Update on Diversity in the Independent Agency System: Ownership, Employment & Marketing

By Alex Dopazo
Chair, IIABA Diversity Task Force

INTRODUCTION

Industry leaders have long acknowledged that it would be in the best interest of the independent agency system to more accurately reflect the minority populations of the United States and to market to those populations more effectively.

As part of its 2016 Agency University Study (AUS,) the IIABA Future One Research Task Force — a collaboration of the Independent Insurance Agents & Brokers of America (IIABA) and carrier partners — endeavored to quantify and evaluate the presence of female and minority populations in the independent agency system.

Future One estimates that there are nearly 38,000 U.S. independent insurance agencies. This year’s AUS survey included 1,942 respondents, but only 587 agencies answered questions about agency staffing. Some caution is warranted in interpreting results, but the study says “differences noted reached statistical significance.”

The 2016 study shows some improvement since 2014 among U.S. agencies in employing and marketing to minority populations. Overall, however, the industry continues to lag in efforts to a) reflect the nation’s changing demographic composition, b) promote women into upper management positions, and c) market effectively to its minority populations.

One of the most notable findings of the 2016 AUS is that agencies with minority ownership continue to demonstrate exceptional vitality when compared with their all-white peers.

Also notable is that minority-owned agencies represent a growth opportunity for the Big “I.” Nearly 45% of responding agencies with minority ownership indicate no membership in any insurance or financial organization and are “less likely ... to have heard of IIABA programs,” according to the report. By contrast, only about a quarter of all-white agencies do not belong to a supporting organization.

The IIABA Diversity Task Force works on behalf of Big “I” members to create an awareness of the opportunities and benefits available to agencies and brokers that embrace diversity. It also identifies changes necessary for the independent agency system to flourish.
After review of the 2016 AUS, the task force urges industry colleagues to renew efforts toward meeting the diversity needs of individual markets. The task force also recommends outreach programs to bring the new and vital blood of minority-owned agencies into the Big “I.”

**OWNERSHIP**

As they did in 2014, principals wholly own 92% of today’s independent agencies. Of the agencies that Future One questioned about staffing and ownership, 64, or 11%, have at least one minority-race principal — representing an increase of 1.5% over 2014. The remaining 523 agencies, or 89% have no minority principals.

Of interest, 11% of newer agencies (established within the past five years) have at least one Hispanic or Latino principal, versus 4% of established agencies.

In longer established agencies, other ethnicities reported among agency principals include: African-American or black, 3%; Asian-Indian or other South Asian American, 2%; Native American or Alaska native, 2%; and East Asian-American or Pacific-Islander, 1%.

The average independent insurance agency is about 34 years old. But minority-owned agencies are younger, established on average in 1996, with an average age of 20 years.

**STAFFING**

While serving a general population that is about 36% minority, most agency personnel are white. Across the board, Caucasians occupy every agency employee position at 85% or above, according to AUS findings. That represents a regression for minorities, if only a small one: In 2012 and 2014, minorities represented up to 16% of agency positions by role, while Caucasians occupied those roles at 84% or above.

Agencies continue to employ members of significant or growing demographic groups: 18% report hiring principals or producers who represent growing demographic groups, up by 1% from 2014. On the other hand, only 8% report hiring other personnel who are members of growing demographic group — down from 11% in 2014.

As they did in 2014, Latino and Hispanic non-principal producers, CSRs and “other” employees exceed 10% of full-time agency employees. That group also occupies 8% of non-principal agency manager roles. For comparison, Latinos and Hispanics compose 16% of the U.S. population.

In 2014, all other minority groups numbered at 5% or less in all agency positions, including principals or senior managers, non-principal managers, non-principal producers, CSRs and other employees. But this year, African-American or black employees occupy 7% of CSR positions and 6% of “other” positions — an increase of 2% and 1% respectively. By contrast, though, African-Americans compose 13.6% of the U.S. population.
The other minorities holding positions at agencies include Asian Indians and other South Asian-Americans, East Asian-Americans and Pacific Islanders, and Native Americans Indians or Alaska natives.

The number of agency personnel who speak a language other than English has changed little since 2014. Regardless of their race or ethnicity, 8% of principals or producers speak a second language, versus 9% in 2014; 10% of all other personnel speak a second language, versus 9% in 2014.

**Women among Agency Staff**

Women are not a minority in the independent agency universe. They outnumber men in every agency role except that of principal or senior manager. On the other hand, women are not advancing in those senior positions; in fact, their numbers have fallen by 2% since 2014. The only roles in which the number of women has increased since 2014 are CSR and “other.”

<table>
<thead>
<tr>
<th>Percent of Agencies Reporting Women as:</th>
<th>2016</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency principal or senior manager</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td>Non-principal agency manager</td>
<td>73</td>
<td>72</td>
</tr>
<tr>
<td>Non-principal producer</td>
<td>64</td>
<td>58</td>
</tr>
<tr>
<td>CSR</td>
<td>85</td>
<td>89</td>
</tr>
<tr>
<td>Other agency positions</td>
<td>81</td>
<td>84</td>
</tr>
</tbody>
</table>

**REVENUE**

Future One provided no 2016 statistics regarding revenue categories of minority-owned agencies, so comparisons with 2014 numbers cannot be made. But the task force did note that small agencies — those generating less than $150,000 annually, increased from 15% to 21% of the independent universe from 2014 to 2016. In the 2014 study, agencies with minority ownership were reported as being smaller than average: 27% ranked as small, while only 16% of agencies with white-only ownership ranked as small.

**MARKETING COMPARISONS**

**Commercial Lines**

In commercial lines, 14% of responding agencies target minority-owned businesses and 11% target women-owned businesses.

**Personal Lines**
Fewer than half of medium or large agencies market personal lines to specific demographic groups, but small agencies are especially likely to target African-Americans (26%, down from 28% in 2014) and Latinos or Hispanics (33%, up from 27% in 2014). Small firms also are more likely to target women (26%).

Other groups targeted by all responding agencies in personal lines include:

- Generation X (born between 1966 and 1976), 42% of agencies.
- Generation Y or millennials (born between 1977 and 1994), 36%.
- Women, 18% (down from 20% in 2014).
- African-Americans and blacks, 17% (the same as in 2014).
- Lesbian, gay, bisexual or transgender, 9% (the same as in 2014).
- American-Indians or Alaska Natives, 9% (up from 7% in 2014).

**Marketing to Minority Populations**

The AUS questioned agencies about a variety of specific actions that can be taken to meet the needs of diverse target markets. Half of the agencies say they do not take any steps whatsoever — a percentage that has remained consistent since 2012. The other half use a variety of tactics to market to minority groups. They:

- Offer coverages that meet the needs of significant or growing groups: 15% of respondents.
- Participate in business or civic groups associated with significant or growing groups: 20% of respondents.
- Join business or civic groups associated with significant or growing populations: 22% of respondents.
- Use other, unspecified steps to meet the needs of their diverse markets: 1% of respondents.

**Marketing across Language Barriers**

The 2014 AUS showed that small firms targeting minority populations are the most likely to allocate marketing funds toward providing materials in multiple languages in addition to employing personnel who can speak languages other than English. That question was not revisited, but the 2016 AUS reconfirmed that some agencies strive to accommodate the language needs of their minority population target markets:

- **Spoken communication.** Of responding agencies, 8% say they employ principals or producers and 10% say they employ other personnel from among significant or growing demographic groups.

Other agencies hire personnel who speak the languages of their minority targets: 8% of agencies employ principals or producers who speak languages other than English, and 10% employ other personnel who speak languages other than English.
There could be significant overlap between the two groups, minority employees and those who speak minority languages.

- **Written communication.** While 12% of agencies indicate they provide paper materials in languages other than English, only 5% say the same for website material and 3% offer multilingual functionality on their websites or quoting portals.

When marketing to one of the minority populations for whom English is not a first language, employing multilingual agency personnel can be critical. According to the latest U.S. Census Bureau data, 21% of the country’s population speaks a language other than English in the home, and while most of those residents do speak English well, their ability varies greatly. Hence, the ability of an agency employee to converse in a prospect’s or customer’s language of choice will remain important as long as visits and telephone calls are the primary means of keeping in touch with them. The 2016 Agency Universe Study indeed confirms that telephone calls and personal visits continue to top the list of communication methods and that their usage has increased by as much as 7% since 2014.

**Latinos and Hispanics.** Among responding firms of all sizes, 23% market to the Latino and Hispanic population, up from 21% in 2014. According to the latest census data, those who speak Spanish at home represent 13% of the U.S. population, but only 5.6% of those residents speak English less than “very well,” which lessens the necessity — although not the cultural prudence — of Spanish-language marketing by those agencies targeting them.

**Asians.** Of responding agencies, 9% target Asian Indian and other South Asian-Americans, down from 10% in 2014, and 8% target East Asian-Americans and Pacific Islanders, the same percentage as in 2014. The U.S. Census shows that the Asian population “grew faster than any other race group in the United States between 2000 and 2010,” jumping from 10.2 million to 14.7 million and representing 5.6% of the population, mostly in Western states. Census statistics also show that fewer than half of the U.S. populations who speak Korean, Chinese or Vietnamese also speak English well. Marketing to those groups clearly would be improved by the presence of agency personnel who can speak their languages and by the availability of printed material or website pages they can read.

**Carrier Marketing Support**

Carriers provide at least some financial support for customer and prospect marketing to 46% of agencies. But 68% of small agencies receive no support from carrier programs, although that is down from 71% in 2014; still, the firms that are most likely to market to minority populations receive the least carrier support.
CONTINUED VITALITY OF MINORITY-OWNED FIRMS

The most consequential revelation of the AUS — from the perspective of the Diversity Task Force — is how well minority-owned agencies are performing. The 2014 study revealed that minority-owned agencies appear to grow more rapidly than firms without minority ownership. When asked in 2014 about revenue change from 2012 to 2013, agencies with minority principals indicated a 16% increase in total revenue, as compared with only 10% reported by Caucasian-owned firms.

In addition, 7% of minority-owned agencies responding to the 2014 survey reported an increase in commercial lines revenue versus 6% by Caucasian-owned firms. More significantly, the increase in personal lines revenue for agencies with minority principals was 16%, versus only 8% for firms with white-only principals.

For the 2016 study, Future One again compared those agencies that have at least one minority principal with others. Although income figures were not compared, the AUS reports that, in addition to being younger, agencies with minority ownership appear to be more flexible and innovative than their all-white-owned counterparts in adopting digital technologies. Also, they are “more open to carrier requirements around use of customer service centers ... [and] more likely to have focused mobile strategies — for both agency operations as well as capabilities for customers.”

<table>
<thead>
<tr>
<th>2016 AUS: Key Differences between Agencies with Some Minority versus All-White Ownership</th>
<th>Agencies with Non-White Principals</th>
<th>Agencies with No Minority Principals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hired new producer in past two years</td>
<td>59%</td>
<td>36%</td>
</tr>
<tr>
<td>Agree agency would do more business with carriers requiring use of customer service centers for personal lines</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>Agree agency would do more business with carriers requiring use of customer service centers for small commercial lines</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Agree agency has a focused mobile strategy to extend mobile capabilities for customers</td>
<td>39%</td>
<td>17%</td>
</tr>
<tr>
<td>Agree agency has a focused mobile strategy for mobile use among agency employees</td>
<td>36%</td>
<td>17%</td>
</tr>
</tbody>
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ABOUT THE IIABA DIVERSITY TASK FORCE

A cooperative industry group composed of agents, brokers and carrier executives, the IIABA Diversity Task Force includes Latin-American, African-American and Asian-American professionals. The task force collaborates with other multicultural industry groups, state associations and other IIABA committees.
The Diversity Task Force members include:

- Chair Alex Dopazo, Dopazo & Associates Inc.
- Executive Committee Liaison Randy Lanoix, Lanoix Insurance Agency

**Company Members**
- Michelle Berry, Progressive Insurance
- Nicole Carter, Liberty Mutual Insurance
- Emma Corcoran, Selective Insurance
- Trevor Gandy, Chubb
- Dana Garcia, Travelers
- Nicole Hughey, The Travelers Companies Inc.
- Janice Jensen, MetLife Auto & Home
- Susan Johnson, The Hartford
- Tesha L. Nesbit-Arrington, Erie Insurance Group
- Ngozi Nnaji, CNA
- Jeff Taylor, Nationwide Insurance
- Geralyn Thompson, Encompass Insurance Company
- DeLynn Trivison, AmTrust North America
- Ida H. Woods, Nationwide Insurance
- April Uskoski, Safeco Insurance

**Agent Members**
- Berker Hazar, Hazar Financial Services
- Rene Hernandez, CPC Insurance
- Bennie Jones, Risk Management Solutions of America Inc.
- Brandon Okita, FIA Insurance Services Inc.

**State Executive Liaison**
- Mark Male, Independent Insurance Agents of Rhode Island

**Staff Liaisons**
- Madelyn Flannagan, IIABA
- Whitnee Dillard, IIABA

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1. *2016 Agency Universe Study. Future One: Independent Insurance Agents & Brokers of America Inc. and member companies. Unless otherwise noted, all statistics are derived from this source.*
2. Ibid.
3. Ibid.

7 Ibid.


9 *2016 Agency University Study*.

10 Ibid.