

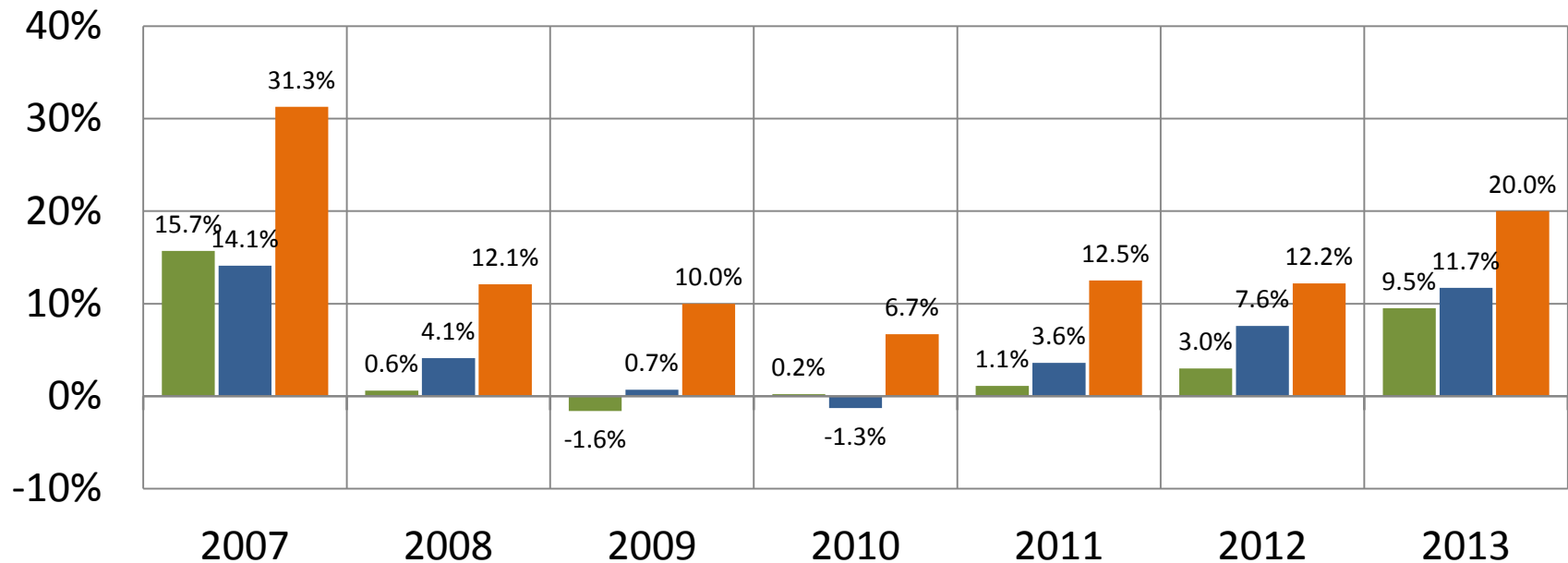


Taking Your Agency & Our Distribution System to the Next Level

2013 Best Practices Study Insights

Historical Organic Growth (in net Revenue)

■ Average ■ +25% Profit ■ +25% Growth



Source 2013 Best Practices Study for agencies with revenues between \$2.5M - \$5M

Key Performance Benchmarks

Net Revenue Growth Rates

	<1.25M	1.25-2.5	2.5-5M	5-10M	10-25M	>25M
NR Growth (Organic)	6.9%	9.1%	9.5%	8.9%	10.4%	9.2%
NR Growth (Total)	7.0%	9.5%	9.9%	10.3%	11.3%	11.2%
% of Agencies Making Acquisitions	6.1%	17.6	6.7%	20.9%	27.3%	53.8

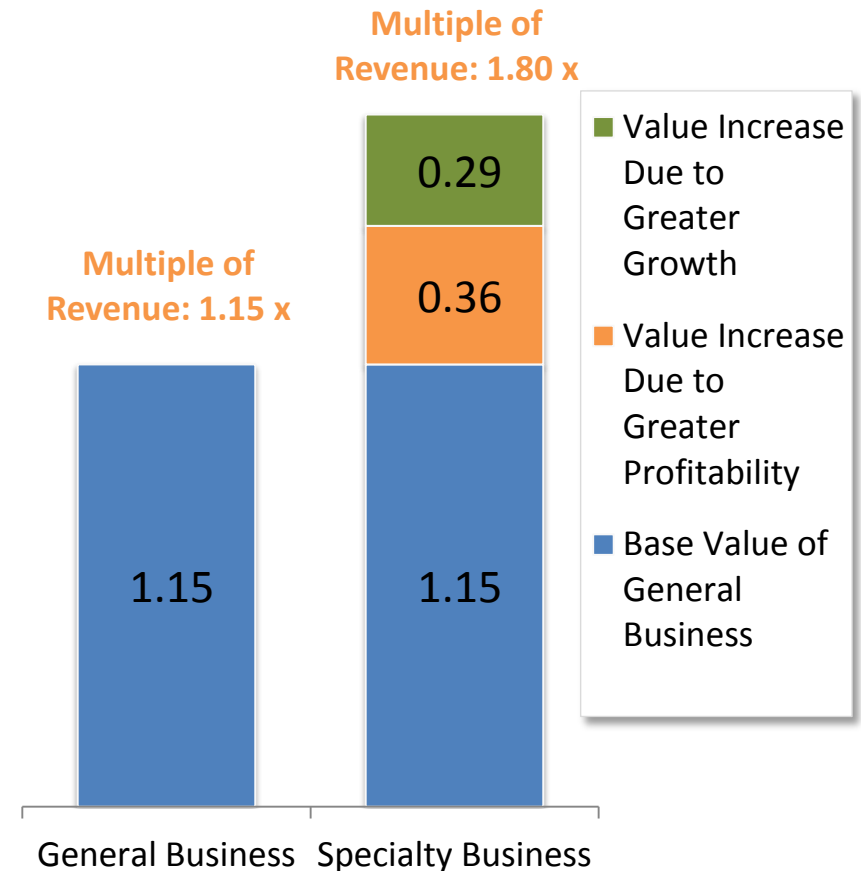
Key Performance Benchmarks

% of Agencies with Specialty / Niche

	<1.25M	1.25-2.5	2.5-5M	5-10M	10-25M	>25M
2010	25.0%	44.2%	51.4%	55.6%	64.1%	68.4%
2013	39.4%	55.9%	64.4%	72.1%	72.7%	80.0%
% of NR from Industry Specialty	10.7%	18.2%	23.9%	20.8%	26.0%	31.4%
% of NR from Product Specialty	5.9%	13.1%	9.1%	14.8%	14.3%	18.4%

Drive Towards Specialization

	General Business	Specialty Business
Sustained Revenue Growth	5.0%	10.0%
Sustained EBITDA Margin	20.0%	25.0%
Valuation (EBITDA Multiple)	5.80 x	7.20 x
Valuation (Revenue Multiple)	1.15 x	1.80 x



Key Performance Benchmarks

% of Agencies Hiring New Producers

	<1.25M	1.25-2.5	2.5-5M	5-10M	10-25M	>25M
2010	17.5%	32.6%	43.2%	66.7%	87.2%	100%
2013	27.3%	32.4%	57.8%	58.1%	84.8%	92.3%
# of Producers Hired	1.2	1.1	1.5	1.7	2.6%	5.4
% Hired in Last 5 Years Considered Successful	76%	65%	58%	55%	60%	59%

NUPP: Net Unvalidated Producer Payroll

Step 1: Find the total comp of all unvalidated producers

<i>Number of unvalidated producers</i>	3
<i>Actual payroll of unvalidated producers</i>	\$150,000

Step 2: What would the unvalidated producers earn under the agency's normal producer commission schedule?

<i>Unvalidated producers' total book of business</i>	\$175,000
<i>Agency blended commission rate</i>	35%
<i>Implied ("earned") compensation</i>	\$61,250

Step 3: Calculate the NUPP as a percentage of revenues

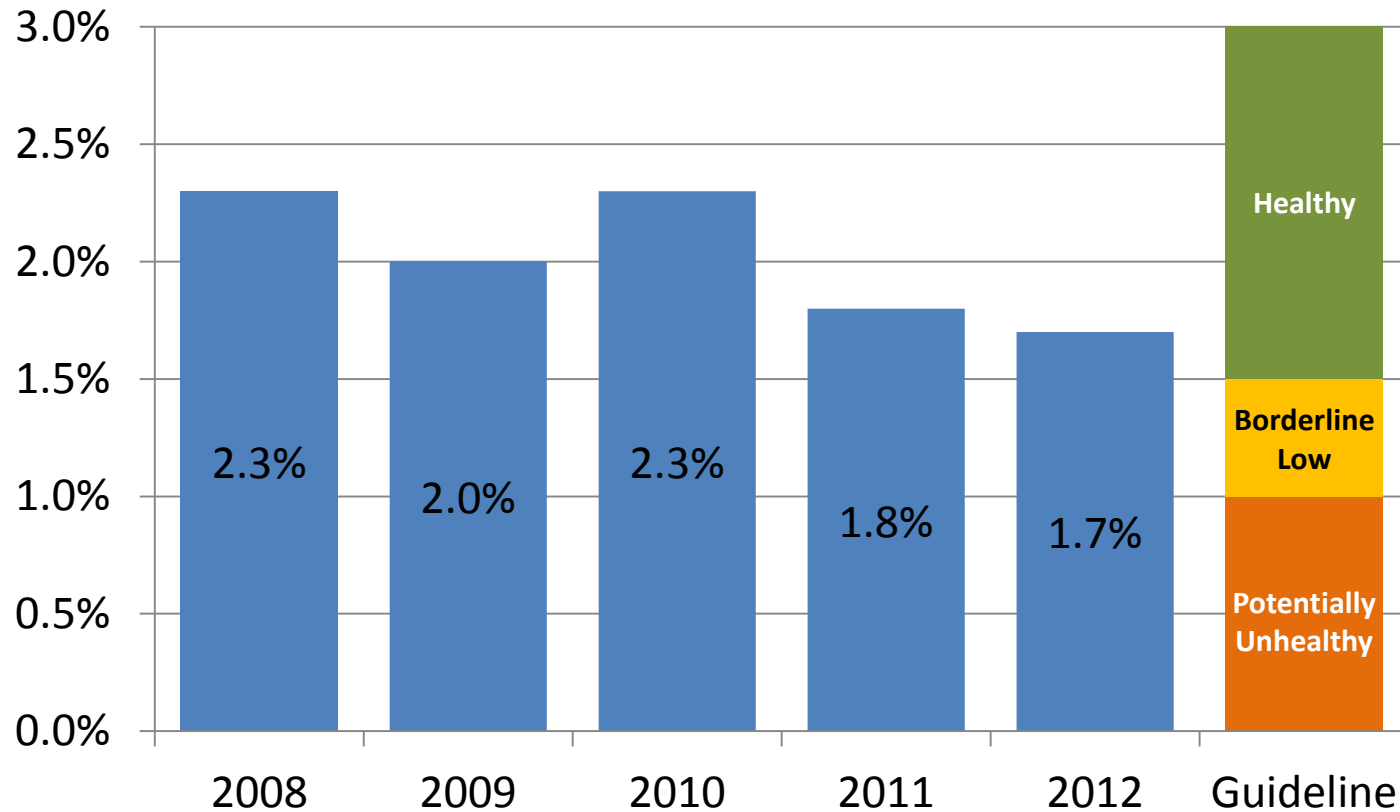
<i>Actual payroll of unvalidated producers</i>	\$150,000
<i>Implied ("earned") compensation</i>	\$61,250
<i>NUPP</i>	\$88,750
<i>Agency Net Revenues</i>	\$5,000,000

NUPP as a percentage of revenues

1.8%

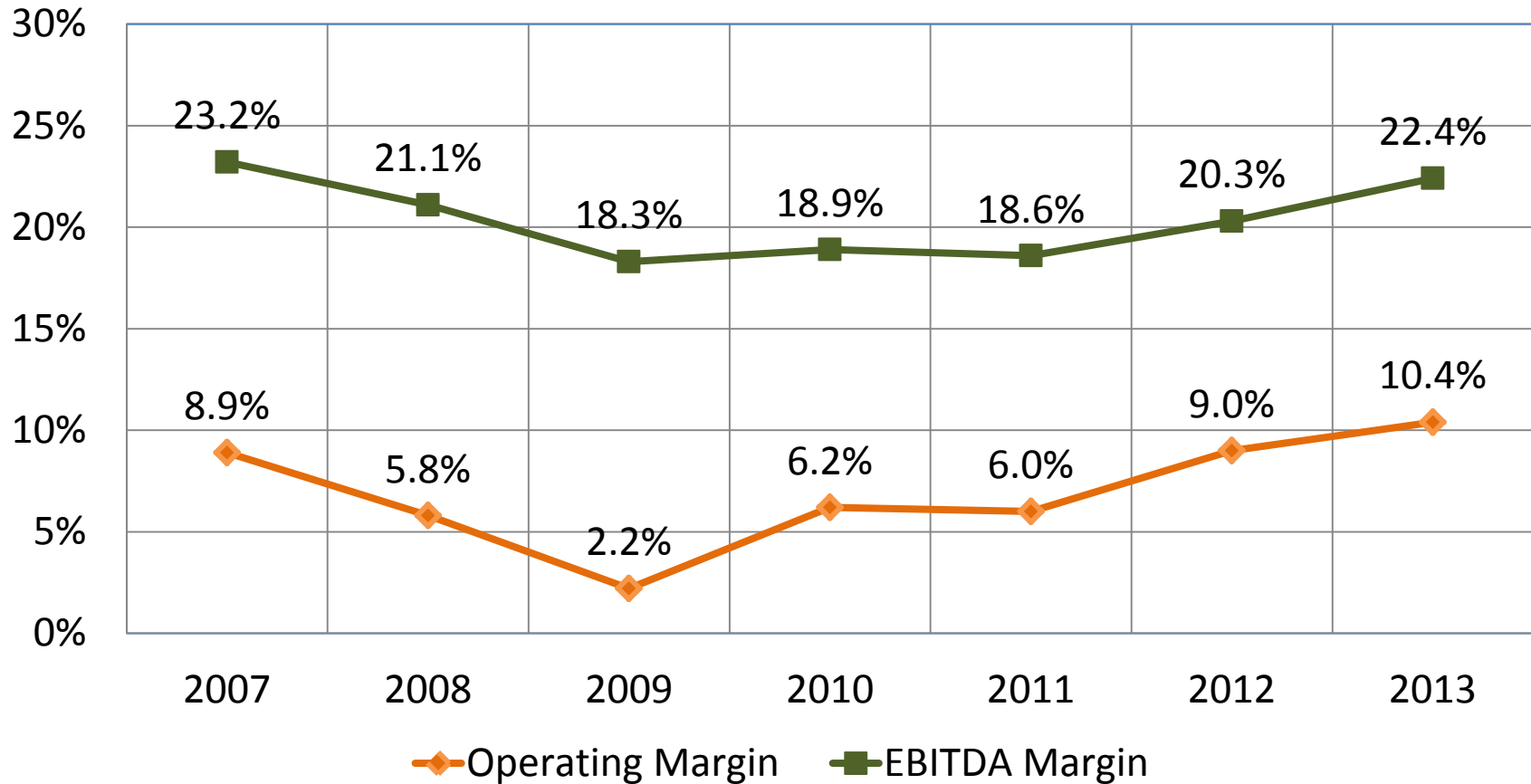
Industry NUPP

NUPP Over Time



Source: Reagan Value Index

Historical EBITDA Margin & Operating Margin



Source 2013 Best Practices Study for agencies with revenues between \$2.5M - \$5M

Shareholder Return on Investment

What is the Rule of 20?

$$\text{Rule of 20 Score} = \frac{1}{2} \text{ EBITDA Margin} + \text{Organic Revenue Growth}$$

- Provides a tool to benchmark agency performance
- Helps frame the trade-off between growth and profitability

	Average	+25% Profit	+25% Growth
Rule of 20	23.7	30.5	31.5

Rule of 20 vs. Public Brokers December 31, 2012			
Public Brokers	Organic Growth	EBITDA Margin	Rule of 20 Result
Willis Group	3.1%	25.6%	15.9
Aon	4.0%	20.6%	14.3
Brown & Brown	2.6%	32.9%	19.1
Arthur J. Gallagher	4.7%	19.1%	14.3
Marsh & McLennan	5.0%	18.7%	14.4
Your Results	*	*	*

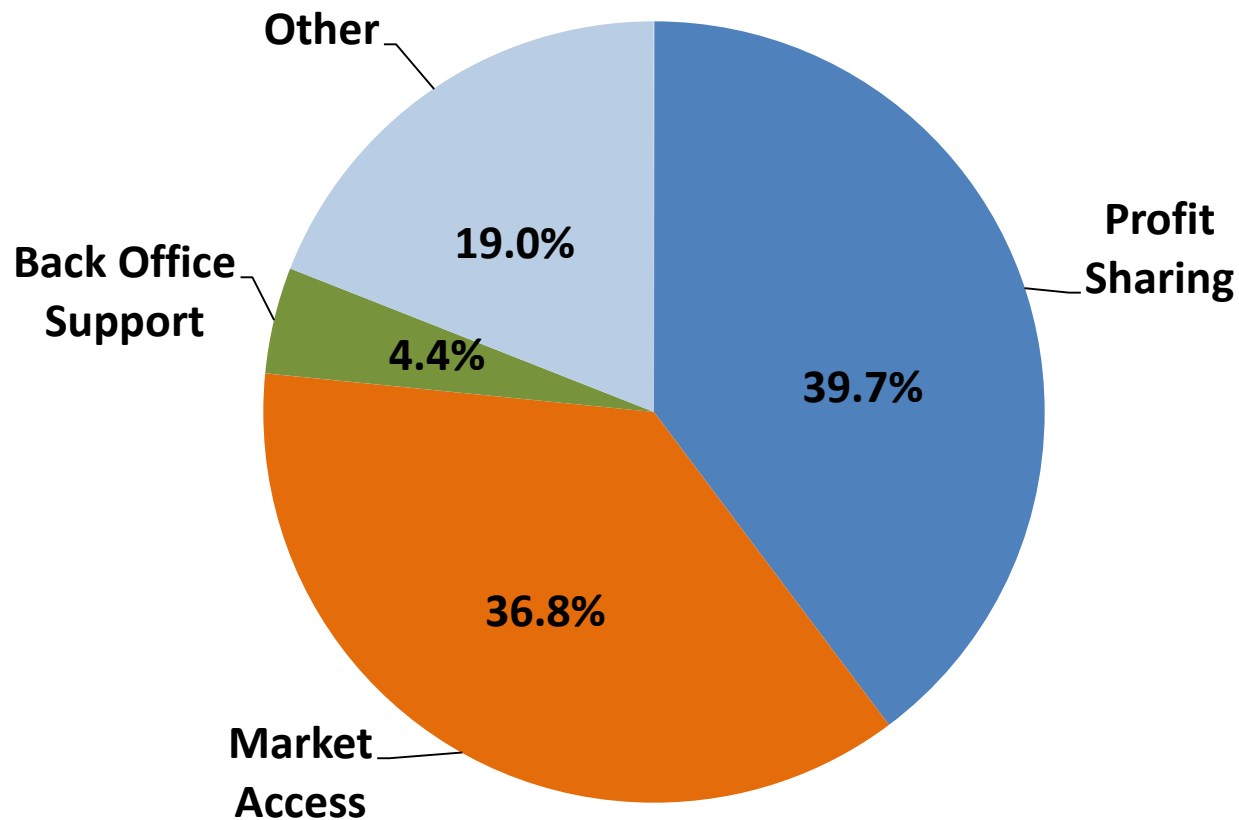
Benchmarks shown are from the 2013 Best Practices Study for Agencies with Revenue between \$2,500,000 and \$5,000,000

Key Performance Benchmarks

% of Agencies Belonging to Franchise, Cluster, Aggregator Group, Alliance or Network

	<1.25M	1.25-2.5	2.5-5M	5-10M	10-25M	>25M
2010	17.5%	32.6%	13.5%	17.8%	33.3%	42.1%
2013	39.4%	47.1%	40.0%	27.9%	27.3%	59.8%

Why they joined a Franchise, Alliance, Network



- Other**
(in order of frequency)
- Collaboration with other agents
 - Sharing ideas & info
 - Networking
 - Association w/quality agents
 - Maximize Revenue
 - Perpetuation Planning

Key Challenges *(in order of frequency mentioned)*

- Recruiting, Developing & Retaining New Talent
 - Production
 - Service
 - Leadership
- Maintaining Sustained Growth
- Controlling Expenses/Maintaining Good Profitability
- Leveraging Technology
- Perpetuating the Agency



Independent Insurance Agent



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