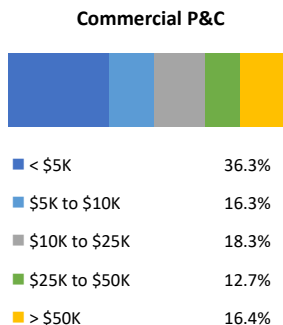


### Organic Growth in Net Commissions & Fees (excluding contingents, bonuses & overrides)



Note: Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

### Account Stratification



### Notes

- This revenue group posted organic growth of 7.9%, an increase of 4.3% over 2018, moving from the second slowest growing group to the second fastest growing group.
- Group L/H/F revenue was a big contributor to organic growth performance for this group, growing at 9.2% – second highest among all BPS groups.
- Agencies in this revenue category generate 50.6% of revenue from Commercial P&C business. This is the highest concentration in the Study.

# Executive Summary

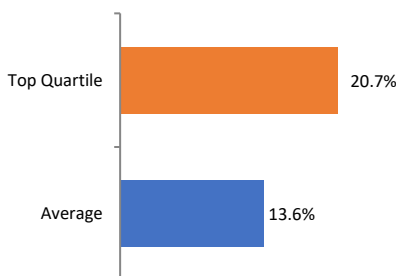
Agencies between \$2.5 million and \$5.0 million in revenue

## Production

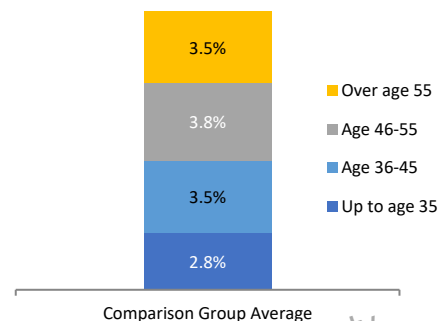
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



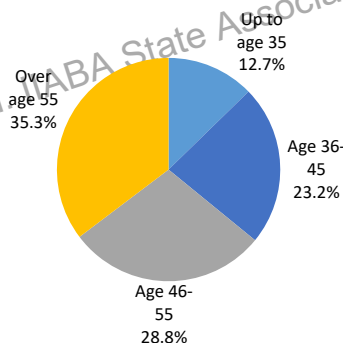
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$69,368	\$551,557
Personal P&C	\$39,210	\$250,995
Life/Health/Financial	\$83,919	\$290,794
Multi-Line	\$56,890	\$465,214

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- \$2.5 – \$5.0M firms had the second lowest Sales Velocity of any size category at 13.6% and the lowest Sales Velocity for producers 45 and under.
- In addition to a low Sales Velocity, this revenue category also has a relatively low investment in production talent. The NUPP of 1.3% is the lowest among all size categories, and the effective NUPP of 0.8% is second lowest.

### Effective NUPP

Group Average:

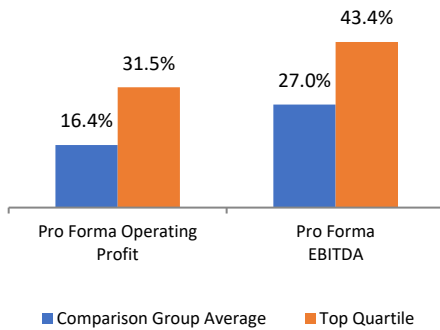


# Executive Summary

Agencies between \$2.5 million and \$5.0 million in revenue

## Profitability / Productivity

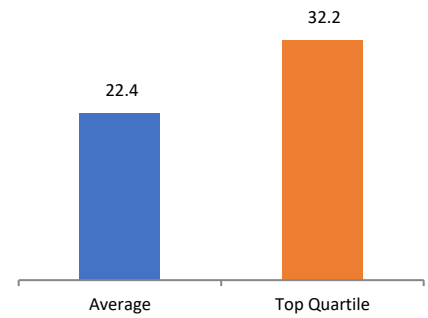
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	21.8	
Revenue per Employee	\$179,303	\$254,750
Compensation per Employee	\$98,634	\$67,353
Spread per Employee	\$80,670	\$136,040

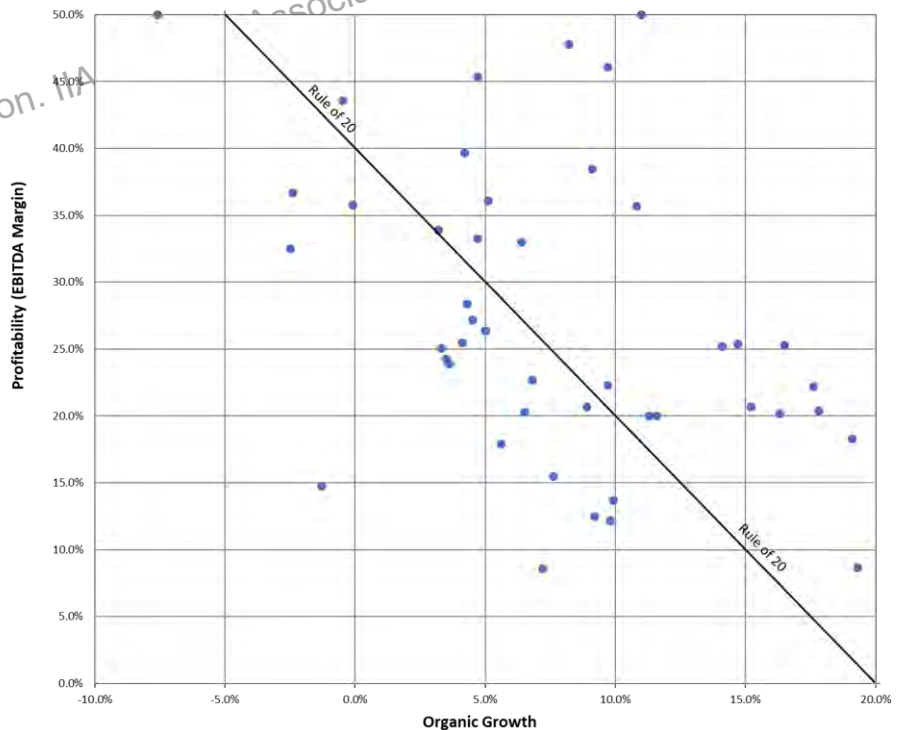
### Rule of 20 Score



### Notes

- The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission & fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.
- The graph to the right provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.



# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies between \$5.0 million and \$10.0 million in revenue

Internal Use. Not for Distribution. IIABA Staff and Council for BP, Only.

# Executive Summary

Agencies between \$5.0 million and \$10.0 million in revenue

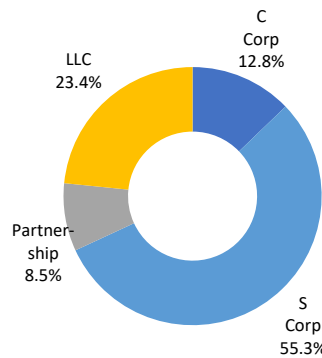
## Profile

### Regional Distribution



Northeast	21.3%
Midwest	21.3%
West	8.5%
Southeast	31.9%
Southwest	17.0%

### Corporate Structure



### Average Revenues

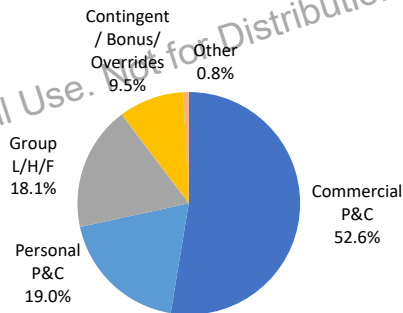
**\$7,379,660**

### Weighted Average Shareholder Age (WASA)

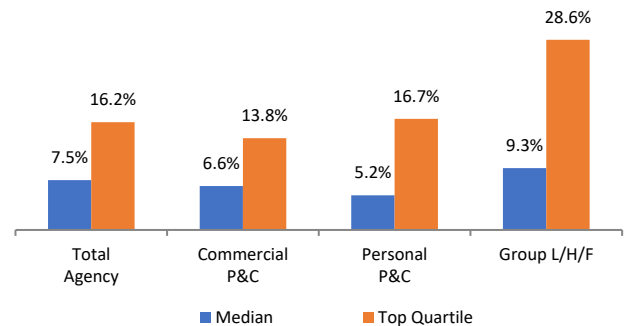
**54.3**

## Revenue and Growth

### Revenue Distribution (as a % of Gross Revenue)

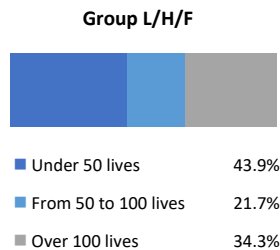
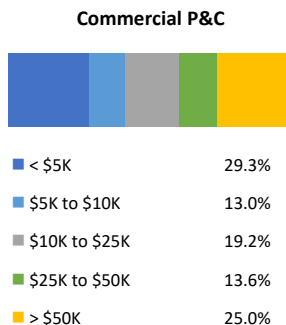


### Organic Growth in Net Commissions & Fees (excluding contingents, bonuses & overrides)



*Note: Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.*

### Account Stratification



### Notes

- Agencies in the \$5 – 10M revenue category reported the highest Weighted Average Shareholder Age (WASA) of 54.3.
- These firms produced a relatively high Organic Growth Rate (9.3%) in Group L/H/F, but the lowest Organic Growth Rate (6.6%) in Commercial P&C and the second lowest rate (5.2%) in Personal P&C.

# Executive Summary

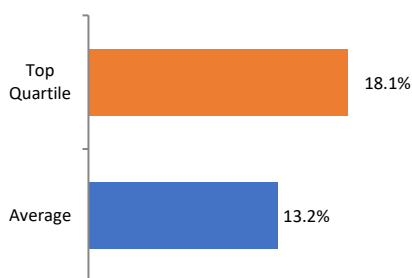
Agencies between \$5.0 million and \$10.0 million in revenue

## Production

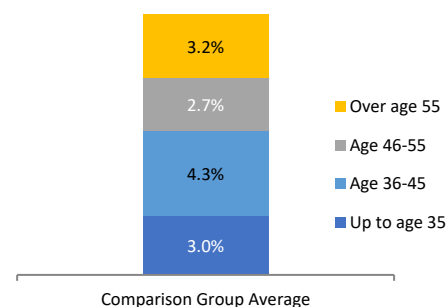
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



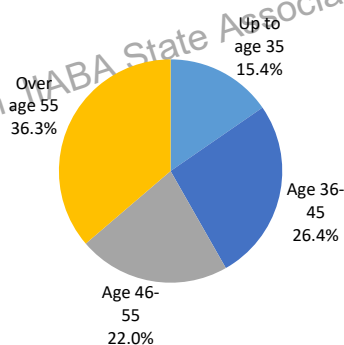
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$74,013	\$573,503
Personal P&C	\$42,664	\$288,624
Life/Health/Financial	\$89,649	\$655,032
Multi-Line	\$68,302	\$589,520

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- The *BPS* agencies in this revenue category achieved a Sales Velocity of only 13.2%, lowest of all the revenue categories. However, these firms are getting the highest percentage of total Sales Velocity from producers in the two youngest age groups.
- These agencies achieved the second highest Producer Success Rate (62.4%), but their relatively low NUPP (1.3%) resulted in an Effective NUPP of only 0.8%.

### Effective NUPP

Group Average:

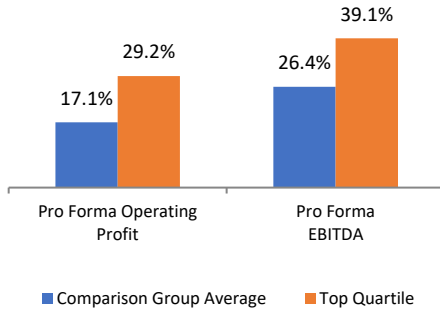


# Executive Summary

Agencies between \$5.0 million and \$10.0 million in revenue

## Profitability / Productivity

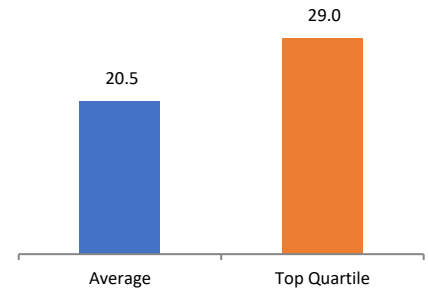
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	38.6	
Revenue per Employee	\$198,702	\$257,150
Compensation per Employee	\$115,600	\$85,065
Spread per Employee	\$83,102	\$116,354

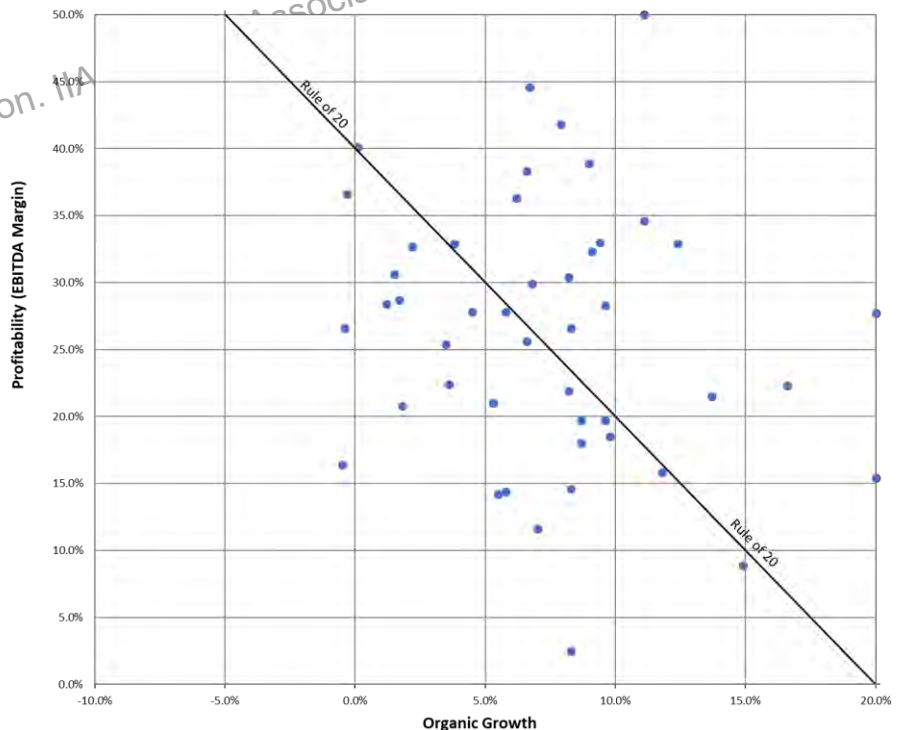
### Rule of 20 Score



### Notes

- The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission & fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.
- The graph to the right provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies between \$10.0 million and \$25.0 million in revenue

Internal Use. Not for Distribution. IIABA Staff and Council for BP, Only.

# Executive Summary

Agencies between \$10.0 million and \$25.0 million in revenue

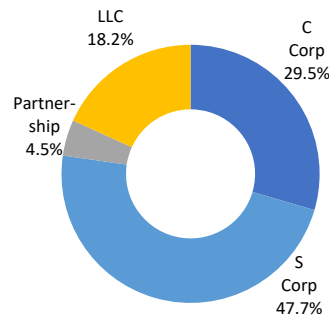
## Profile

### Regional Distribution



Northeast	15.9%
Midwest	15.9%
West	15.9%
Southeast	31.8%
Southwest	20.5%

### Corporate Structure



### Average Revenues

**\$16,403,196**

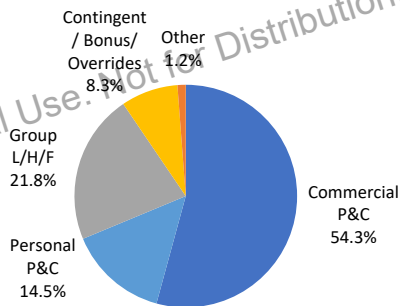
### Weighted Average Shareholder Age (WASA)

**54.1**

## Revenue and Growth

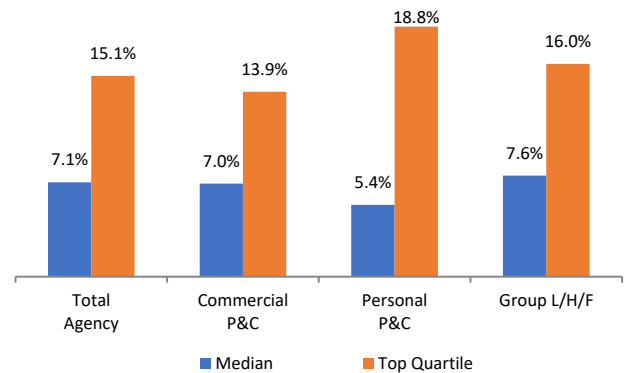
### Revenue Distribution

(as a % of Gross Revenue)



### Organic Growth in Net Commissions & Fees

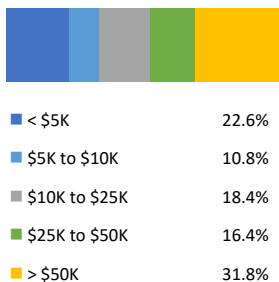
(excluding contingents, bonuses & overrides)



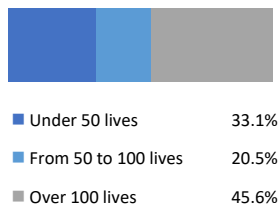
Note: Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

### Account Stratification

#### Commercial P&C



#### Group L/H/F



### Notes

- Organic Growth rates were relatively consistent across lines of business, with Group L/H/F first at 7.6% and Personal P&C last at 5.4%
- Total organic growth of 7.1% was the second lowest among all size categories. The \$10.0 - \$25.0M firms were the fastest growing group in last year's Study.
- The WASA of 54.1 for this size category is the third highest of all revenue categories, an increase of a full year over last year's WASA.

# Executive Summary

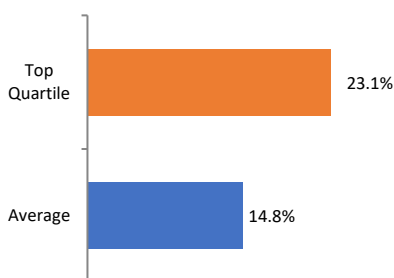
Agencies between \$10.0 million and \$25.0 million in revenue

## Production

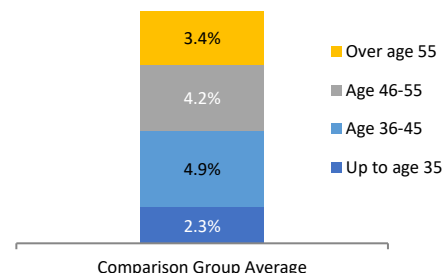
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



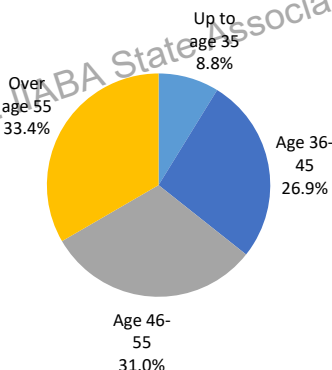
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$98,617	\$843,561
Personal P&C	\$67,384	\$324,825
Life/Health/Financial	\$131,264	\$825,357
Multi-Line	\$71,383	\$919,438

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- This category's sales velocity is 14.8%, the third lowest among all size categories.
- Though \$10.0 – \$25.0M firms had the third highest NUPP at 1.7%, they had the lowest producer success rate (52.6%), reducing their Effective NUPP to 0.9%
- \$10.0 – \$25.0M firms had the lowest production from producers under age 36, with those producers contributing, on average, only 8.8% of the book of business.

### Effective NUPP

Group Average:

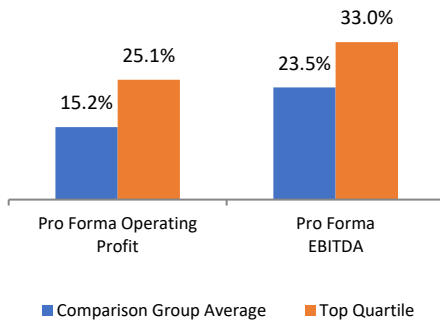


# Executive Summary

Agencies between \$10.0 million and \$25.0 million in revenue

## Profitability / Productivity

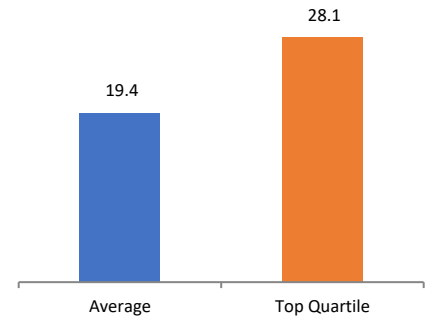
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	85.2	
Revenue per Employee	\$199,569	\$262,860
Compensation per Employee	\$123,636	\$87,180
Spread per Employee	\$75,932	\$103,193

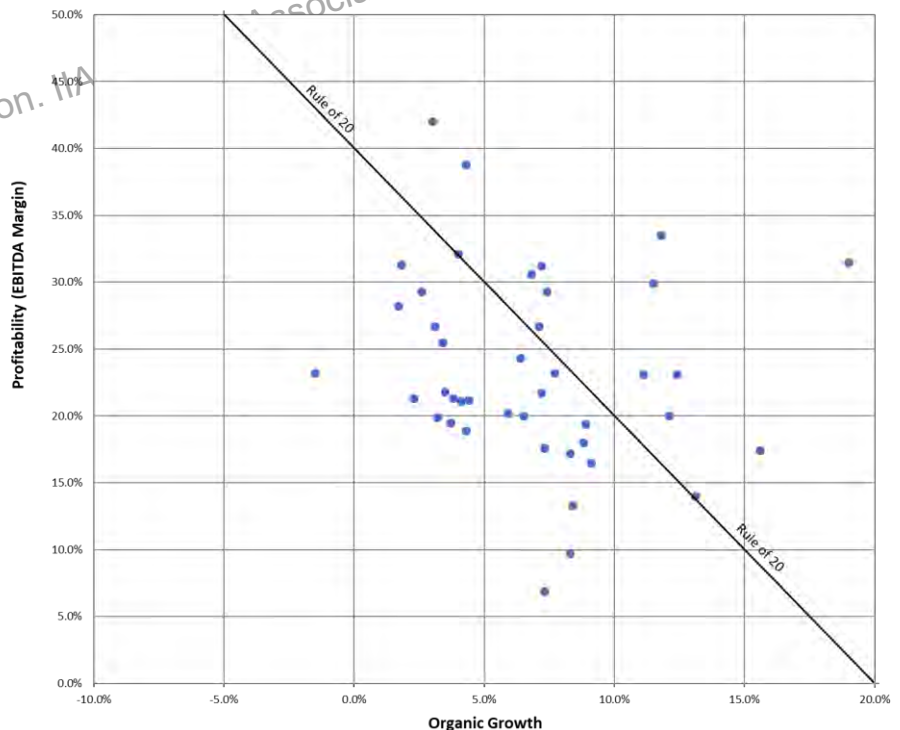
### Rule of 20 Score



### Notes

- The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission & fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.
- The graph to the right provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.



# Executive Summary

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## Key Metrics by Agency Revenue Category

Agencies over \$25.0 million in revenue

Internal Use. Not for Distribution. IIABA Staff and Council for BP, Only.

# Executive Summary

Agencies over \$25.0 million in revenue

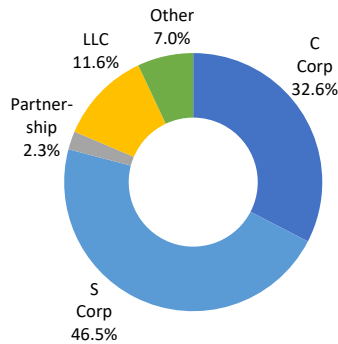
## Profile

### Regional Distribution



Northeast	23.3%
Midwest	30.2%
West	20.9%
Southeast	23.3%
Southwest	2.3%

### Corporate Structure



### Average Revenues

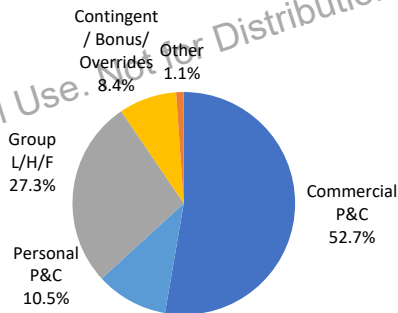
**\$59,415,518**

### Weighted Average Shareholder Age (WASA)

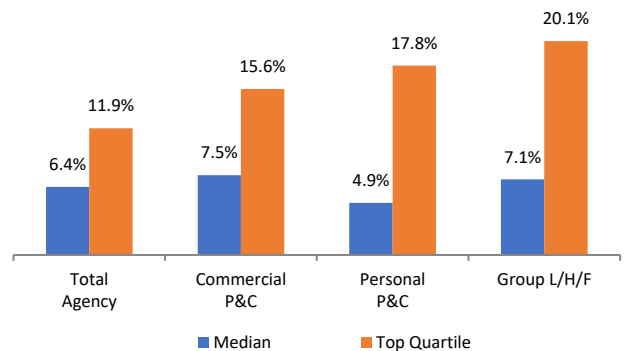
**54.2**

## Revenue and Growth

### Revenue Distribution (as a % of Gross Revenue)



### Organic Growth in Net Commissions & Fees (excluding contingents, bonuses & overrides)



Note: Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

### Account Stratification

#### Commercial P&C



< \$5K	17.6%
\$5K to \$10K	8.4%
\$10K to \$25K	15.5%
\$25K to \$50K	15.0%
> \$50K	43.5%

#### Group L/H/F



Under 50 lives	19.7%
From 50 to 100 lives	14.7%
Over 100 lives	65.3%

### Notes

- Agencies in the largest revenue category are the most likely to be organized as a C-corporation, with nearly one-third (32.6%) utilizing this corporate structure.
- The overall Organic Growth Rate (6.4%) for BPS agencies with over \$25 million in revenue was the lowest reported by all revenue categories, as was the personal lines organic growth rate of 4.9%.

# Executive Summary

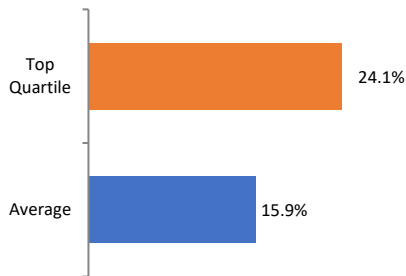
Agencies over \$25.0 million in revenue

## Production

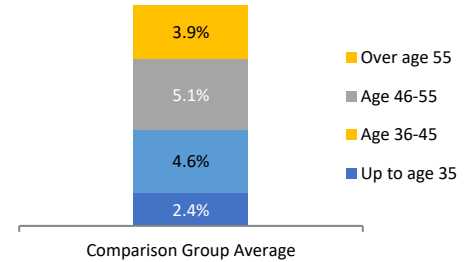
### Definitions

- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

### Sales Velocity



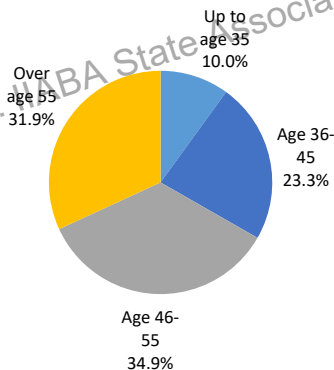
### Age Banding of Sales Velocity



### Book of Business per Producer (commissions and fees)

	New Business	Average Book
Commercial P&C	\$147,906	\$1,077,036
Personal P&C	\$79,222	\$434,662
Life/Health/Financial	\$162,414	\$1,112,724
Multi-Line	\$130,801	\$1,265,522

### Book of Business by Age



### Notes & Definitions

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- Sales Velocity for the largest firms is relatively strong at 15.9%, but these firms are getting a relatively low contribution to Sales Velocity from producers in the two youngest age groups (i.e., up to age 35 and age 36-45).
- These firms reported the highest average book size and highest average new business per producer of all revenue categories for all product lines.
- Agencies in this revenue category are demonstrating a commitment to producer development with an average NUPP of 2.2%, highest of all revenue categories.

### Effective NUPP

Group Average:

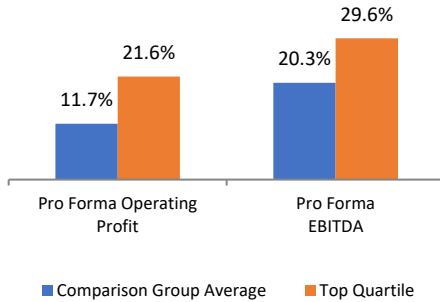


# Executive Summary

Agencies over \$25.0 million in revenue

## Profitability / Productivity

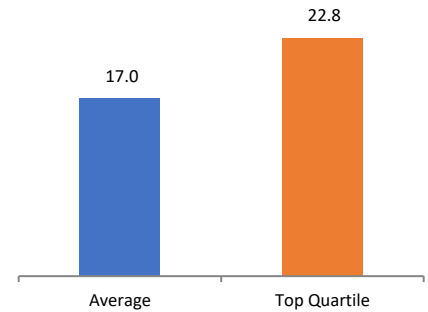
### Profitability



### Employee Productivity

Pro Forma Metrics:	Average	Top Quartile
# of Employees	267.0	
Revenue per Employee	\$217,945	\$266,683
Compensation per Employee	\$138,491	\$108,684
Spread per Employee	\$79,454	\$107,691

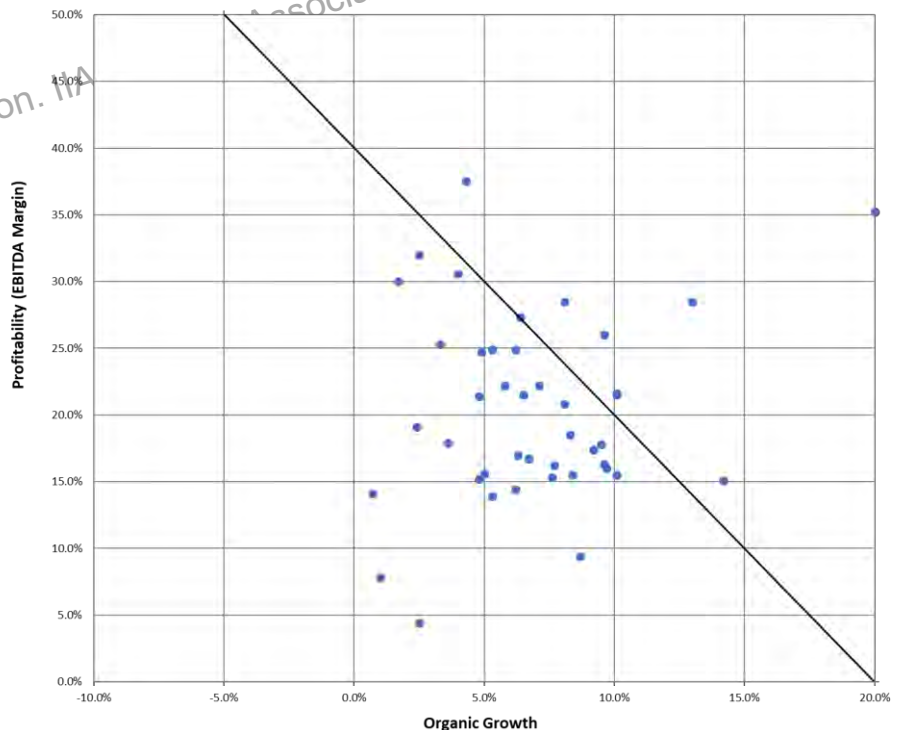
### Rule of 20 Score



### Notes

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### Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 20% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

# Cross Category Comparison

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Detailed Data for All Revenue Categories

Internal Use. Not for Distribution. IIABA State Association and Council for BP, Only.

# Cross Category Comparison

## Detailed Data for All Revenue Categories

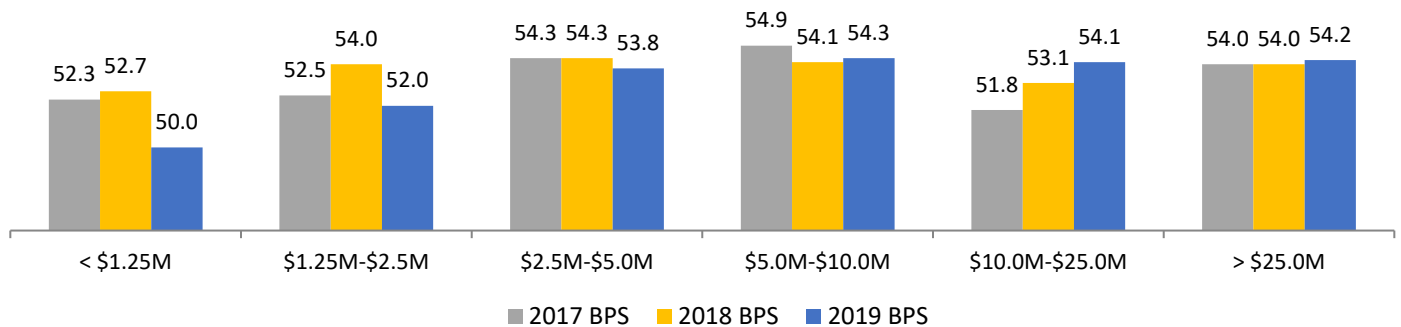
### PROFILE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Average Revenues</b>	<b>\$906,261</b>	<b>\$1,956,918</b>	<b>\$3,603,247</b>	<b>\$7,379,660</b>	<b>\$16,403,196</b>	<b>\$59,415,518</b>
<i>2018 BPS Average Revenues</i>	<i>\$872,958</i>	<i>\$1,893,512</i>	<i>\$3,586,905</i>	<i>\$7,182,330</i>	<i>\$16,827,916</i>	<i>\$56,749,224</i>
<b>Regional Distribution</b>						
Northeast	13.5%	15.4%	16.7%	21.3%	15.9%	23.3%
Midwest	29.7%	25.6%	20.8%	21.3%	15.9%	30.2%
West	5.4%	12.8%	8.3%	8.5%	15.9%	20.9%
Southeast	40.5%	35.9%	35.4%	31.9%	31.8%	23.3%
Southwest	10.8%	10.3%	18.8%	17.0%	20.5%	2.3%
<b>Corporate Structure</b>						
C Corp	2.7%	13.2%	18.8%	12.8%	29.5%	32.6%
S Corp	64.9%	57.9%	58.3%	55.3%	47.7%	46.5%
Partnership	0.0%	0.0%	2.1%	8.5%	4.5%	2.3%
LLC	32.4%	26.3%	20.8%	23.4%	18.2%	11.6%
Sole Proprietorship	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	2.6%	0.0%	0.0%	0.0%	7.0%
<b>Population Density:</b>						
Less than 50,000	45.9%	43.2%	41.7%	36.2%	18.2%	9.3%
50,000 - 250,000	24.3%	32.4%	20.8%	27.7%	11.4%	25.6%
250,000 - 1,000,000	13.5%	8.1%	10.4%	17.0%	27.3%	20.9%
More than 1,000,000	16.2%	16.2%	27.1%	19.1%	43.2%	44.2%
<b>Average Number of Agency Locations</b>	1.2	1.5	2.0	2.3	3.9	14.6
<b>Number of Shareholders:</b>						
Low	1.0	1.0	1.0	1.0	1.0	1.0
Average	1.9	2.2	3.0	4.0	8.1	52.5
High	9.0	10.0	7.0	11.0	28.0	448.0
<b>Profile of Largest Shareholder:</b>						
<b>Average Age of Largest Shareholder:</b>						
Low	30.0	31.0	30.0	36.0	39.0	44.0
Average	50.9	52.6	55.5	59.3	59.4	58.7
High	78.0	68.0	69.0	75.0	89.0	77.7
<b>Average Ownership of Largest SH:</b>						
Low	30.0%	33.0%	25.0%	14.0%	11.1%	2.2%
Average	82.0%	73.2%	66.7%	63.0%	46.1%	36.3%
High	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>What percentage of firms have an ESOP?</b>	0.0%	0.0%	0.0%	4.3%	18.2%	32.6%

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### WASA: Weighted Average Shareholder Age



## REVENUE OVERVIEW

### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Revenue by Source (as % of Gross Revenues):</b>						
<b>Property &amp; Casualty:</b>						
Commercial Commissions & Fees	40.4%	46.3%	55.1%	49.0%	52.4%	49.8%
Bonds / Surety	0.5%	1.9%	3.5%	3.6%	1.9%	2.9%
Personal Commissions & Fees	47.6%	34.8%	23.4%	19.0%	14.5%	10.5%
Contingent / Bonus	6.5%	7.9%	9.4%	8.6%	7.2%	6.9%
<b>Total P&amp;C</b>	<b>95.0%</b>	<b>90.9%</b>	<b>91.4%</b>	<b>80.2%</b>	<b>75.9%</b>	<b>70.0%</b>
<b>Life &amp; Health / Financial:</b>						
Group Medical Comm & Fees	2.2%	4.2%	5.1%	12.0%	14.5%	18.6%
All Other Group Comm & Fees	0.2%	0.4%	0.8%	3.9%	6.4%	6.7%
Individual L/H/F Comm & Fees	1.7%	3.4%	1.6%	2.2%	0.9%	2.0%
Bonus / Overrides	0.0%	0.5%	0.3%	0.9%	1.1%	1.5%
<b>Total L&amp;H / Financial</b>	<b>4.1%</b>	<b>8.5%</b>	<b>7.8%</b>	<b>19.0%</b>	<b>22.9%</b>	<b>28.8%</b>
Investment	0.2%	0.3%	0.3%	0.4%	0.5%	0.5%
Miscellaneous	0.6%	0.4%	0.5%	0.4%	0.7%	0.6%
<b>Gross Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Brokerage Comm Expense	0.0%	1.0%	0.3%	0.6%	0.8%	1.8%
<b>Net Revenues</b>	<b>100.0%</b>	<b>99.0%</b>	<b>99.7%</b>	<b>99.4%</b>	<b>99.2%</b>	<b>98.2%</b>
<b>All Other Group L/H/F Revenue:</b>						
Life	35.2%	25.5%	31.0%	21.1%	20.8%	16.4%
Disability	7.5%	32.2%	24.7%	14.0%	16.0%	18.9%
Dental & Vision	41.6%	17.4%	23.3%	30.7%	36.7%	27.1%
Retirement/Pension	0.0%	1.3%	0.9%	1.4%	2.7%	7.9%
Worksite/Voluntary/Supplement	3.6%	10.6%	5.0%	13.9%	9.4%	10.2%
Long Term Care	1.1%	0.1%	0.9%	2.3%	0.9%	0.8%
Employee Benefits TPA	0.0%	0.1%	0.1%	3.3%	1.6%	1.7%
All Other	11.1%	12.9%	14.2%	13.3%	11.8%	17.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

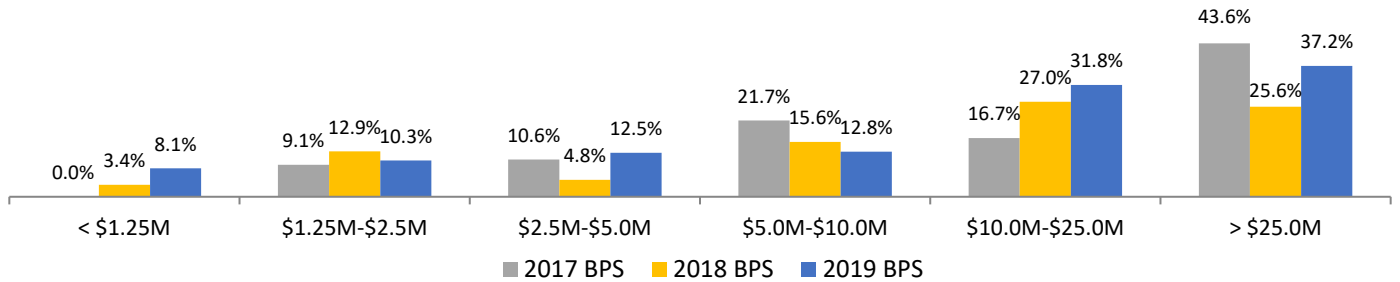
This is a breakdown of commissions and fees listed under "All Other Group Life, Health, and Financial" revenues.

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### ACQUISITIONS

#### % of Agencies Making Acquisitions in last fiscal year

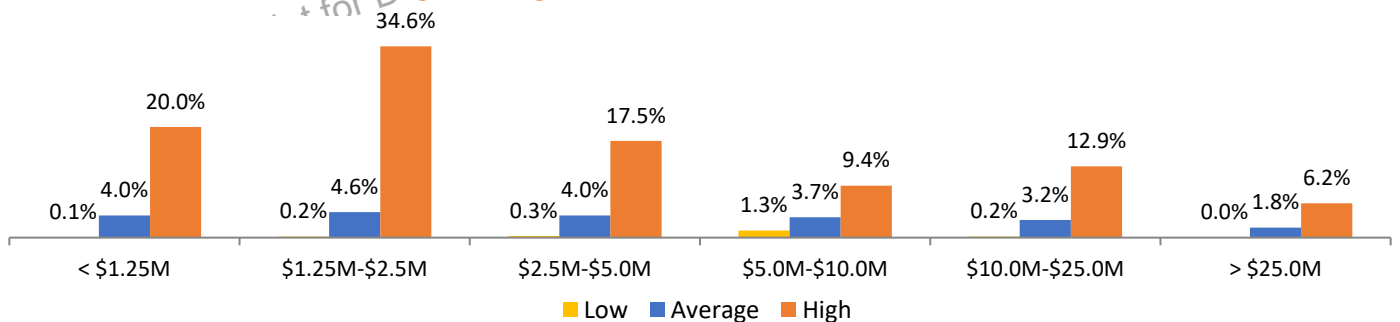


#### AGENCIES WITH REVENUES OF:

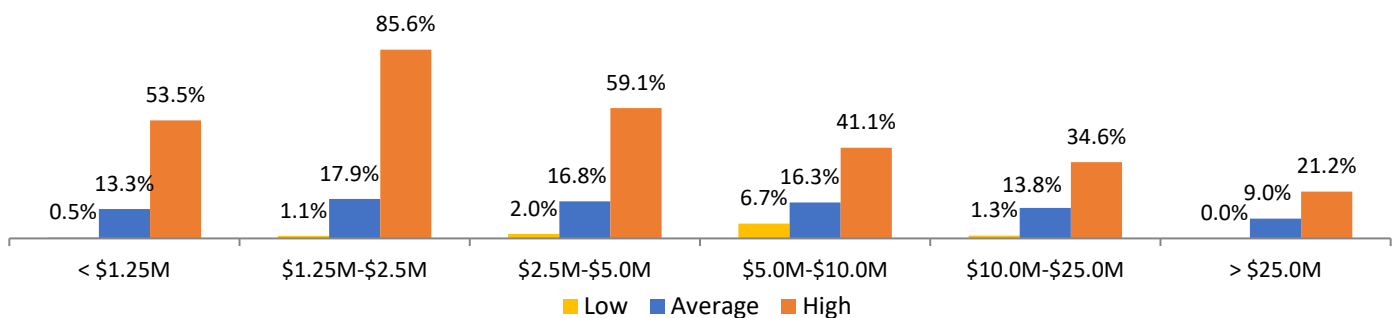
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
% of agencies making acquisitions in the last fiscal year:	8.1%	10.3%	12.5%	12.8%	31.8%	37.2%
Average annualized commissions acquired:	\$143,333	\$381,945	\$526,349	\$2,228,768	\$1,019,969	\$2,882,017

### ACCOUNT INFORMATION

#### Largest Single Accounts (% of Net Revenues)



#### Ten Largest Accounts (% of Net Revenues)





# Cross Category Comparison

## Detailed Data for All Revenue Categories

### ACCOUNT STRATIFICATION

#### AGENCIES WITH REVENUES OF:

Account Size:	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Commercial P&amp;C</b>						
<i>*as measured by commissions and fees</i>						
Greater than \$50,000						
% of Book	4.6%	11.2%	16.4%	25.0%	31.8%	43.5%
# of Accounts	*	1.7	4.3	10.5	28.9	120.3
Total Revenue	*	\$129,310	\$403,816	\$1,053,930	\$3,205,806	\$15,715,376
Revenue per Account	*	\$81,140	\$92,397	\$98,184	\$111,463	\$124,953
Between \$25,000 and \$50,000						
% of Book	7.2%	9.2%	12.7%	13.6%	16.4%	15.0%
# of Accounts	1.0	3.0	8.6	17.2	45.3	130.6
Total Revenue	\$34,113	\$102,439	\$287,671	\$592,784	\$1,568,004	\$4,543,985
Revenue per Account	\$32,391	\$33,913	\$33,361	\$34,488	\$34,388	\$34,846
Between \$10,000 & \$25,000						
% of Book	15.5%	20.1%	18.3%	19.2%	18.4%	15.5%
# of Accounts	4.3	12.6	26.7	52.8	109.8	282.3
Total Revenue	\$63,196	\$181,292	\$402,004	\$807,528	\$1,718,262	\$4,379,641
Revenue per Account	\$14,780	\$14,316	\$15,150	\$15,253	\$15,673	\$15,617
Between \$5,000 & \$10,000						
% of Book	16.5%	15.1%	16.3%	13.0%	10.8%	8.4%
# of Accounts	11.0	22.5	49.2	76.0	138.2	317.8
Total Revenue	\$73,776	\$155,567	\$339,445	\$528,697	\$981,319	\$2,244,120
Revenue per Account	\$6,711	\$6,949	\$6,935	\$6,986	\$7,126	\$7,070
Less than \$5,000						
% of Book	56.2%	44.5%	36.3%	29.3%	22.6%	17.6%
# of Accounts	330.9	528.4	1,300.6	1,554.4	2,429.6	6,167.1
Total Revenue	\$208,679	\$387,383	\$726,083	\$1,168,569	\$1,856,932	\$4,265,028
Revenue per Account	\$873	\$919	\$854	\$915	\$921	\$869
<b>Group L/H/F</b>						
<i>*as measured by number of lives</i>						
Over 100 Lives						
% of Book	6.5%	14.4%	14.9%	34.3%	45.6%	65.3%
# of Accounts	0.2	0.6	2.0	12.7	31.7	158.6
Total Revenue	\$4,864	\$25,135	\$90,236	\$738,491	\$1,878,375	\$10,644,243
Revenue per Account	\$2,935	\$13,258	\$21,001	\$44,281	\$61,969	\$68,475
50-100 Lives						
% of Book	11.0%	13.1%	19.4%	21.7%	20.5%	14.7%
# of Accounts	0.5	3.1	2.7	18.7	36.7	102.0
Total Revenue	\$10,426	\$34,737	\$50,584	\$311,045	\$652,068	\$2,076,460
Revenue per Account	\$5,577	\$5,314	\$15,079	\$16,839	\$19,582	\$22,002
Under 50 Lives						
% of Book	82.5%	72.5%	65.7%	43.9%	33.1%	19.7%
# of Accounts	10.9	40.2	169.8	136.3	310.0	1,315.8
Total Revenue	\$31,649	\$85,477	\$205,594	\$498,061	\$917,336	\$2,604,125
Revenue per Account	\$2,686	\$2,000	\$2,918	\$3,719	\$4,110	\$4,412

\*Insufficient Data

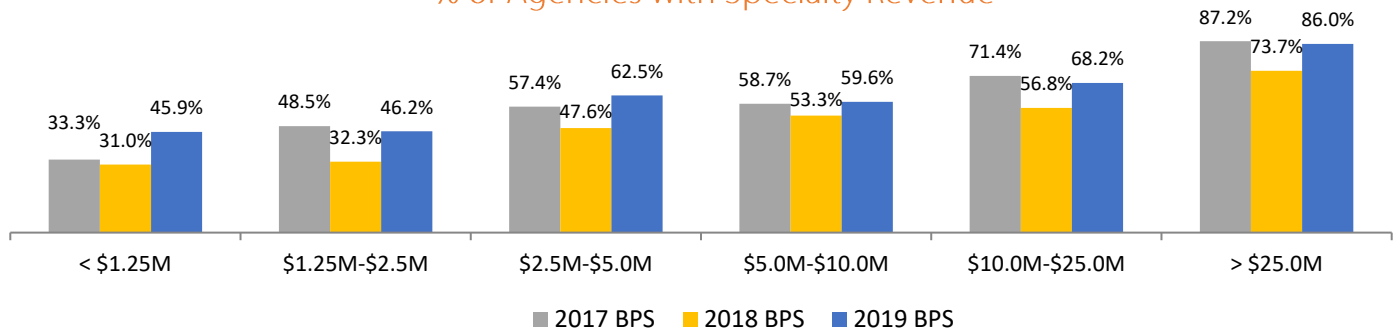
Note: Comparison Group Averages are based on the average for each individual line item and therefore may not validate when attempting to replicate calculations.

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### SPECIALIZATION

#### % of Agencies with Specialty Revenue



#### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
% of Agencies with Specialty Rev	45.9%	46.2%	62.5%	59.6%	68.2%	86.0%
Average Total Specialty Revenue <sup>1</sup>	\$190,526	\$696,415	\$1,801,238	\$2,462,185	\$5,868,662	\$28,142,987
Average % Net Revenue <sup>1</sup>	23.3%	33.9%	48.9%	33.3%	36.0%	40.4%
<sup>1</sup> Only for those firms who reported specialty revenues						
<b>Specialty Revenues:</b>						
% of Comparison Group with this Specialty:						
Agriculture	8.1%	7.7%	14.6%	10.6%	9.1%	25.6%
Construction	13.5%	23.1%	33.3%	34.0%	38.6%	67.4%
Energy	*	5.1%	10.4%	12.8%	11.4%	23.3%
Government/ Municipality	5.4%	7.7%	14.6%	12.8%	18.2%	39.5%
Healthcare	8.1%	5.1%	18.8%	17.0%	22.7%	55.8%
Hospitality	5.4%	2.6%	8.3%	10.6%	18.2%	30.2%
Manufacturing	*	5.1%	10.4%	23.4%	15.9%	46.5%
Non-profits	*	5.1%	8.3%	23.4%	22.7%	25.6%
Real Estate	5.4%	7.7%	16.7%	21.3%	29.5%	46.5%
Schools/ Education	5.4%	2.6%	16.7%	17.0%	20.5%	44.2%
Transportation	8.1%	2.6%	8.3%	21.3%	20.5%	44.2%
Other	13.5%	20.5%	27.1%	36.2%	38.6%	60.5%
For firms that specialize in this, what % of NR is from this specialty?						
Agriculture	17.9%	30.8%	9.6%	7.4%	1.6%	5.0%
Construction	14.2%	31.6%	24.2%	24.0%	19.4%	11.2%
Energy	*	20.9%	17.5%	6.0%	6.4%	3.0%
Government/ Municipality	9.6%	4.4%	5.6%	7.2%	2.2%	3.1%
Healthcare	2.4%	3.4%	23.2%	3.9%	5.0%	9.1%
Hospitality	8.4%	16.0%	3.6%	3.0%	5.8%	1.8%
Manufacturing	*	4.9%	4.8%	3.7%	9.5%	7.2%
Non-profits	*	5.0%	3.0%	3.3%	5.0%	3.3%
Real Estate	10.6%	7.2%	15.4%	9.0%	10.0%	4.9%
Schools/ Education	26.7%	0.5%	12.9%	3.0%	10.9%	3.7%
Transportation	9.0%	1.9%	5.8%	3.6%	4.1%	4.9%
Other	25.3%	14.1%	29.2%	9.3%	12.7%	13.4%

\*Insufficient Data

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### REVENUE GROWTH

MEDIAN	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Revenue Growth by Source:</b>						
<b>TOTAL COMMISSIONS &amp; FEES</b>						
Renewal Business	94.1%	92.3%	94.2%	94.4%	92.7%	92.5%
New Business	17.5%	15.1%	12.6%	13.6%	14.0%	14.5%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Growth	9.8%	8.6%	8.0%	8.1%	7.5%	7.3%
Organic Growth	9.6%	7.9%	7.6%	7.9%	6.8%	6.6%
Brokerage Commission Expense	-7.5%	7.6%	22.4%	1.6%	4.6%	10.8%
Net Commissions and Fees						
Total Growth	9.8%	8.9%	8.5%	8.0%	7.6%	6.7%
<b>Organic Growth</b>	<b>9.6%</b>	<b>7.9%</b>	<b>7.9%</b>	<b>7.5%</b>	<b>7.1%</b>	<b>6.4%</b>
<i>2018 BPS Organic Growth</i>	<i>4.6%</i>	<i>3.6%</i>	<i>5.5%</i>	<i>3.3%</i>	<i>5.6%</i>	<i>5.0%</i>
P&C Contingent Income	-21.2%	-1.8%	-0.5%	0.7%	-3.4%	6.3%
L/H/F Bonus Income	*	27.3%	5.3%	-7.2%	5.0%	8.4%
Investment Income	1.8%	13.1%	-2.2%	4.4%	5.6%	16.7%
Miscellaneous Income	0.0%	0.0%	0.0%	0.0%	0.0%	-9.3%
NET REVENUE TOTAL GROWTH	13.1%	9.6%	7.7%	7.3%	7.7%	7.1%
NET REVENUE ORGANIC GROWTH	11.5%	7.4%	7.7%	6.6%	6.8%	7.2%

TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Renewal Business	102.6%	101.3%	103.8%	106.4%	99.8%	122.2%
New Business	33.1%	33.2%	20.7%	18.0%	22.6%	23.7%
Acquired Business	3.1%	2.6%	4.2%	3.1%	5.7%	7.7%
Total Growth	27.2%	28.4%	20.7%	18.5%	17.4%	14.0%
Organic Growth	25.9%	29.2%	19.2%	16.1%	14.8%	13.6%
Brokerage Commission Expense	7.9%	18.6%	43.5%	42.3%	33.4%	29.7%
Net Commissions and Fees						
Total Growth	27.4%	28.9%	20.7%	18.6%	17.5%	13.6%
<b>Organic Growth</b>	<b>26.2%</b>	<b>30.1%</b>	<b>19.2%</b>	<b>16.2%</b>	<b>15.1%</b>	<b>11.9%</b>
<i>2018 BPS Organic Growth</i>	<i>12.3%</i>	<i>18.3%</i>	<i>10.1%</i>	<i>12.1%</i>	<i>10.7%</i>	<i>12.3%</i>
P&C Contingent Income	35.9%	30.5%	24.9%	33.2%	32.3%	34.5%
L/H/F Bonus Income	*	27.3%	38.4%	29.3%	38.6%	32.7%
Investment Income	12.3%	34.3%	19.3%	33.7%	25.3%	38.9%
Miscellaneous Income	47.3%	93.9%	80.2%	111.3%	196.4%	81.2%
NET REVENUE TOTAL GROWTH	29.0%	29.0%	21.3%	21.3%	17.1%	15.3%
NET REVENUE ORGANIC GROWTH	27.8%	30.7%	20.2%	19.4%	15.3%	13.8%

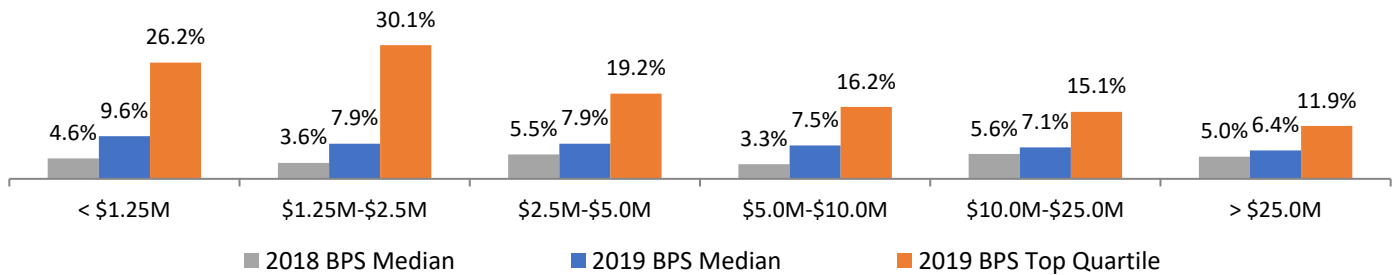
\*Insufficient Data

**Note:** The Median is the mid-point in a list of data – it is different than the Mean or Average. Median data cannot be added / subtracted to arrive at related Medians. Each data point presented above (Renewal Business %, New Business %, Total Growth %, Organic Growth %, etc.) must be viewed as a discrete Median data point.

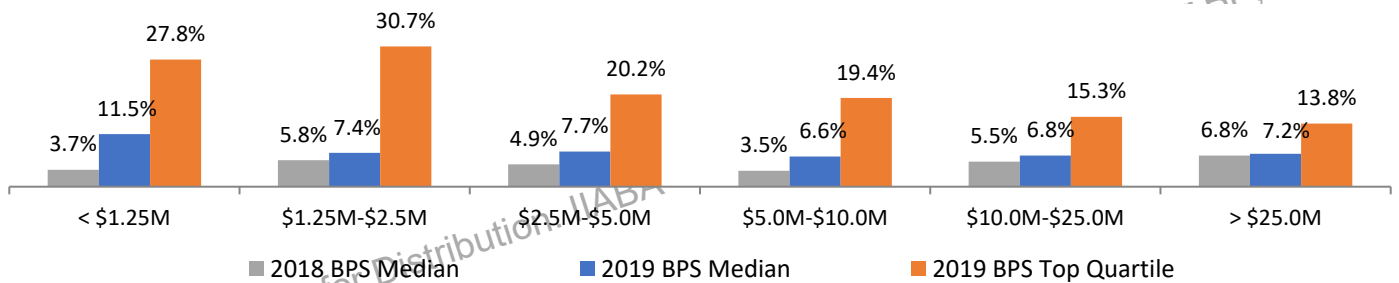
# Cross Category Comparison

## Detailed Data for All Revenue Categories

### Net Commissions & Fees Organic Growth



### Net Revenue Organic Growth

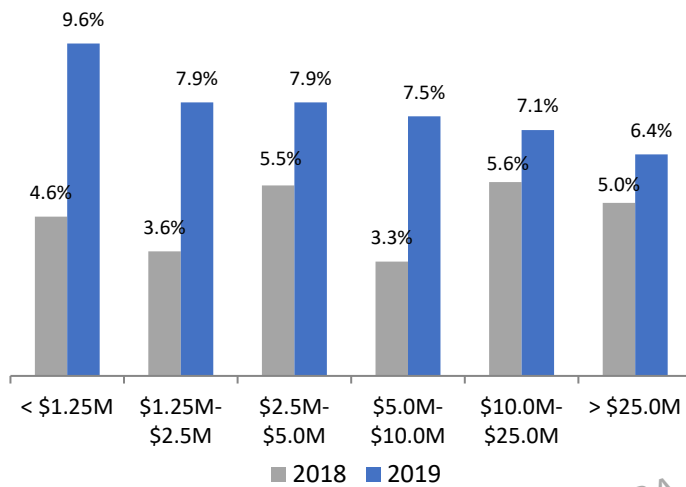


# Cross Category Comparison

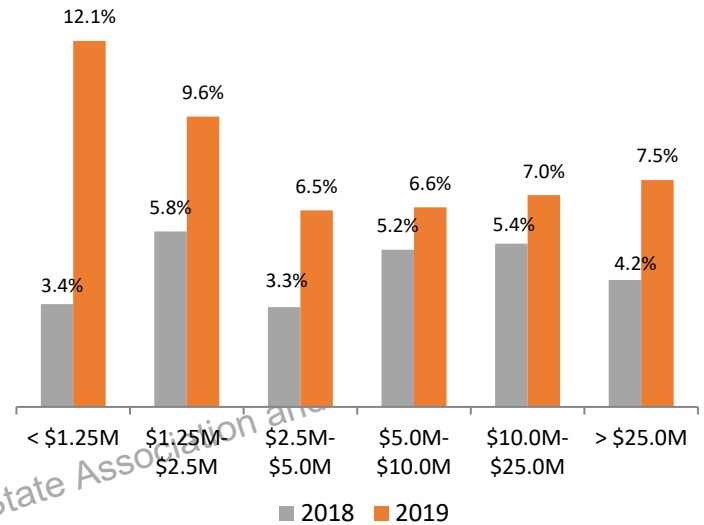
## Detailed Data for All Revenue Categories

### Median Organic Growth by Line of Business

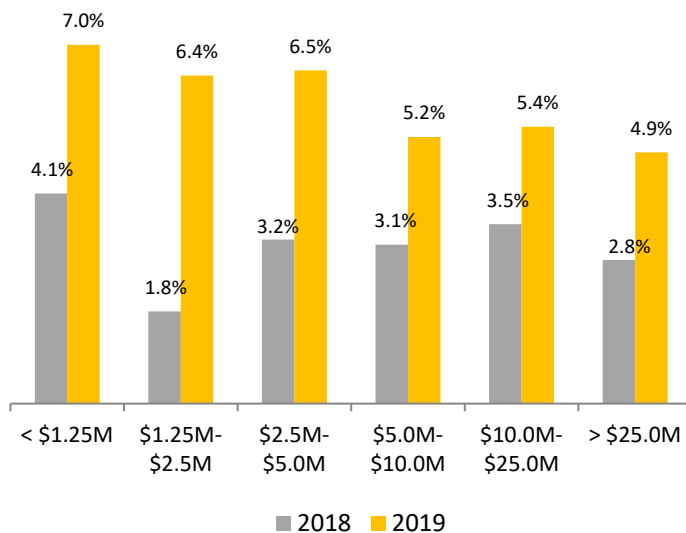
Total Agency



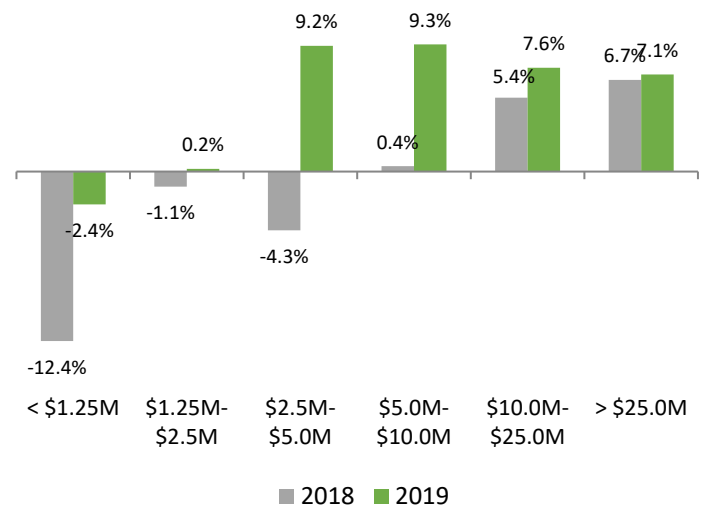
Commercial P&C Lines



Personal Lines



Group L/H/F



**Note:** Commercial P&C includes Bonds / Surety. Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

# Cross Category Comparison

## Detailed Data for All Revenue Categories

MEDIAN	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>REVENUE GROWTH BY LINE OF BUSINESS:</b>						
<b>Commercial P&amp;C</b>						
Renewal Business	90.0%	94.2%	95.9%	94.8%	91.6%	115.0%
New Business	17.5%	11.6%	10.9%	10.3%	12.0%	13.5%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	12.2%	10.0%	7.5%	6.4%	7.0%	6.9%
ORGANIC GROWTH	12.2%	9.9%	6.9%	6.4%	6.7%	7.5%
<b>Bonds/Surety</b>						
Renewal Business	1.0%	8.3%	48.2%	41.1%	45.6%	78.3%
New Business	0.0%	0.0%	19.0%	14.1%	29.8%	22.5%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	11.8%	1.1%	5.9%	14.4%	7.9%	10.7%
ORGANIC GROWTH	11.8%	1.1%	5.9%	14.4%	7.9%	10.7%
<b>Personal P&amp;C</b>						
Renewal Business	90.7%	94.4%	93.8%	94.5%	95.2%	94.8%
New Business	14.1%	12.2%	9.6%	8.7%	10.8%	10.8%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	7.2%	6.4%	6.6%	5.4%	7.4%	5.3%
ORGANIC GROWTH	7.0%	6.4%	6.5%	5.2%	5.4%	4.9%
<b>Group Medical</b>						
Renewal Business	*	*	85.1%	97.0%	91.3%	93.0%
New Business	*	*	3.2%	9.8%	12.8%	12.6%
Acquired Business	*	*	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	7.4%	-3.8%	10.8%	8.9%	9.2%	7.1%
ORGANIC GROWTH	7.4%	-3.8%	11.3%	8.9%	6.0%	7.1%
<b>All Other Group</b>						
Renewal Business	*	*	*	76.5%	89.3%	86.0%
New Business	*	*	*	6.2%	14.7%	12.7%
Acquired Business	*	*	*	0.0%	0.0%	0.0%
TOTAL GROWTH	-6.6%	2.9%	3.0%	6.8%	8.3%	5.4%
ORGANIC GROWTH	-6.6%	2.9%	5.9%	6.8%	7.8%	6.1%
<b>Individual L/H/F</b>						
Renewal Business	*	*	42.0%	56.3%	33.9%	67.0%
New Business	*	*	32.9%	21.1%	28.7%	19.3%
Acquired Business	*	*	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	0.0%	3.1%	1.5%	-1.5%	-12.6%	3.2%
ORGANIC GROWTH	0.0%	3.1%	-1.6%	-1.2%	-12.6%	3.2%

\*Insufficient Data

# Cross Category Comparison

## Detailed Data for All Revenue Categories

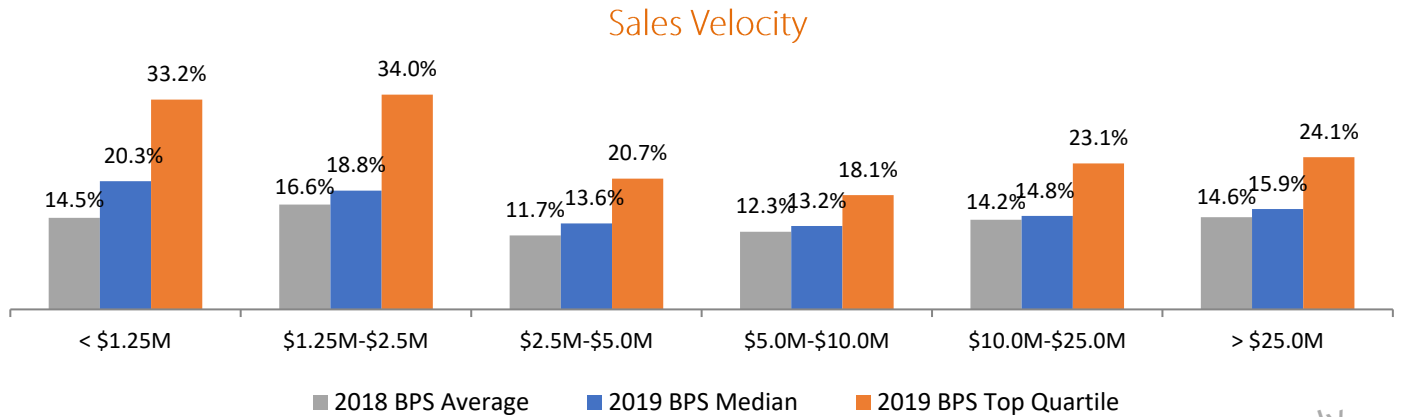
TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>REVENUE GROWTH BY LINE OF BUSINESS:</b>						
<b>Commercial P&amp;C</b>						
Renewal Business	*	*	105.0%	111.2%	101.0%	190.2%
New Business	*	*	17.6%	19.7%	19.7%	86.2%
Acquired Business	*	*	4.5%	4.0%	2.7%	14.2%
TOTAL GROWTH	33.8%	29.8%	19.4%	17.2%	15.1%	15.7%
ORGANIC GROWTH	33.8%	31.5%	18.4%	14.2%	14.1%	15.5%
<b>Bonds/Surety</b>						
Renewal Business	111.0%	95.6%	123.5%	106.0%	110.3%	104.5%
New Business	125.4%	129.3%	129.1%	123.9%	100.4%	92.0%
Acquired Business	0.0%	0.0%	0.1%	1.0%	2.0%	6.2%
TOTAL GROWTH	47.9%	33.6%	42.6%	64.6%	41.9%	36.9%
ORGANIC GROWTH	47.9%	33.6%	44.6%	64.6%	39.2%	30.5%
<b>Personal P&amp;C</b>						
Renewal Business	102.1%	102.7%	108.2%	112.5%	106.9%	126.0%
New Business	31.8%	29.8%	21.4%	16.8%	21.8%	29.9%
Acquired Business	3.7%	2.2%	7.1%	2.8%	8.1%	14.7%
TOTAL GROWTH	25.8%	22.3%	22.6%	17.8%	23.9%	21.5%
ORGANIC GROWTH	23.3%	22.7%	20.6%	16.7%	18.8%	17.8%
<b>Group Medical</b>						
Renewal Business	*	104.3%	166.3%	124.8%	110.1%	106.9%
New Business	*	33.8%	110.4%	27.4%	89.3%	21.8%
Acquired Business	*	0.0%	3.5%	0.4%	5.5%	5.0%
TOTAL GROWTH	26.8%	17.5%	32.8%	32.3%	19.1%	18.2%
ORGANIC GROWTH	26.8%	17.5%	32.8%	32.3%	17.6%	13.8%
<b>All Other Group</b>						
Renewal Business	65.5%	49.9%	99.9%	110.8%	107.4%	115.1%
New Business	37.4%	3.9%	94.5%	40.8%	52.7%	32.4%
Acquired Business	0.0%	0.0%	0.0%	37.6%	16.6%	2.4%
TOTAL GROWTH	35.0%	18.6%	29.7%	35.3%	33.2%	26.1%
ORGANIC GROWTH	35.0%	18.6%	29.7%	37.0%	33.2%	25.8%
<b>Individual L/H/F</b>						
Renewal Business	*	*	*	97.7%	87.2%	119.8%
New Business	*	*	*	124.2%	119.6%	114.1%
Acquired Business	*	*	*	0.2%	53.8%	3.2%
TOTAL GROWTH	33.3%	25.3%	32.1%	19.1%	14.9%	27.7%
ORGANIC GROWTH	33.3%	19.5%	32.1%	19.1%	14.9%	23.4%

\*Insufficient Data

# Cross Category Comparison

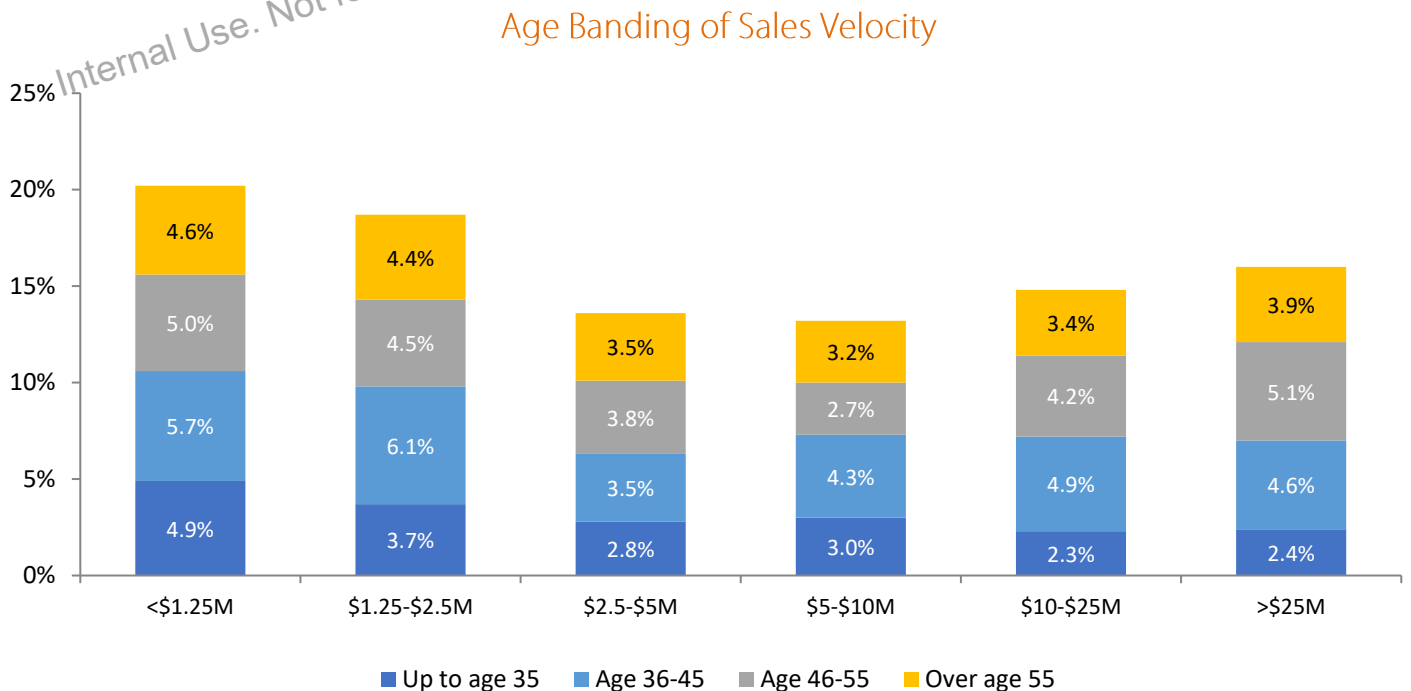
Detailed Data for All Revenue Categories

## SALES VELOCITY



Sales Velocity is an excellent measure of an agency's success in writing new business. It is calculated by dividing new commission and fee income written by prior year commission and fee income.

The Age Banding of Sales Velocity takes it a step further by showing Sales Velocity contributions by different producer age groupings (35 and under, 36-45, 46-55, over 55).





# Cross Category Comparison

## Detailed Data for All Revenue Categories

### PRO FORMA EXPENSES

(expressed as a percentage of pro forma net revenues)

#### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Compensation</b>						
<u>Payroll</u>						
Employees	39.1%	40.1%	44.9%	47.9%	52.2%	53.0%
"Non-employees" (1099 Prods/outsourced)	3.3%	5.2%	3.0%	2.5%	1.3%	1.9%
<b>Total Payroll</b>	<b>42.4%</b>	<b>45.3%</b>	<b>47.9%</b>	<b>50.4%</b>	<b>53.5%</b>	<b>54.9%</b>
<u>Benefits</u>						
Payroll Taxes	2.8%	3.2%	3.1%	2.9%	3.0%	3.0%
Retirement	0.7%	1.0%	2.1%	1.5%	1.8%	2.1%
Insurance	2.7%	2.5%	3.7%	3.3%	3.2%	3.6%
Other	0.3%	0.2%	0.1%	0.2%	0.2%	0.2%
<b>Total Benefits</b>	<b>6.7%</b>	<b>6.9%</b>	<b>9.0%</b>	<b>7.8%</b>	<b>8.2%</b>	<b>8.9%</b>
<b>Total Compensation</b>	<b>49.0%</b>	<b>52.2%</b>	<b>56.9%</b>	<b>58.3%</b>	<b>61.7%</b>	<b>63.9%</b>
<u>Selling</u>						
Travel and Ent./Conventions	1.2%	1.2%	1.2%	1.2%	1.2%	2.0%
Automobile Expense	0.9%	0.7%	0.7%	0.6%	0.6%	0.5%
Advertising/Promotions	2.4%	1.7%	1.2%	1.1%	0.9%	1.2%
<b>Total Selling</b>	<b>4.5%</b>	<b>3.6%</b>	<b>3.0%</b>	<b>2.9%</b>	<b>2.6%</b>	<b>3.7%</b>
<u>Operating</u>						
Occupancy Expenses <sup>1</sup>	5.4%	4.7%	3.9%	3.8%	3.7%	3.5%
Office Equipment Expenses	0.4%	0.3%	0.4%	0.5%	0.3%	0.4%
IT Expenses	2.8%	2.5%	2.5%	2.3%	2.1%	2.0%
Telephone	0.9%	0.7%	0.6%	0.5%	0.4%	0.5%
Postage	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%
Supplies/Printing	1.1%	0.7%	0.9%	0.6%	0.5%	0.5%
Dues/Subscriptions/Contributions	1.1%	1.0%	1.0%	0.7%	0.7%	0.7%
Taxes/Licenses	0.3%	0.4%	0.4%	0.3%	0.4%	0.3%
Insurance	1.7%	1.2%	1.3%	1.2%	1.1%	1.0%
Professional Fees	1.0%	0.8%	0.8%	0.8%	0.7%	1.2%
Bad Debts	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Outside Services	0.3%	0.4%	0.5%	0.7%	1.5%	1.3%
Education/Training	0.5%	0.4%	0.3%	0.3%	0.3%	0.4%
Miscellaneous	0.3%	1.0%	0.1%	0.4%	0.1%	0.3%
<b>Total Operating</b>	<b>16.3%</b>	<b>14.5%</b>	<b>13.1%</b>	<b>12.4%</b>	<b>12.1%</b>	<b>12.1%</b>
<u>Administrative</u>						
Depreciation	1.2%	0.7%	1.0%	0.7%	1.3%	1.0%
Amortization of Intangibles	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Officer Life	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Administrative</b>	<b>1.3%</b>	<b>0.7%</b>	<b>1.0%</b>	<b>0.7%</b>	<b>1.3%</b>	<b>1.1%</b>
<b>TOTAL EXPENSES (PRO FORMA)</b>	<b>71.1%</b>	<b>71.1%</b>	<b>74.0%</b>	<b>74.3%</b>	<b>77.8%</b>	<b>80.8%</b>
<b>PRO FORMA PRE-TAX PROFIT/LOSS</b>	<b>28.9%</b>	<b>28.9%</b>	<b>26.0%</b>	<b>25.7%</b>	<b>22.2%</b>	<b>19.2%</b>
<b>PRO FORMA EBITDA<sup>2</sup></b>	<b>30.2%</b>	<b>29.6%</b>	<b>27.0%</b>	<b>26.4%</b>	<b>23.5%</b>	<b>20.3%</b>

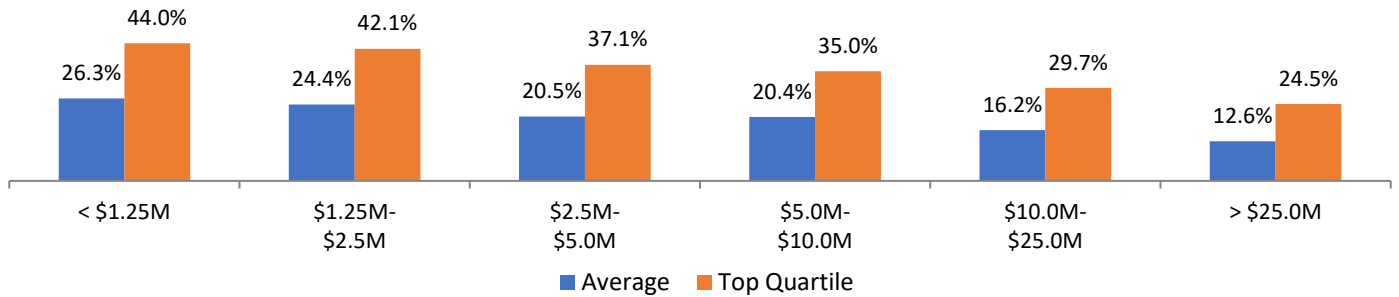
<sup>1</sup> For firms that own their building and reported a much lower than peer expense load, we have normalized their occupancy expense.

# Cross Category Comparison

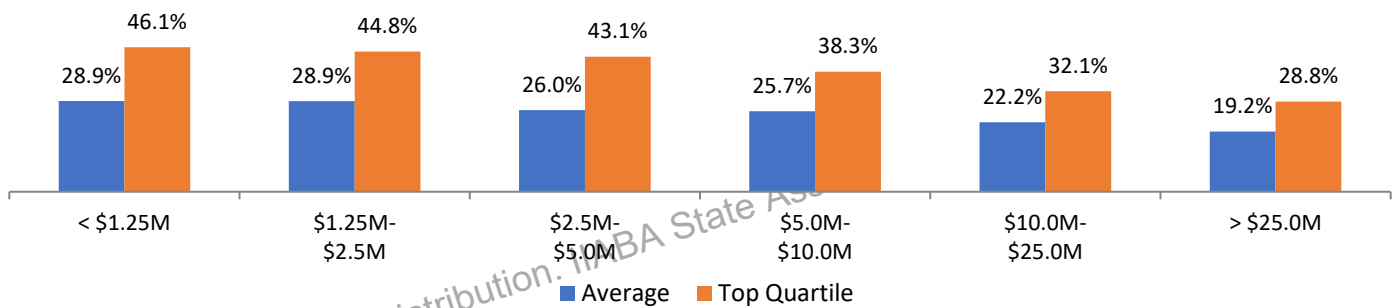
## Detailed Data for All Revenue Categories

### PROFITABILITY

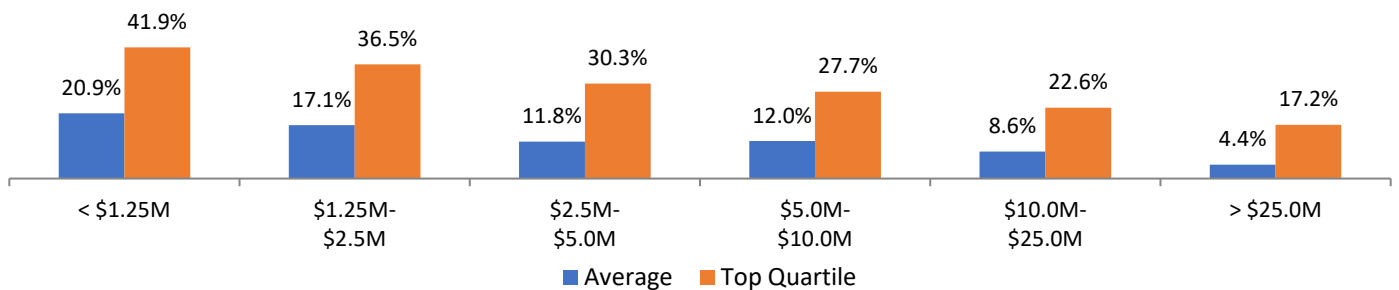
#### Pre-Tax Profit



#### Pro Forma Pre-Tax Profit

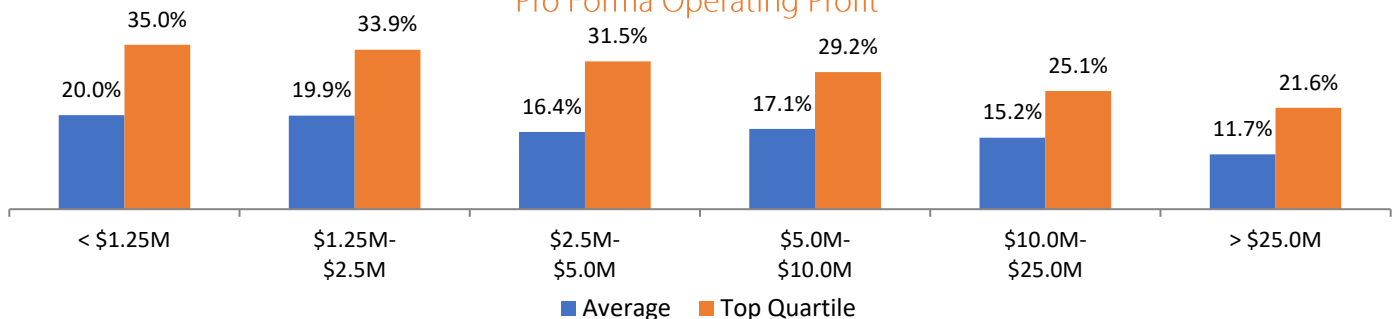


#### Operating Profit



Note: Operating Profit is pre-tax profit less contingent income and less bonus/override income.

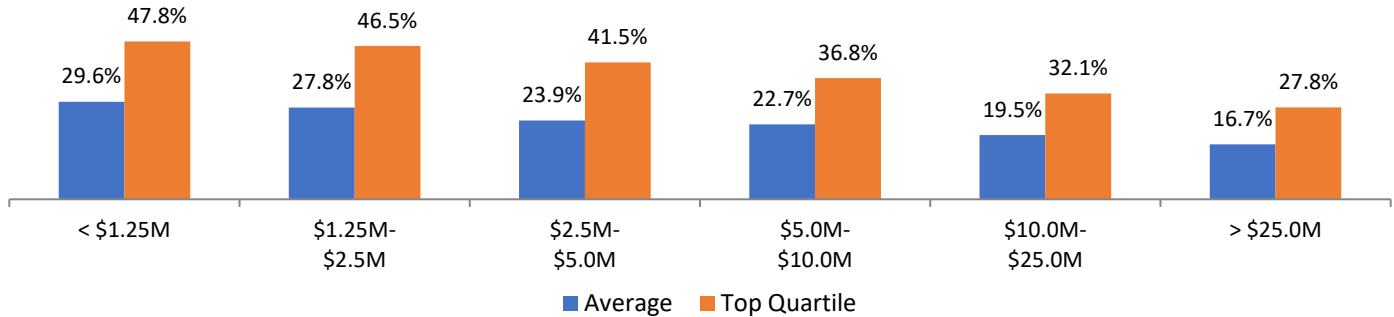
#### Pro Forma Operating Profit



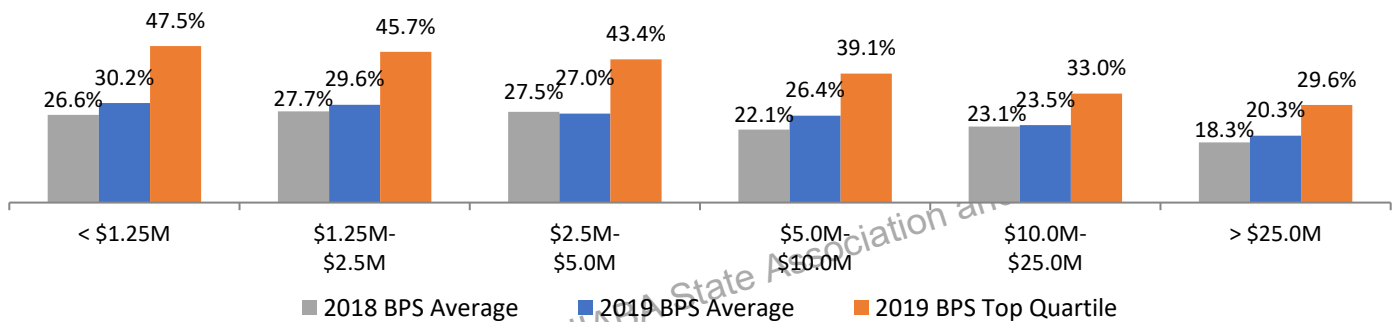
# Cross Category Comparison

## Detailed Data for All Revenue Categories

### EBITDA



### Pro Forma EBITDA



Note: Pro Forma EBITDA excludes all administrative expenses (depreciation, amortization of intangibles, officer life, interest and other.)

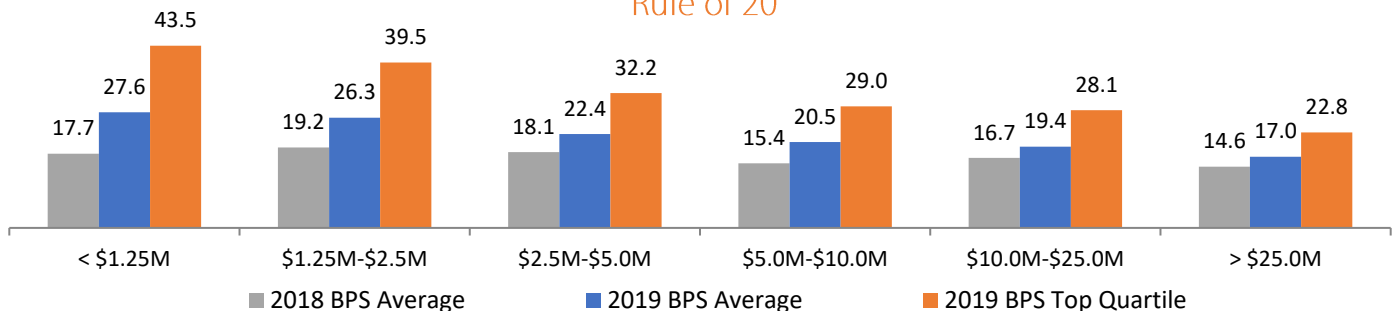
## RULE OF 20

### AGENCIES WITH REVENUES OF:

The Rule of 20:	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Low	3.8	10.6	6.1	7.7	10.1	4.8
Average	27.6	26.3	22.4	20.5	19.4	17.0
High	54.7	51.4	43.4	40.8	42.3	34.0
Top Quartile	43.5	39.5	32.2	29.0	28.1	22.8

The Rule of 20 measures an agency's shareholder returns. It is calculated by adding 50% of an agency's Pro Forma EBITDA margin to its organic commission and fee growth rate. An outcome of 20 or higher means an agency is likely generating, through profit distributions and / or share price appreciation, a shareholder return of approximately 15% - 17%, a typical agency / brokerage return under normal market conditions.

### Rule of 20



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### FINANCIAL STABILITY

#### AVERAGE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Current Ratio	2.10:1	1.82:1	2.00:1	1.82:1	1.57:1	1.51:1
Trust Ratio	2.37:1	2.05:1	2.27:1	2.21:1	2.29:1	1.81:1
Tangible Net Worth (% of Net Rev)	11.4%	9.0%	13.6%	11.3%	10.7%	9.4%
Receivables-to-Payables Ratio	33.1%	35.9%	46.6%	45.6%	43.7%	46.4%
Accounts Receivables:						
% Receivables Aged 61-90 Days	13.0%	24.3%	14.4%	10.4%	19.4%	6.3%
% Receivables Aged Past 90 Days	52.4%	22.3%	13.4%	8.1%	15.1%	5.5%
% of P&C Revenues - Agency Billed	20.8%	19.0%	33.0%	28.6%	38.1%	47.0%
% of P&C Revenues - Direct Billed	76.5%	78.5%	64.7%	69.2%	59.6%	50.7%

#### TOP QUARTILE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Current Ratio	4.07:1	3.54:1	3.76:1	2.91:1	2.69:1	2.44:1
Trust Ratio	4.34:1	3.94:1	4.07:1	3.67:1	4.04:1	3.11:1
Tangible Net Worth (% of Net Rev)	31.0%	24.6%	30.8%	26.9%	26.1%	24.1%
Receivables-to-Payables Ratio	4.7%	-7.3%	1.5%	6.8%	14.2%	16.4%
Accounts Receivables:						
% Receivables Aged 61-90 Days	-38.1%	-6.2%	-15.4%	-11.2%	-1.7%	-5.5%
% Receivables Aged Past 90 Days	0.4%	-9.0%	-6.2%	30.6%	-14.8%	-3.4%

#### AVERAGE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Debt Metrics:</b>						
% of All Loans by Source Type:						
Community Bank	51.6%	66.7%	45.5%	58.0%	43.9%	45.7%
Industry Lender	9.7%	11.9%	9.1%	6.0%	4.1%	4.3%
Private Equity Lender	16.1%	2.4%	1.8%	0.0%	0.0%	0.0%
Shareholder	9.7%	7.1%	14.5%	16.0%	35.7%	19.6%
Other	12.9%	11.9%	29.1%	20.0%	16.3%	30.4%
% of Firms that have Identified Debt	40.7%	41.4%	37.3%	51.2%	62.7%	60.7%
Of those firms that have debt:						
Average Total Debt	\$281,325	\$373,583	\$1,395,181	\$1,418,163	\$4,131,024	\$14,088,334
Total Leverage <sup>1</sup>	1.0x	2.1x	2.1x	0.9x	1.2x	1.1x
Average Effective Interest Rate	5.2%	4.4%	4.2%	4.2%	4.3%	4.6%
Average Term (Years to Maturity)	4.1	4.5	5.0	5.0	5.5	5.0

<sup>1</sup> Total Debt / Pro Forma EBITDA

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### TECHNOLOGY

#### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Number of IT Employees <i>(includes regularly outsourced IT support staff)</i>	0.1	0.1	0.2	0.5	1.2	5.5
IT Payroll as % of Pro Forma Net Rev	0.0%	0.0%	0.2%	0.4%	0.6%	0.8%
IT Expense as % of Pro Forma Net Rev <i>(excl. comp, hardware depreciation &amp; software amortization)</i>	2.8%	2.5%	2.5%	2.3%	2.1%	2.0%
<b>Top 5 Agency Mgmt Systems Used in Home Office:</b>						
AMS360	29.7%	20.5%	57.4%	37.0%	25.0%	23.3%
EPIC	18.9%	25.6%	25.5%	39.1%	50.0%	55.8%
EZLynx		10.3%				
Hawksoft		2.6%				
Sagitta				4.3%	15.9%	20.9%
SIS - Partner XE	10.8%					
TAM	16.2%	28.2%	14.9%	17.4%	4.5%	2.3%
Jenesis				2.2%		
Xdimensional Tech. - Nexsure						
DORIS	5.4%		2.1%			
Other	19.0%	12.8%	0.1%		2.3%	
<b>Technology Utilization:</b>						
Electronic Communications Used:						
Texting with clients	78.4%	66.7%	75.0%	72.3%	72.7%	69.0%
Use of tablets/smartphones	78.4%	89.7%	93.8%	95.7%	93.2%	97.6%
Agency eSignature solutions	78.4%	84.6%	87.5%	80.9%	81.8%	85.7%
Carrier eSignature solutions	75.7%	82.1%	75.0%	87.2%	72.7%	73.8%
Activity notifications from carrier	83.8%	89.7%	89.6%	89.4%	79.5%	73.8%
Paperless or e-documents ("eDocs")	94.6%	89.7%	95.8%	91.5%	97.7%	97.6%
Marketing:						
Website	100.0%	94.9%	100.0%	97.9%	100.0%	97.6%
Mobile adaptable website	89.2%	87.2%	83.3%	70.2%	77.3%	76.2%
Social Media	0.0%	2.6%	0.0%	0.0%	20.5%	33.3%
Facebook	91.9%	89.7%	87.5%	89.4%	88.6%	81.0%
Twitter	54.1%	46.2%	37.5%	55.3%	72.7%	76.2%
LinkedIn	81.1%	74.4%	87.5%	76.6%	97.7%	95.2%
Instagram	32.4%	48.7%	37.5%	38.3%	43.2%	52.4%
Customer portal	40.5%	35.9%	52.1%	55.3%	86.4%	78.6%
Digital content - blogs, webinars	54.1%	56.4%	47.9%	61.7%	77.3%	90.5%
Processing technologies:						
Paperless or e-documents ("eDocs")	91.9%	87.2%	93.8%	93.6%	97.7%	97.6%
Secure / Encrypted email	59.5%	64.1%	77.1%	87.2%	95.5%	97.6%
Electronic Funds Transfer (EFT)	91.9%	87.2%	95.8%	83.0%	97.7%	97.6%
Online application	56.8%	59.0%	62.5%	53.2%	50.0%	64.3%
Online chat assistance	32.4%	25.6%	12.5%	25.5%	13.6%	16.7%
Mobile app (manage accounts)	35.1%	43.6%	35.4%	40.4%	38.6%	45.2%
Rating technologies:						
Use Comp Rater for PL	70.3%	79.5%	62.5%	59.6%	63.6%	69.0%
Use Comp Rater for CL	5.4%	12.8%	10.4%	21.3%	29.5%	33.3%
Use 'Bridging' from within AMS (PL)	51.4%	61.5%	56.3%	51.1%	43.2%	40.5%
Use 'Bridging' from within AMS (CL)	24.3%	41.0%	39.6%	46.8%	36.4%	38.1%
Use Carrier Agent Portal for PL	86.5%	76.9%	66.7%	72.3%	70.5%	78.6%
Use Carrier Agent Portal for CL	81.1%	79.5%	70.8%	80.9%	75.0%	71.4%

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### PRODUCTIVITY

#### AGENCIES WITH REVENUES OF:

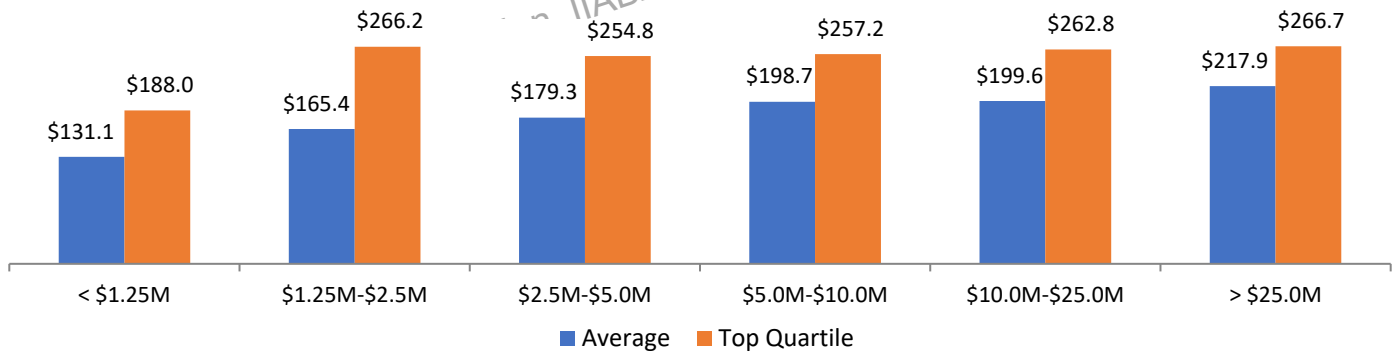
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Total Number of FTE Employees:	7.5	13.4	21.8	38.6	85.2	267.0
<b>AVERAGE</b>						
2019 BPS Pro Forma Rev per Employee	\$131,081	\$165,371	\$179,303	\$198,702	\$199,569	\$217,945
2018 BPS Pro Forma Rev per Employee	\$116,793	\$158,918	\$177,473	\$175,966	\$198,835	\$215,200
Pro Forma Compensation per EE	\$62,855	\$80,492	\$98,634	\$115,600	\$123,636	\$138,491
Pro Forma Spread per Employee	\$68,226	\$84,880	\$80,670	\$83,102	\$75,932	\$79,454

#### TOP QUARTILE

#### AGENCIES WITH REVENUES OF:

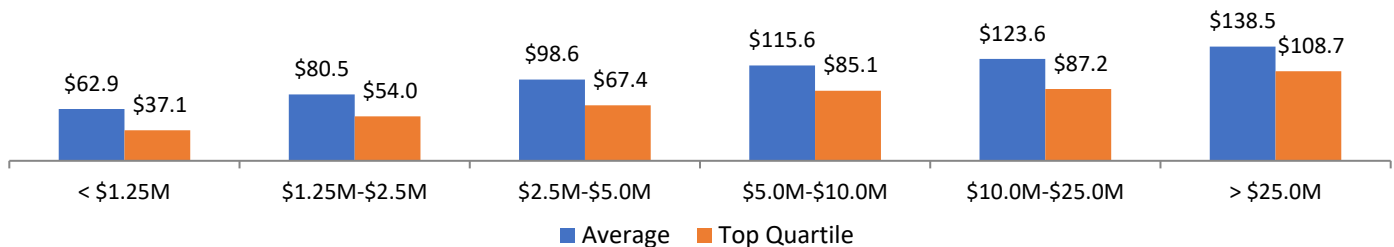
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Pro Forma Revenue per Employee	\$187,976	\$266,170	\$254,750	\$257,150	\$262,860	\$266,683
Pro Forma Compensation per EE	\$37,059	\$53,974	\$67,353	\$85,065	\$87,180	\$108,684
Pro Forma Spread per Employee	\$114,351	\$165,698	\$136,040	\$116,354	\$103,193	\$107,691

#### Pro Forma Revenue per Employee (\$ in thousands)



Note: Pro Forma Revenue per Employee includes 1099 and outsourced employees.

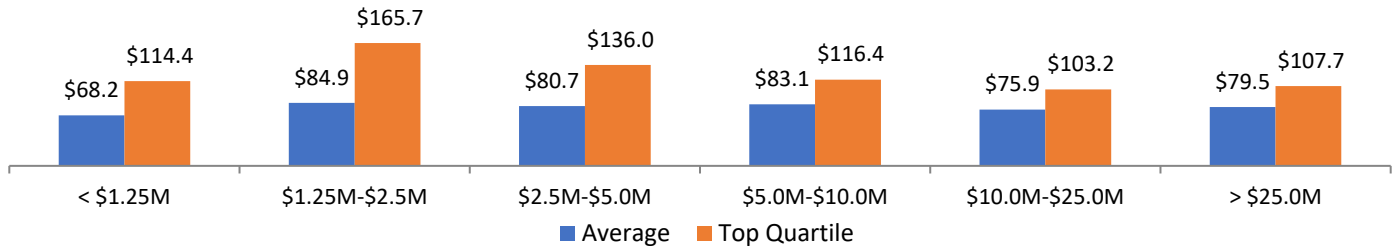
#### Pro Forma Compensation per Employee (\$ in thousands)



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### Pro Forma Spread per Employee (\$ in thousands)



## STAFFING

### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>HUMAN RESOURCES</b>						
% Agencies w/ HR Employees	35.1%	30.8%	56.3%	83.0%	81.8%	93.0%
For those with HR Employees:						
Number of HR Employees	0.3	0.3	0.4	0.6	1.2	3.6
HR Payroll as % of Net Rev	2.1%	1.1%	0.8%	0.7%	0.6%	0.6%
<b>ACCOUNTING</b>						
% Agencies w/ Accounting Employees	56.8%	76.9%	95.8%	97.9%	95.5%	97.7%
For those with Accounting Employees:						
Number of Accounting Employees	0.5	0.7	1.0	1.7	3.4	8.8
Accounting Payroll as % of Net Rev	2.3%	1.7%	1.9%	1.4%	1.5%	1.1%
<b>MARKETING</b>						
% Agencies w/ Marketing Employees	40.5%	51.3%	45.8%	55.3%	68.2%	83.7%
For those with Marketing Employees:						
Number of Marketing Employees	0.5	1.1	1.6	1.3	2.9	6.5
Marketing Payroll as % of Net Rev	2.7%	2.5%	2.4%	1.2%	1.2%	1.0%

# Cross Category Comparison

## Detailed Data for All Revenue Categories

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>SERVICE &amp; SALES SUPPORT STAFF</b>						
<b>PROPERTY &amp; CASUALTY</b>						
% Agencies with Commercial P&C Staff	89.2%	97.4%	95.8%	97.9%	97.7%	95.3%
In agencies that have CPC Staff:						
Number of CPC Employees	1.5	3.1	6.2	10.5	26.1	81.1
Avg CPC Revenue per Staff	\$305,185	\$349,948	\$351,792	\$438,355	\$364,223	\$397,950
Payroll as a % of CPC Revenue	29.9%	18.0%	16.5%	15.8%	17.9%	18.7%
% Agencies with Personal P&C Staff	89.2%	94.9%	83.3%	93.6%	93.2%	97.7%
In agencies that have PPC Staff:						
Number of PPC Employees	2.0	2.9	4.9	6.3	10.8	21.8
Avg PPC Revenue per Staff	\$254,331	\$251,219	\$174,010	\$220,615	\$214,903	\$260,938
Payroll as a % of PPC Revenue	21.3%	20.0%	23.9%	27.1%	28.2%	27.4%
% Agencies with P&C Value Added Staff	13.5%	20.5%	33.3%	55.3%	84.1%	93.0%
In agencies that have P&C VAS Staff:						
Number of P&C VAS Employees	0.4	0.7	1.2	1.5	3.6	13.0
Avg P&C Revenue per Staff	\$316,818	\$724,987	\$1,259,255	\$2,504,954	\$3,837,601	\$4,615,062
Payroll as a % of P&C Revenue	1.9%	2.0%	2.2%	1.6%	2.5%	3.3%
<b>LIFE &amp; HEALTH / FINANCIAL</b>						
% Agencies with L&H/Financial Staff:	21.6%	38.5%	41.7%	78.7%	93.2%	95.3%
In agencies that have L&H/F Staff:						
Number of L&H/F Employees	0.5	1.1	1.9	4.0	9.6	37.8
Avg L&H/F Revenue per Staff	\$46,856	\$158,165	\$144,808	\$391,061	\$396,389	\$444,923
Payroll as a % of L&H/F Revenue	17.0%	14.3%	17.3%	15.0%	16.3%	18.0%
% Agencies with L&H/F Value Added:	*	2.6%	2.1%	12.8%	34.1%	55.8%
In agencies that have L&H/F Staff:						
Number of L&H/F Employees	*	0.1	1.3	2.3	2.4	7.4
Avg L&H/F Revenue per Staff	*	\$325,958	\$30,617	\$303,420	\$1,081,684	\$2,948,988
Payroll as a % of L&H/F Revenue	*	0.7%	4.0%	3.5%	2.7%	2.7%

\*Insufficient Data



# Cross Category Comparison

## Detailed Data for All Revenue Categories

MEDIAN	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>SUPPORT STAFF PAY</b>						
<u>COMMERCIAL LINES</u>						
LOWEST PAY:						
Account Executive (AE)	\$53,000	\$50,000	\$60,000	\$63,000	\$86,911	\$71,000
Customer Service Rep (CSR)	\$44,906	\$40,399	\$40,000	\$45,524	\$46,000	\$43,896
Processor/Asst CSR	\$32,240	\$35,000	\$37,660	\$35,190	\$37,544	\$34,161
Marketing	\$50,092	\$42,000	\$47,018	\$56,046	\$50,000	\$55,652
Claims	\$35,000	\$35,991	\$45,600	\$48,000	\$55,220	\$50,440
AVERAGE PAY:						
Account Executive (AE)	\$55,000	\$54,000	\$64,575	\$85,067	\$100,825	\$106,364
Customer Service Rep (CSR)	\$44,603	\$46,431	\$50,875	\$57,556	\$64,500	\$65,000
Processor/Asst CSR	\$32,240	\$35,000	\$38,625	\$40,588	\$44,031	\$44,185
Marketing	\$55,092	\$43,500	\$55,857	\$69,350	\$73,567	\$83,125
Claims	\$35,000	\$45,991	\$45,600	\$52,700	\$63,273	\$75,032
HIGHEST PAY:						
Account Executive (AE)	\$55,000	\$65,000	\$75,913	\$109,873	\$112,000	\$141,738
Customer Service Rep (CSR)	\$45,690	\$55,800	\$65,000	\$75,897	\$83,570	\$91,336
Processor/Asst CSR	\$32,240	\$35,360	\$38,625	\$43,814	\$50,552	\$60,000
Marketing	\$57,592	\$45,000	\$62,744	\$82,272	\$95,000	\$127,488
Claims	\$35,000	\$55,991	\$51,813	\$53,854	\$75,004	\$109,114
<u>PERSONAL LINES</u>						
LOWEST PAY:						
Account Executive (AE)	\$40,000	\$39,000	\$41,755	\$45,000	\$90,000	\$63,906
Customer Service Rep (CSR)	\$39,956	\$38,216	\$40,411	\$40,000	\$40,548	\$42,000
Processor/Asst CSR	\$30,000	\$33,035	\$22,248	\$36,751	\$33,150	\$34,000
Marketing	\$42,500	\$52,000	\$43,139	\$44,090	\$50,636	\$40,560
Claims	\$35,000	*	\$52,000	\$43,250	\$45,865	\$50,563
AVERAGE PAY:						
Account Executive (AE)	\$45,000	\$41,600	\$47,973	\$54,000	\$90,019	\$74,717
Customer Service Rep (CSR)	\$40,000	\$41,250	\$43,803	\$50,410	\$51,620	\$53,519
Processor/Asst CSR	\$30,000	\$33,035	\$22,372	\$36,751	\$36,476	\$41,602
Marketing	\$45,000	\$52,000	\$49,389	\$48,890	\$50,636	\$47,406
Claims	\$37,500	*	\$52,000	\$43,250	\$45,865	\$54,815
HIGHEST PAY:						
Account Executive (AE)	\$50,000	\$48,000	\$56,553	\$60,000	\$93,219	\$82,500
Customer Service Rep (CSR)	\$42,582	\$46,155	\$49,250	\$57,687	\$59,580	\$71,316
Processor/Asst CSR	\$32,000	\$33,035	\$25,000	\$40,000	\$44,000	\$49,480
Marketing	\$50,000	\$52,000	\$55,639	\$53,690	\$50,636	\$52,400
Claims	\$40,000	*	\$52,000	\$43,250	\$45,865	\$58,629
<u>GROUP LIFE &amp; HEALTH/FINANCIAL</u>						
LOWEST PAY:						
Account Executive (AE)	\$32,319	\$35,000	\$43,222	\$45,917	\$94,786	\$77,250
Customer Service Rep (CSR)	\$35,000	\$39,000	\$44,806	\$47,813	\$50,059	\$49,942
Processor/Asst CSR	*	\$30,361	\$27,949	\$33,200	\$37,724	\$38,407
Marketing	*	*	*	\$52,500	\$45,251	\$50,220
AVERAGE PAY:						
Account Executive (AE)	\$32,319	\$35,000	\$43,222	\$65,557	\$104,000	\$117,360
Customer Service Rep (CSR)	\$42,000	\$39,000	\$45,006	\$54,141	\$61,000	\$66,256
Processor/Asst CSR	*	\$32,111	\$27,949	\$35,000	\$42,000	\$46,470
Marketing	*	*	*	\$52,500	\$58,906	\$73,251
HIGHEST PAY:						
Account Executive (AE)	\$32,319	\$35,000	\$43,222	\$76,219	\$109,592	\$150,000
Customer Service Rep (CSR)	\$42,000	\$39,000	\$45,006	\$61,970	\$76,511	\$93,431
Processor/Asst CSR	*	\$33,861	\$27,949	\$38,000	\$42,000	\$60,386
Marketing	*	*	*	\$52,500	\$64,936	\$111,414

\*Insufficient Data

# Cross Category Comparison

## Detailed Data for All Revenue Categories

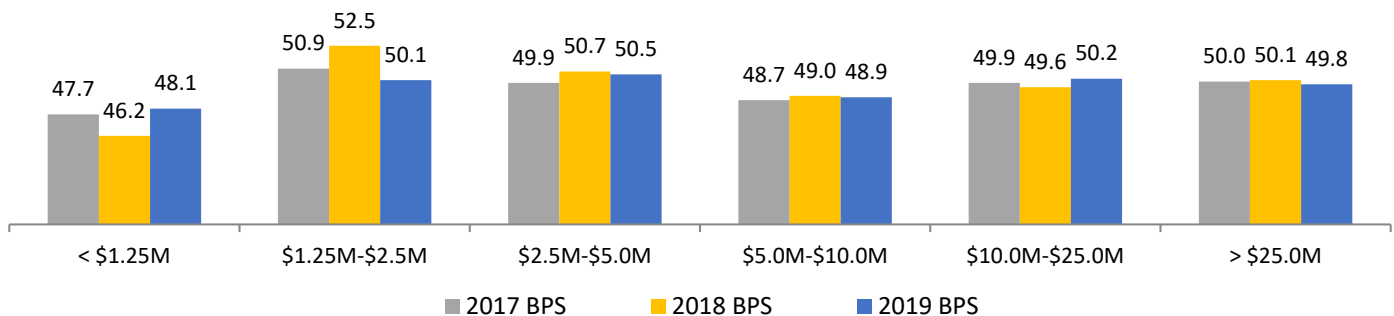
### PRODUCER METRICS

#### AGENCIES WITH REVENUES OF:

Agency Commission Structure:	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>New Rate:</b>						
Commercial P&C	45.6%	46.5%	42.4%	40.3%	39.2%	36.9%
Bonds/Surety	46.2%	48.2%	40.9%	40.0%	37.7%	34.8%
Small Commercial P&C	46.6%	48.1%	42.5%	42.2%	37.9%	36.9%
Personal P&C	44.5%	47.2%	40.0%	44.1%	38.4%	39.3%
Group Medical	42.5%	45.5%	43.0%	42.2%	39.5%	36.8%
Other Group L/H/F	42.1%	45.5%	43.2%	43.2%	39.2%	36.7%
Individual L/H/F	49.8%	49.0%	47.9%	46.1%	44.2%	41.8%
<b>Renewal Rate:</b>						
Commercial P&C	35.8%	31.6%	30.4%	29.2%	26.8%	27.4%
Bonds/Surety	32.7%	32.4%	30.3%	26.9%	25.7%	28.2%
Small Commercial P&C	33.7%	28.5%	28.5%	25.1%	20.6%	14.5%
Personal P&C	29.9%	21.6%	24.8%	21.1%	14.9%	16.4%
Group Medical	34.8%	27.5%	29.9%	30.7%	27.4%	27.6%
Other Group L/H/F	32.2%	24.1%	27.9%	31.1%	28.2%	27.5%
Individual L/H/F	24.6%	22.0%	25.4%	29.7%	25.2%	22.8%
<b>Minimum Threshold (minimum account size on which commissions are paid):</b>						
Commercial P&C	\$587	\$406	\$544	\$1,249	\$2,370	\$3,301
Bonds/Surety	\$252	\$225	\$178	\$450	\$1,074	\$1,270
Small Commercial P&C	\$413	\$306	\$149	\$1,089	\$1,265	\$1,612
Personal P&C	\$272	\$128	\$95	\$95	\$574	\$636
Group Medical	\$423	\$260	\$288	\$1,039	\$2,282	\$2,711
Other Group L/H/F	\$423	\$79	\$274	\$431	\$1,794	\$2,500
Individual L/H/F	\$188	\$20	\$74	\$103	\$967	\$971
<b>Additional Benefits Paid (% of agencies providing this benefit to producers):</b>						
Travel and Entertainment	48.6%	51.3%	79.2%	87.2%	77.3%	86.0%
Health Benefits	59.5%	66.7%	91.7%	93.6%	95.5%	90.7%
Automobile	13.5%	15.4%	54.2%	59.6%	52.3%	58.1%

### VALIDATED PRODUCER METRICS

#### WAPA: Weighted Average Producer Age



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### VALIDATED PRODUCER METRICS

#### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Commercial P&amp;C</b>						
Number of Validated Producers	0.6	1.1	2.5	4.5	9.6	22.3
% Male	*	*	90%	92%	89%	89%
% Female	*	*	10%	8%	11%	11%
Average New Commissions	\$43,394	\$68,089	\$69,368	\$74,013	\$98,617	\$147,906
Average Book Serviced	\$248,414	\$404,553	\$551,557	\$573,503	\$843,561	\$1,077,036
Average Compensation	\$66,861	\$138,677	\$171,427	\$204,054	\$249,564	\$278,208
Avg. Comp. as % of Book	29.5%	30.9%	32.8%	34.4%	31.6%	28.0%
Top 25% Avg New Commissions	\$72,385	\$150,149	\$127,862	\$126,216	\$184,706	\$280,916
Top 25% Average Book Serviced	\$402,945	\$732,209	\$991,723	\$944,736	\$1,478,962	\$1,720,810
<b>Personal P&amp;C</b>						
Number of Validated Producers	0.4	0.6	0.5	0.6	1.5	2.9
% Male	*	*	*	*	*	48%
% Female	*	*	*	*	*	52%
Average New Commissions	\$37,969	\$51,376	\$39,210	\$42,664	\$67,384	\$79,222
Average Book Serviced	\$227,425	\$218,908	\$250,995	\$288,624	\$324,825	\$434,662
Average Compensation	\$53,719	\$69,129	\$83,318	\$91,122	\$103,090	\$119,954
Avg. Comp. as % of Book	38.6%	36.0%	40.1%	33.1%	31.7%	29.9%
Top 25% Avg New Commissions	\$72,020	\$75,798	\$77,409	\$61,747	\$122,071	\$145,504
Top 25% Average Book Serviced	\$575,554	\$384,070	\$434,881	\$488,823	\$560,877	\$732,647
<b>Life/Health/Financial</b>						
Number of Validated Producers	0.1	0.3	0.3	1.3	2.9	9.6
% Male	*	*	*	*	75%	75%
% Female	*	*	*	*	25%	25%
Average New Commissions	\$30,145	\$68,761	\$83,919	\$89,649	\$131,264	\$162,414
Average Book Serviced	\$98,967	\$358,903	\$290,794	\$655,032	\$825,357	\$1,112,724
Average Compensation	\$30,763	\$139,960	\$95,824	\$224,986	\$260,253	\$304,019
Avg. Comp. as % of Book	27.0%	42.1%	44.5%	33.8%	32.7%	28.1%
Top 25% Avg New Commissions	\$60,000	\$164,945	\$163,439	\$185,696	\$254,913	\$320,493
Top 25% Average Book Serviced	\$147,401	\$843,254	\$584,985	\$1,391,544	\$1,712,240	\$1,802,911
<b>Multi-line</b>						
Number of Validated Producers	0.3	0.6	1.3	1.3	1.6	2.2
% Male	*	*	*	*	*	83%
% Female	*	*	*	*	*	17%
Average New Commissions	\$49,631	\$49,842	\$56,890	\$68,302	\$71,383	\$130,801
Average Book Serviced	\$376,283	\$387,216	\$465,214	\$589,520	\$919,438	\$1,265,522
Average Compensation	\$78,062	\$94,841	\$141,724	\$172,008	\$248,995	\$294,173
Avg. Comp. as % of Book	33.3%	32.4%	28.5%	30.1%	29.4%	27.5%
Top 25% Avg New Commissions	\$107,038	\$100,894	\$105,125	\$113,729	\$145,661	\$338,768
Top 25% Average Book Serviced	\$659,683	\$850,542	\$939,996	\$971,436	\$1,714,702	\$2,373,665
<b>% Total Book by Producer Age:</b>						
Up to age 35	15.1%	14.5%	12.7%	15.4%	8.8%	10.0%
Age 36-45	30.5%	20.1%	23.2%	26.4%	26.9%	23.3%

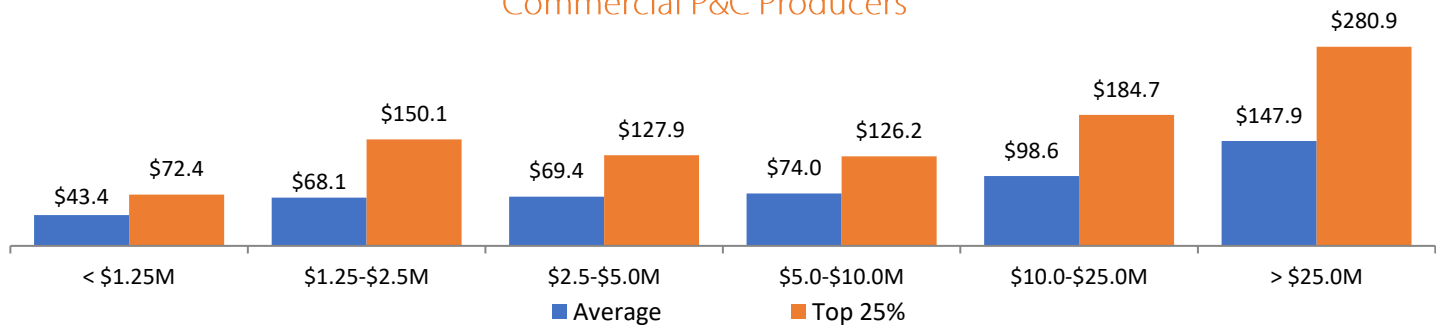
\*Insufficient Data

# Cross Category Comparison

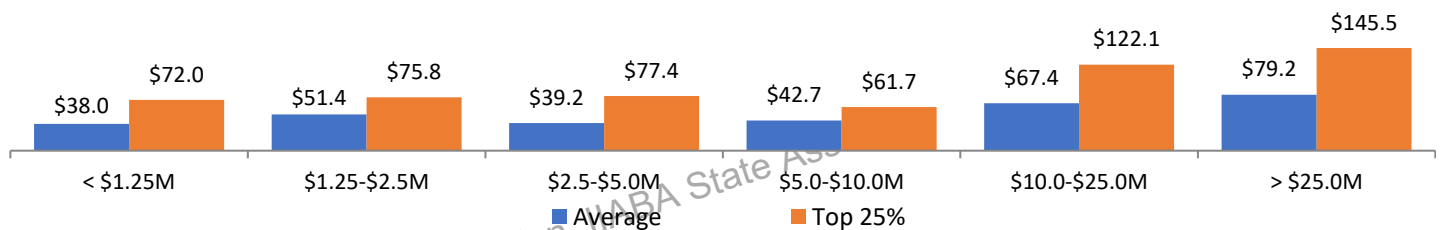
Detailed Data for All Revenue Categories

## Average New Commissions (\$ in thousands)

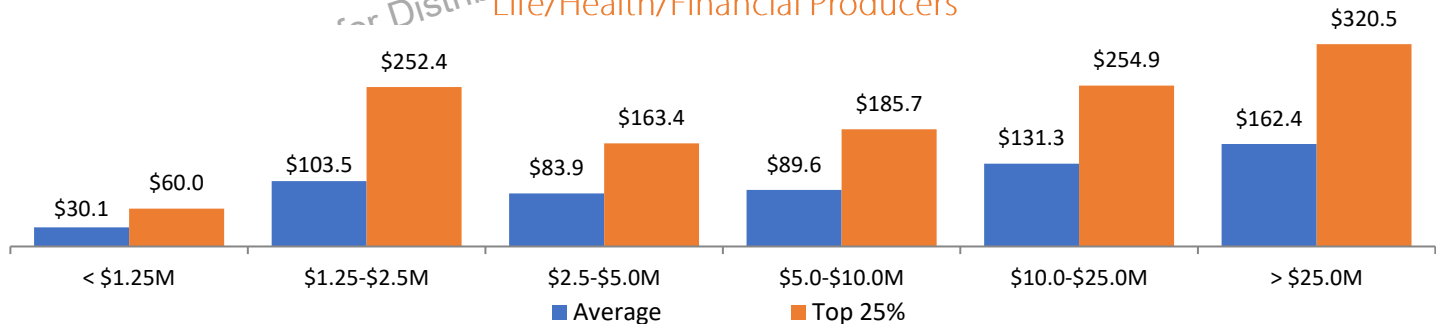
### Commercial P&C Producers



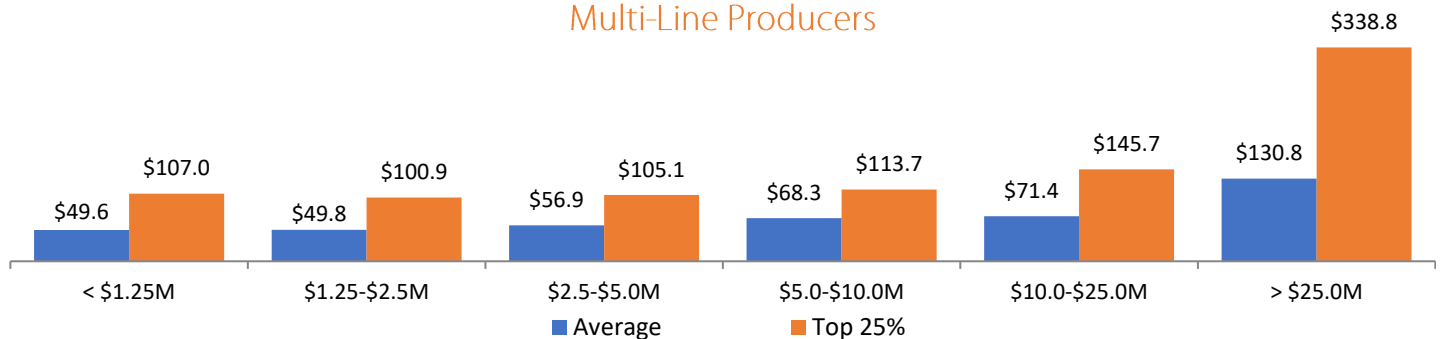
### Personal P&C Producers



### Life/Health/Financial Producers



### Multi-Line Producers

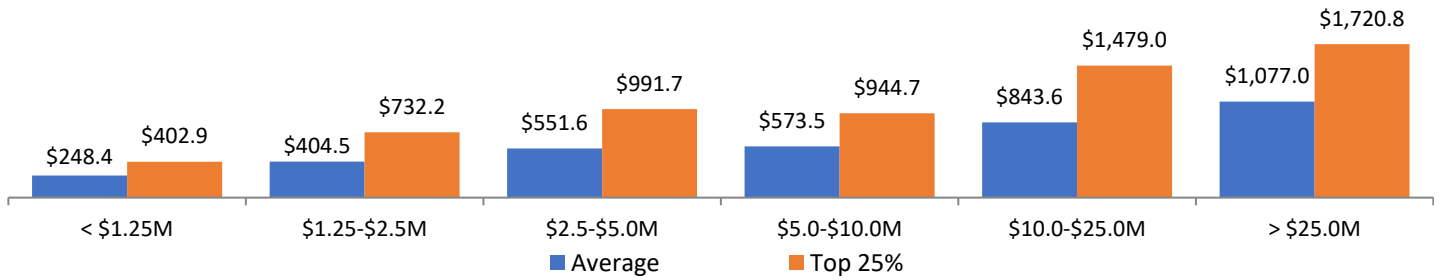


# Cross Category Comparison

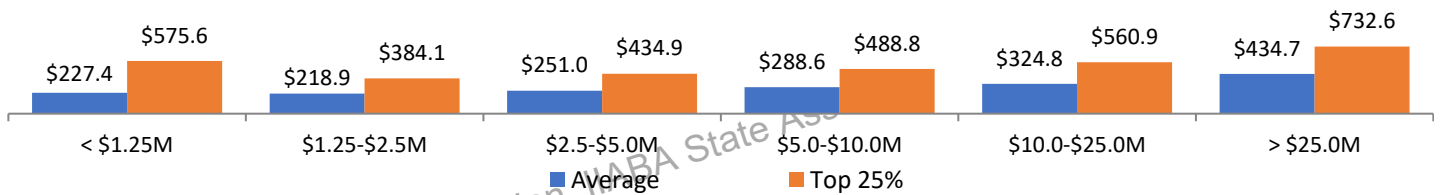
Detailed Data for All Revenue Categories

## Average Book Serviced (\$ in thousands)

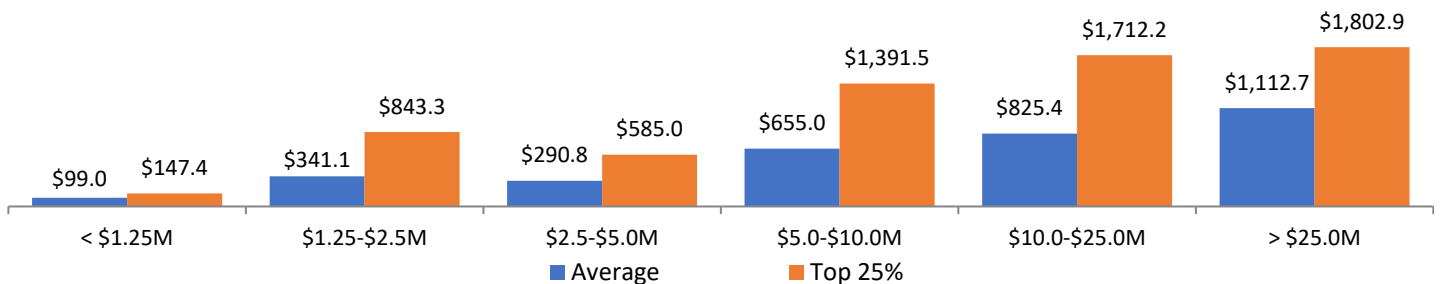
### Commercial P&C Producers



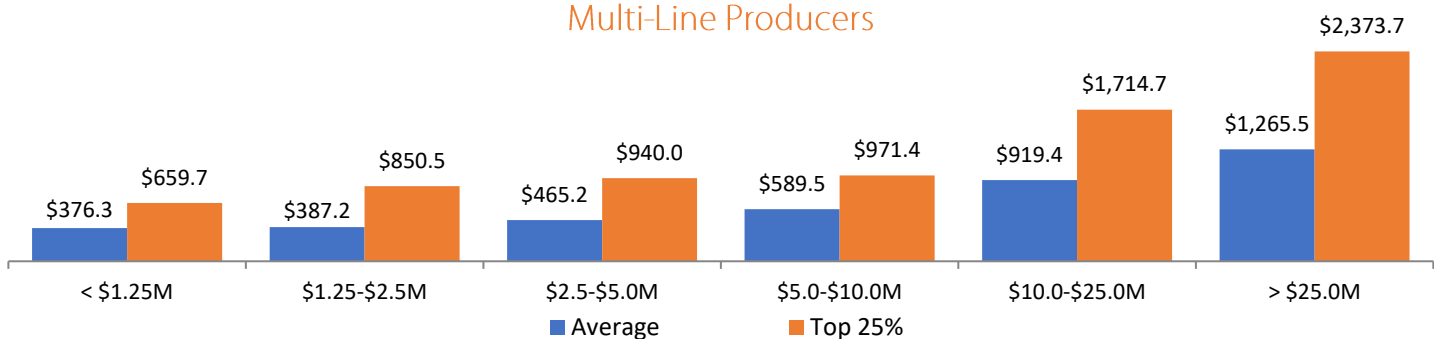
### Personal P&C Producers



### Life/Health/Financial Producers



### Multi-Line Producers



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### UNVALIDATED PRODUCER METRICS

#### AVERAGE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Number of Unvalidated Producers	0.5	1.1	1.3	2.2	5.2	17.6
Average New Commissions	\$5,943	\$8,094	\$13,563	\$22,508	\$32,536	\$37,404
Average Book Serviced	\$10,049	\$15,085	\$41,775	\$54,411	\$100,770	\$113,861
Avg Estimated Annual Compensation	\$47,014	\$47,803	\$54,679	\$80,050	\$82,192	\$95,231

#### TOP QUARTILE

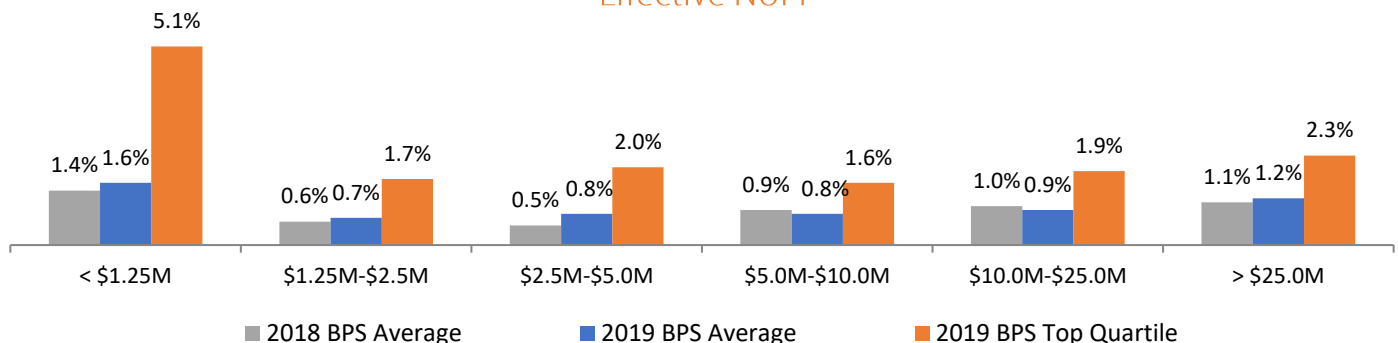
	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Number of Unvalidated Producers	1.7	3.3	2.8	5.4	10.4	36.7
Average New Commissions	\$21,989	\$26,674	\$38,617	\$53,032	\$71,234	\$75,054
Average Book Serviced	\$36,915	\$47,863	\$133,599	\$129,562	\$258,529	\$256,741

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>NUPP:</b>						
<i>Net Investment in Unvalidated Producer Pay</i>						
Low	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average	2.0%	1.3%	1.3%	1.3%	1.7%	2.2%
High	16.1%	5.5%	6.3%	5.8%	6.3%	7.8%
Top Quartile	7.2%	4.0%	3.1%	3.1%	3.4%	4.7%
<b>2018 BPS Average NUPP</b>	<b>1.4%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>1.5%</b>	<b>1.9%</b>	<b>1.9%</b>
Producer Success Rate	82.3%	57.3%	60.2%	62.4%	52.6%	54.5%
<b>Effective NUPP:</b>						
Average	1.6%	0.7%	0.8%	0.8%	0.9%	1.2%
Top Quartile	5.1%	1.7%	2.0%	1.6%	1.9%	2.3%

NUPP (Net Investment in Unvalidated Producer Pay), expressed as a percentage of net revenue, is the difference between what an agency pays its unvalidated producers and what the producers would earn under the agency's normal commission schedule. It is an excellent metric to assess the financial investment an agency is making in its next generation of producer talent.

Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.

#### Effective NUPP



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### NEW PRODUCER HIRING

#### AVERAGE

	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
% of Agencies that Hired New Producers Last Year	29.7%	43.6%	54.2%	51.1%	79.5%	95.3%
# of New Producers Hired Last Year	2.1	1.6	1.4	1.7	3.1	11.0
Avg annualized wages per prod hired	\$57,270	\$53,813	\$58,535	\$70,176	\$83,220	\$96,407
# New Producers Hired past 5 Yrs	3.2	4.4	3.8	5.3	10.5	31.5
Producer Success Rate past 5 years	82.3%	57.3%	60.2%	62.4%	52.6%	54.5%

#### TOP QUARTILE

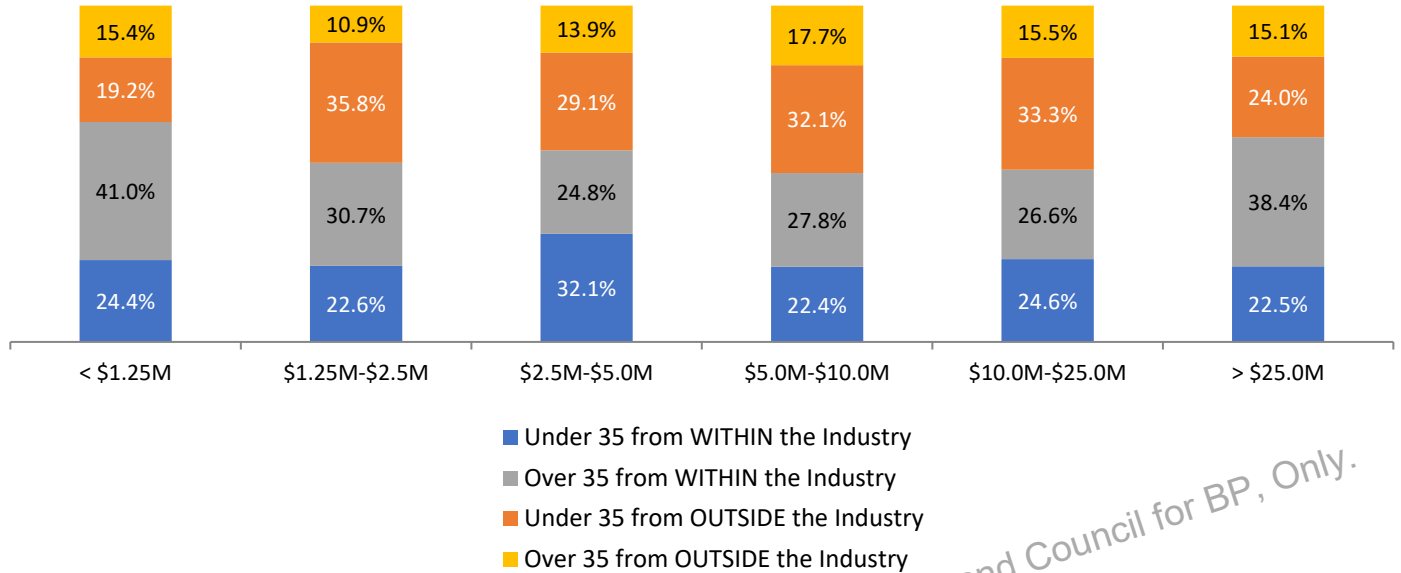
	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
# of New Producers Hired Last Year	3.3	3.0	2.0	2.5	5.3	27.1
Avg annualized wages per prod hired	\$86,311	\$86,220	\$92,814	\$111,856	\$150,387	\$152,707
# New Producers Hired past 5 Yrs	7.0	11.0	7.0	10.2	18.5	62.1
Producer Success Rate past 5 years	100.0%	100.0%	100.0%	91.9%	75.9%	75.9%

Recruiting & Development Techniques:	AGENCIES WITH REVENUES OF:					
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
Recruiting:						
Targeted college recruiting efforts/programs	13.6%	40.7%	23.8%	34.9%	53.7%	62.8%
Use of outside recruiters	18.2%	33.3%	40.5%	46.5%	65.9%	76.7%
Use of social media as a recruiting tool	31.8%	59.3%	47.6%	65.1%	78.0%	90.7%
Assessment:						
Testing (sales, personality, intelligence capabilities, call reluctance, etc.)	59.1%	77.8%	81.0%	86.0%	92.7%	90.7%
Development:						
Internship	22.7%	48.1%	31.0%	51.2%	53.7%	65.1%
Mentorship	59.1%	66.7%	81.0%	88.4%	87.8%	93.0%
Technical training:						
Internal	81.8%	96.3%	78.6%	95.3%	85.4%	97.7%
External	72.7%	77.8%	78.6%	83.7%	92.7%	93.0%
Sales training:						
Internal	77.3%	92.6%	76.2%	90.7%	92.7%	97.7%
External	81.8%	85.2%	83.3%	88.4%	87.8%	88.4%
Selling structure:						
Required specialization	31.8%	33.3%	19.0%	46.5%	26.8%	32.6%
Team selling	63.6%	59.3%	66.7%	76.7%	85.4%	83.7%
Assigned accounts	45.5%	66.7%	59.5%	69.8%	65.9%	90.7%

# Cross Category Comparison

## Detailed Data for All Revenue Categories

### Where New Producers Were Found



## CARRIERS

### AGENCIES WITH REVENUES OF:

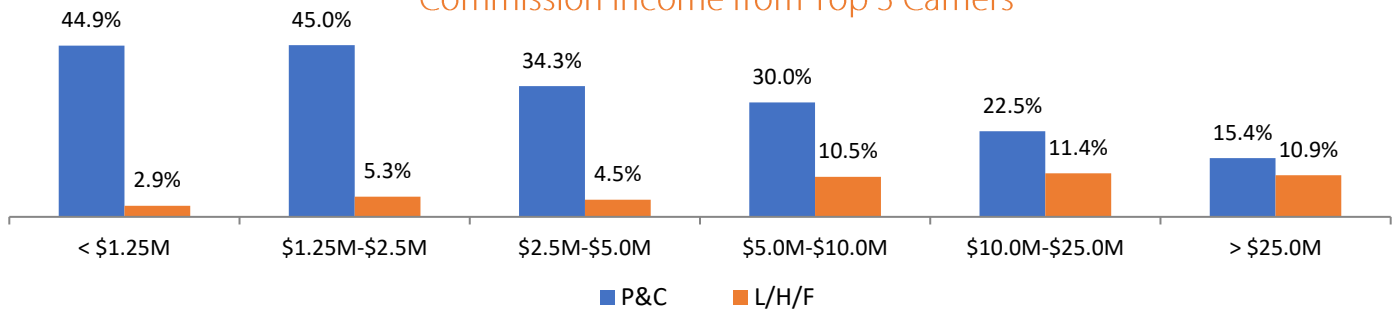
	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Carrier Representation:</b>						
<b>Commercial P&amp;C</b>						
# of National Carriers	6.4	9.1	12.5	21.7	33.9	74.8
# of Regional Carriers	5.5	7.7	12.7	16.4	16.5	48.9
<b>Total</b>						
<b>Personal P&amp;C</b>						
# of National Carriers	6.2	6.5	6.0	11.5	14.7	21.5
# of Regional Carriers	6.1	6.9	7.5	9.5	7.8	21.3
<b>Total</b>						
<b>Life &amp; Health/Financial</b>						
	5.5	12.5	10.1	20.3	34.9	82.0
<b>Commission Income from Top Carriers:</b>						
Top P&C Carrier	29.0%	26.6%	19.1%	15.5%	11.3%	8.8%
Top 3 P&C Carriers	44.9%	45.0%	34.3%	30.0%	22.5%	15.4%
Top L/H/F Carrier	2.0%	3.9%	2.8%	6.4%	6.2%	5.9%
Top 3 L/H/F Carriers	2.9%	5.3%	4.5%	10.5%	11.4%	10.9%



# Cross Category Comparison

## Detailed Data for All Revenue Categories

### Commission Income from Top 3 Carriers



### AGENCIES WITH REVENUES OF:

	<\$1.25M	\$1.25-\$2.5M	\$2.5-\$5M	\$5-\$10M	\$10-\$25M	>\$25M
<b>Breakdown by line for top P&amp;C carriers:</b>						
Personal	54.5%	47.1%	36.1%	33.3%	26.2%	15.5%
Small Commercial	30.2%	30.3%	22.1%	20.2%	13.1%	8.9%
Mid/Large Commercial	15.4%	22.6%	41.8%	46.5%	60.7%	75.6%
<b>Breakdown by line for top 3 P&amp;C carriers:</b>						
Personal	54.9%	43.6%	34.5%	30.8%	23.8%	18.1%
Small Commercial	33.7%	34.9%	24.5%	21.0%	14.1%	9.3%
Mid/Large Commercial	11.4%	21.5%	41.0%	48.2%	62.0%	72.6%
<b>Service Center Usage:</b>						
<i>% by Line of Business</i>						
Commercial Lines Commission	4.5%	4.1%	0.9%	1.4%	1.1%	0.6%
Personal Lines Commission	13.7%	52.2%	21.0%	24.0%	24.1%	15.8%

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Association Council for Best Practices

# Cross Category Comparison

Detailed Data for All Revenue Categories

Internal Use. Not for Distribution. IIABA State Association and Council for BP, Only.

# Glossary

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## Definitions of Frequently Used Terms

Internal Use. Not for Distribution. IIABA State Association and Council for BP, Only.

# Glossary

## Definitions of Frequently Used Terms

In addition to the average results for each *Study* group, the *BPS* provides insights on how the “best of the best” are operating. This table will help you understand the terms used to report this information.

HEADING	REFERS TO
<b>Average</b>	The average result achieved by all the firms in the <i>Study</i> group for a particular factor.
<b>Low</b>	The lowest result achieved in the peer group for a particular factor.
<b>High</b>	The highest result achieved in the peer group for a particular factor.
<b>Top Quartile</b>	The average results achieved by the Top 25% of the firms in the group for that particular factor or line item.
<b>Median</b>	The mid-point in a list of results achieved by all the firms in the <i>Study</i> group for a particular factor.

## REVENUES

(As reported for most recently completed fiscal year-end and stated as a percentage of gross revenues)

### Property & Casualty:

- 1) Commercial Commissions & Fees — Commissions and fees for the sale of commercial P&C insurance. Includes items often considered "value-added services," (e.g., revenues from workers' comp TPA, loss control, engineering, risk management, consulting services, self-insurance programs, underwriting and claims services, additional carrier compensation or reimbursements for services provided on their behalf, etc.).
- 2) Bonds / Surety — Commissions from the sale of bonds (surety, fidelity, etc.).
- 3) Personal Commissions & Fees - Commissions (both direct and agency-billed), and fees earned in lieu of commissions for the sale of personal P&C insurance.
- 4) Contingent / Bonus — Profit sharing, bonus, and supplemental income received from insurance carriers.
- 5) Total P&C — The sum of items 1 – 4.

### Life & Health / Financial

- 6) Group Medical Commissions & Fees — Commissions & fees from the sale of group health/medical insurance.
- 7) All Other Group Commissions & Fees — Commissions and fees from the sale of all other employee benefits products and services. Includes group life, dental, disability, pension, retirement plan, PEOs, investment products, and any revenue from delivery of value added services (VAS) - i.e., benefits, TPA HR/wellness/other consulting services, actuarial services, risk management, cost containment, and any other related to employee benefits, life and health, or financial services.
- 8) Individual Commissions & Fees — Commissions & fees from the sale of individual life, health, dental, disability & investment products.
- 9) Bonus / Overrides — Bonus or incentive payments paid to agency for L/H/F promotion (usually for volume, persistency, growth, etc.).
- 10) Total Life & Health / Financial — The sum of items 6 – 9.

# Glossary

## Definitions of Frequently Used Terms

- 11) Investments — Income from interest, dividends, premium finance, late charges, gains/losses on sales of marketable securities.
- 12) Miscellaneous — Income from countersignature fees, gains/losses on fixed or intangible assets, life insurance proceeds, and other income not included in one of the other revenue categories.
- 13) Gross Revenues — The sum of items 5, 10, 11 & 12.
- 14) Brokerage Commission Expense — Commissions paid to other agencies or outside brokers. Does NOT include in-house 1099 producers, who are included with “Payroll - Non-Employees - 1099 Producers / Outsourced Labor.”
- 15) Net Revenues — Gross Revenues less Brokerage Commission Expense.

## EXPENSES

(As reported for most recently completed fiscal year-end and stated as a percentage of net revenues)

### Compensation

Payroll: The following payroll breakdown is for the entire agency, including agency owners:

- 16) Employees — All expensed payroll, including salaries, commissions, bonuses, management fees, and discretionary owner compensation. Does NOT include "S" corporation distributions.
- 17) Non-Employees - 1099 Producers / Outsourced Labor — Commissions, bonuses for agency's producers compensated on a 1099. Also includes expense for outside temporary staffing and temp-to-perm staffing, as well as expenses for outsourced services such as Patra or ResourcePro.
- 18) Total Payroll — The sum of items 16 – 17.

### Benefits

- 19) Payroll Taxes — All payroll taxes (SS, FICA, FUTA, SUTA, etc.).
- 20) Retirement — Expenses related to a 401(k), ESOP/ESOT, pension, and other miscellaneous retirement benefits.
- 21) Insurance — Health insurance, medical reimbursements, life insurance, disability insurance, etc. Does NOT include Officer or Key Person life, which is included with “Administrative - Officer Life.”
- 22) Other — Wellness programs, employee assistance plans, health club memberships, and employee gifts, etc.
- 23) Total Benefits — The sum of items 19 - 22.
- 24) Total Compensation — The sum of items 18 & 23.

### Selling

- 25) Travel & Entertainment/Conventions — Airfare, meals, hotels, social/country club dues, convention related expenses. Does NOT include professional dues/memberships, which are included in “Operating - Dues/Subscriptions/Contributions.”
- 26) Automobile Expense — Lease, gas, maintenance/repair, employee parking, mileage allowances, etc. Does NOT include employee auto insurance, which are included under "Insurance" in Operating section; also exclude auto depreciation, which is included under "Depreciation" in Administrative section.
- 27) Advertising / Promotion — Promotional / advertising materials, target marketing services, fees paid to advertising or public relations agencies, media buys, contest rewards, customer relations functions, gifts, telemarketing, etc.

# Glossary

## Definitions of Frequently Used Terms

28) Total Selling — The sum of items 25, 26 & 27.

### **Operating**

- 29) Occupancy Expenditures — Total rent, utilities, building/grounds maintenance, property taxes, janitorial services, storage & other building related expenses. Should be net of rental/sublet income. Does NOT include building depreciation or leasehold amortization, which are included in “Administration – Depreciation.”
- 30) Office Equipment Expenses — Leased and expensed equipment purchases and equipment maintenance for copiers, telephone & fax, postage meters, office furniture & fixtures. Does NOT include leased IT equipment, which is included in “Operating - IT Expenses.” Does NOT include depreciation, which is included in “Administration – Depreciation.”
- 31) IT Expenses — Expensed/leased computer hardware, software, license fees, maintenance and maintenance contracts, website development/maintenance, website hosting, internet connections, automation related training, regularly outsourced IT support, etc. Does NOT include equipment depreciation, section 179 items, or software amortization, which are included in “Administration – Depreciation.”
- 32) Telephone — Local & long distance, cellular telephone, and fax expenses. Does NOT include leased telephone equipment, which is included in “Operating - Office Equipment Expense.”
- 33) Postage — Postage, Express mail, FedEx, UPS, or courier services. Does NOT include postage machines, which are included in “Operating - Office Equipment Expense.”
- 34) Supplies / Printing — Office supplies, paper, copying/printing, coffee/soft drinks/break room expenses.
- 35) Dues / Subscriptions/ Contributions — Professional dues/membership fees, periodical & information services subscriptions, contributions.
- 36) Taxes / Licenses — Insurance licenses, miscellaneous local & franchise taxes, sales tax, other property taxes, and license fees. Does NOT include occupancy-related property taxes, which are included with “Operating – Occupancy Expense.” Does NOT include payroll-related taxes, which are included with “Payroll – Payroll Tax.”
- 37) Insurance — Property & casualty insurance, including employee auto insurance and workers’ compensation, and payments for E&O claims /settlements.
- 38) Professional Fees — Expenses for CPAs, lawyers, consultants and other outside advisors. Does NOT include directors’ fees, which are included in “Administrative – Other.”
- 39) Bad Debts — Bad debts written off and agency-paid claims. Does NOT include E&O claims/settlements, which are included with “Operating – Insurance.”
- 40) Outside Services — MVRs, CLUE reports, etc.; bank fees, employment fees, moving expenses and all other outside service expense including those used to deliver value added services to the agency’s clients (e.g., Zywave, actuarial services, COBRA administration, etc.).
- 41) Education / Training — Tuition reimbursement, registration fees, materials, books/materials, in-house training programs, and related travel expenses, etc. Does NOT include training on how to use your agency management system or other agency technology, which is included with “Operating – IT Expenses.”
- 42) Miscellaneous — Other non-specific miscellaneous operating expenses not included elsewhere.
- 43) Total Operating — The sum of items 29 – 42.

# Glossary

## Definitions of Frequently Used Terms

### **Administrative**

- 44) Depreciation — All depreciation of fixed tangible assets to include current year depreciation related to autos, building depreciation, depreciation of equipment, furniture and fixtures (including section 179 purchases), depreciation of computers, servers, software, leasehold improvements, etc. The write-down of certain tangible assets may be called amortization, but it is included here if it involved a tangible asset.
- 45) Amortization of Intangibles — All amortization of intangible assets to include current year amortization of acquired expirations, covenants, non-competes, customer lists, etc.
- 46) Officer Life — Premium paid by agency, where agency is beneficiary.
- 47) Interest — Interest expense incurred.
- 48) Other — Directors' fees, non-specific overhead allocations to parent companies, deferred compensation, and any other miscellaneous administrative expenses.
- 49) Total Administrative — The sum of items 44-48.
- 50) Total Expenses — The sum of 24, 28, 43, & 49.

## GROWTH AND PROFITABILITY

- 51) Pro Forma Revenue — Net Revenue after the agency's revenue categories are normalized by eliminating non-recurring or non-operating activity.
- 52) Pre-tax Profit / Loss — Net Revenues less Total Expenses.
- 53) Pro Forma Pre-tax Profit — Pro Forma Net Revenues less Pro Forma Total Expenses.
- 54) Pro Forma Operating Profit — Pro Forma Pre-tax Profit less contingent and bonus / override income.
- 55) Operating Profit — Pre-tax Profit less contingent and bonus / override income.
- 56) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) — An agency's profit before interest, taxes, depreciation and amortization expenses are included.
- 57) Pro Forma EBITDA — Adjusted EBITDA after a) Pro Forma Revenue adjustments are accounted for, b) discretionary expenditures made for the benefit of the owners are added back, and c) expense categories are normalized to eliminate non-recurring and/or non-operating activity. Pro Forma EBITDA excludes all Administrative expenses (Depreciation, Amortization, Officer Life, Interest, and Other).
- 58) Sales Velocity — A Reagan Consulting metric used to gauge a firm's new business results. Expressed as a percentage, Sales Velocity is current year New Commission and Fee income written divided by prior year Commissions and Fee income.
- 59) Banded Sales Velocity — Sales Velocity contributions by producer age segments (35 and under, 36-45, 46-55, over age 55).
- 60) Rule of 20 Score — A Reagan Consulting valuation metric that is the sum of the agency's Pro Forma EBITDA margin times 50% plus the organic commission and fee growth rate. It provides a quick means of calculating whether an agency is creating significant returns for its shareholders.

# Glossary

## Definitions of Frequently Used Terms

### FINANCIAL STABILITY

- 61) Current Ratio — Current assets divided by current liabilities. A current ratio greater than 1:1 indicates that cash and assets with short term maturities are sufficient to meet a firm's short-term obligations.
- 62) Trust Ratio — Cash plus accounts receivable divided by premiums payable.
- 63) Tangible Net Worth (TNW) — Total tangible assets minus total liabilities. The tangible net worth represents the net value of the agency's balance sheet if it were liquidated. A low or negative tangible net worth impacts an agency's ability to invest in new opportunities, develop new products, hire new employees, make other capital expenditures and facilitate shareholder redemption obligations.
- 64) Receivables/Payables Ratio — Accounts receivable divided by accounts payable. This ratio measures the collection practices of an agency, with a lower ratio representing more timely collections of those amounts due from insureds.
- 65) Aged Receivables — Measures the length of time that receivables are past due (over 60 days, over 90 days). Receivables aged greater than 60 days tend to have a magnified impact on the agency's liquidity as payments are most always due to insurance companies on or before 60 days, thus forcing the agency to use its own funds to pay carriers.

### EMPLOYEE PRODUCTIVITY

- 66) Total # of Employees (FTE) — Total number of full-time equivalent employees, including agency principals.
- 67) Pro Forma Revenue per Employee — Pro Forma Net Revenue divided by the total number of full-time equivalent employees. Includes 1099 and outsourced employees.
- 68) Pro Forma Compensation per Employee — Pro Forma Compensation divided by total number of full-time equivalent employees.
- 69) Pro Forma Spread per Employee — Pro Forma Revenue Per Employee less Pro Forma Compensation Per Employee. While Revenue Per Employee is a standard for measuring productivity, the Spread Per Employee measures the dollars per employee available to pay all other agency expenses and generate a profit for the agency.

### PRODUCER METRICS

- 70) WAPA (Weighted Average Producer Age) — A Reagan Consulting metric designed to assess the relative age of an agency's production force. WAPA is calculated using the sum of the product of the agency's producers' ages and multiplying it by the percentage of the agency's "produced" business handled by each. House business is excluded for the WAPA calculation.
- 71) Validated Producer — A producer whose book of business is sufficient to cover his/her wages under agency's commission formula.
- 72) Unvalidated Producer — A producer whose production does not yet cover his/her wages under agency's commission formula.
- 73) NUPP (Net Investment in Unvalidated Producer Pay) — Expressed as a percentage of net revenue, the NUPP is the difference between what an agency pays its unvalidated producers and what the producers would earn under the agency's normal commission schedule.



# Glossary

## Definitions of Frequently Used Terms

- 74) **Effective NUPP** — Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- 75) **Hiring Velocity** — A gauge of an agency's hiring rate in replenishing its existing producer population. Calculated by taking the number of unvalidated producers hired in the most recent year and divide it into the agency's total number of producers. A healthy Hiring Velocity is typically in the 18-22% range.
- 76) **Producer Average Compensation** — The portion of a producer's total W-2 compensation that resulted from the producer's production responsibilities. Management and other non-sales compensation is excluded.

## OWNERSHIP AND STAFF INFORMATION

- 77) **WASA (Weighted Average Shareholder Age)** — A Reagan Consulting metric designed to assess the relative age of an agency's ownership team. WASA is calculated using the sum of the product of the agency's owners' ages and multiplying it by their ownership percentages.
- 78) **Service Staff** — Typically non-commissioned personnel who are responsible for providing service to the agency's clients and/or supporting producers in the sale of new business and the retention of existing business.
- 79) **Account Executive (AE)** — Senior level service position, usually assigned to a producer in order to support & enable the producer to focus on new business production. This is a highly technical position, requiring a comparable technical skill set to that of producers. An AE's primary responsibility is to manage the overall service plan/activities for an existing book of business and to maintain ongoing client relationships, including renewals & account development. In some agencies the AE position may have specific responsibility to solicit new clients or write new business that is referred/comes to agency, but a majority of time is spent on service and client retention.
- 80) **Customer Service Representative (CSR)** — Senior level service position in agencies where the AE position does not exist to support the producer. Position will serve as the main service contact for the client. Customer service duties are similar to AE duties including renewals, account upgrading, cross-selling, etc., but may include some processing responsibilities (e.g., coordinate new client set-up, prepare proposals, order & check policies, issue certificates, binders, billings, etc.).
- 81) **Processor/Asst CSR** — Lower level service position whose main function is to support other senior level service staff. Position may or may not have direct client contact. Duties vary but are usually processing oriented (e.g., coordinate new client set-ups, prepare proposals, order & check policies, issue certificates, binders, billings, etc.).
- 82) **Marketing** — Staff dedicated to marketing functions (negotiating with carriers to obtain coverage for clients - soliciting quotes/rates, negotiating coverage/pricing, placing new and renewal business with carriers, preparing proposals/binders, tracking market trends, pricing and underwriting policies).
- 83) **Claims** — This is a claims advocacy role. Coordinates P&C claims reporting, tracking, processing, and analysis for agency and its clients; delivers Value-Added-Service claims services.

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