

2018 AGENCY UNIVERSE STUDY

BUSINESS STRATEGIES | EMERGING TRENDS | AGENCY PROFILES

*A Collaborative Program of the
Independent Insurance Agents & Brokers of America
& Member Carriers*



Independent Insurance Agents
& Brokers of America, Inc.



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About Future One and the 2018 Agency Universe Study

Future One is a cooperative effort of the Independent Insurance Agents & Brokers of America (IIABA) and independent agency companies. It sponsors a variety of programs to enhance the independent agency system and agency-carrier relationships, both legislatively and in the business environment.

One of Future One's major efforts has been the Agency Universe Study (AUS), first conducted in 1983. The study was repeated at 4-5 year intervals over the next 13 years (1987, 1992, 1996, 2000) and, starting in 2002, has been conducted biennially to track the fast-paced changes in the industry.

The AUS continues to provide information – much of it unavailable anywhere else – that is useful to independent agency principals, independent agency carriers, and the IIABA in its public information and education efforts.

- The study provides independent agency principals and managers with insights into how their peers operate, as well as business strategies that may be helpful to them.
- Carriers obtain information, ranging from agency principals' and managers' opinions about the future of the independent agency system to how agencies use technology. This information helps carriers make better decisions as they work with independent agency principals.
- IIABA cites the AUS several hundred times each year in its work with independent agency principals, the trade press and public officials.



About Future One and the 2018 Agency Universe Study

The Survey

The Agency Universe Study includes: 1) Estimating the total number of independent property/casualty agencies in the United States, and 2) a wide-ranging survey of independent insurance agencies regarding their businesses, business practices and tools, opinions, and relations with carriers. Most of this report focuses on the survey results.

The 2018 survey continues to focus on both agencies as whole business enterprises and, for multi-office agencies, on specific locations or satellite offices. Individual locations of multi-office agencies were included starting in 2006 because carriers often deal as much with specific offices as with multi-office agencies as a whole, because some decisions are made at the office level, and because different offices within large agencies often focus on different market segments.

The first chapter in this report, *The Agency System*, provides data on agencies' overall structures and revenues at the agency level, regardless of the number of offices the agency has. Subsequent chapters focus on operations at the individual office location level. (In the few cases where both branch and headquarters locations responded to the survey, headquarters location responses were included in *The Agency System* chapter, and all responses were included in subsequent chapters). However, throughout this report, agencies are classified by size in terms of their size as whole enterprises, across all offices. For the 76% of agencies that have just one location, operations at the enterprise level and at the individual office level are identical.

The 2018 survey included many questions that were asked in previous versions of this research, both because they continue to be areas of interest and so that trends can be tracked. In most cases where 2018 and 2016 questions were identical, responses for both 2018 and 2016 are included in this report. For more comparisons of 2018 to 2016, readers can refer to the cross-tabulations.

Survey Methodology

There is no single comprehensive listing of independent agencies and brokers that could be used as sample for this study. Therefore, to obtain as broad a representation as possible, Future One used the IIABA's listing of independent agencies, which is compiled from state association membership lists, and also listings of their agencies that a number of participating carriers were willing to provide. The sample was de-duplicated to remove multiple listings of the same agency that came from different lists.

Undoubtedly, the willingness of some carriers (but not others) to include their agency listings in the sample biases the data to some extent, by leading to overrepresentation of those carriers' agencies. However, the extent of this bias is limited by the fact that agencies represent multiple carriers, and undoubtedly in many cases represent both a carrier that provided listings and carriers that did not. Of course, a very large number of agencies also appear on the IIABA's membership list.

About Future One and the 2018 Agency Universe Study

Data was collected via web-based interviewing. E-mail invitations (and reminders) were sent to agency principals and/or other agency contacts, requesting their participation in the research. Each invitation included a survey link with a unique PIN to enable respondents to complete the survey in more than one sitting if necessary, and to make it possible to analyze the survey results using information from the sample, such as classifying agencies by community types using their zip codes. In total, 1,629 respondents were included in the study—1,335 who completed the entire questionnaire and 294 who completed at least the first two key sections (Your Agency and Your Agency’s Revenues and Markets) but not the entire survey.

Because Future One needed to collect a very broad range of information, two versions of the questionnaire were used to reduce the number of questions asked of each respondent. Each version contained a set of core questions common to both versions, plus some sections exclusive to each version. For example, version 1 asked about technology usage while version 2 asked about marketing.

Another method used to shorten the interview length was limiting each respondent to answering no more than two sections about specific lines of business and account sizes: personal, small commercial (<\$15K total annual P&C premium), medium commercial (\$15K-\$99K total annual P&C premium), and large/very large commercial (\$100K+ total annual P&C premium). Among respondents eligible to answer more than two sections, the following priority was used to maximize the number of evaluations for types encountered less often: large/very large commercial, medium commercial, small commercial, personal. The eligibility criteria for answering each section, based on the number of accounts by line/account size, are shown below.

- Personal: 50+ accounts
- Small commercial – accounts with < \$15,000 in annual premiums - 50+ accounts
- Medium commercial – accounts providing \$15,000 to \$100,000 in annual premiums - 10+ accounts
- Large/very large commercial - accounts paying \$100,000 or more in annual premiums - 2+ accounts

As in previous AUS reports, the terms “personal lines carrier,” “small commercial lines carrier,” etc., are used throughout. Of course, many carriers provide coverage for both personal lines accounts and commercial lines accounts of various sizes. In this report, these designations refer to the type or size of accounts that agencies write with a carrier, not the lines or products offered by the carrier. Thus, Travelers is a “small commercial lines” carrier when we are referring to coverage of small businesses that agencies place with it.

About Future One and the 2018 Agency Universe Study

Analysis

The data cross-tabulation tables (or “banners”) used to analyze the data classify the participating agencies on a variety of dimensions. In the cross-tabs, statistically discernible differences between sub-groups (different agency sizes, different regions, etc.) are identified. From the viewpoint of tracking development of the independent agency system, the most important differences are those between 2016 and 2018. In this report’s charts, statistically discernible differences between 2016 and 2018 are identified by marking the 2016 percentage with ^ . To reduce clutter in already crowded charts , the statistical significance of other comparisons (e.g. among agency sizes) is not noted systematically in this report. Those who want to check the statistical significance of a particular difference can use the data tables.

Within the entire study population of 1,629, the margin of error at a 95% confidence level is ± 2.37 percentage points. However, it is important to remember that the margin of error within a group, and between groups, is determined by the number of responses from agencies in that group. Some of the sub-groups used in the analysis are relatively small, so caution must be exercised when interpreting those results. Footnotes are included wherever particular caution is warranted due to very small sample sizes.

The main categories used in the analysis and reporting, along with the total number of respondents in each, are detailed on the following pages.

Agency Revenue

Agencies range from one-person operations with less than \$100,000 in insurance revenue to nationwide operations with more than \$25 million in insurance revenue. These differences in size are closely related to many other differences among agencies, such as number of carriers, use of intermediaries, and mix of business.

For purposes of the analysis, size is defined in terms of self-reported insurance revenue. Six categories that have proven in prior years to differentiate agencies are used again in 2018.

Respondents were asked to estimate the agency’s 2017 revenue as a whole, including all locations. A total of 1,465 respondents provided an estimate.

About Future One and the 2018 Agency Universe Study

Estimating the Size of the Agency Universe and the Distribution of Agencies by Size

Estimating the size of the agency universe and the distribution of agencies by size presents significant difficulties. The most obvious source of authoritative data, the Census of Business, is carried out every five years, but it does not distinguish cleanly between property/casualty and life/health agencies, or between “captive” agencies owned by carriers and independent agencies. The same limitations are present in the largest commercial database, Dun & Bradstreet. In addition, by law, the Census cannot provide data on specific businesses, just as it must ensure the privacy of data on households.

Given these difficulties, over the years Future One has used a variety of data sources and methods to estimate the total number agencies. Until 2012, an estimate of the total number of agencies and brokerages was obtained from the D&B database listings. However, due to changes to that database, the 2014 and 2016 estimates of the total number of agencies and brokerages were derived from the Census of Business, as well as data from the US Department of Labor, Bureau of Labor Statistics. D&B database counts were used to approximate the proportions of agencies that fall into each revenue category. However, changes in the way D&B classifies insurance agencies and related businesses led us to seek a more industry-specific resource.

In 2018, estimates on the total number of independent agencies and the total number of agencies and brokerages by revenue size were obtained from MarketStance. In 2017 MarketStance merged with the Insurance Service Office, a long-time supplier of underwriting guidance to property/casualty carriers. MarketStance maintains and continually updates a database of independent agencies and is regarded by the industry as the highest-quality source for this data. In addition, many carriers involved in the Agency Universe Study have worked with MarketStance, and we found MarketStance’s current estimate of the total number of independent agencies close to estimates the IIABA and individual carriers use. For these reasons, the Research Committee decided to simply use the MarketStance estimates of the overall number of independent agencies in the United States and their estimates of agencies in the revenue categories we have used for years.

We believe that these procedures will provide more accurate information and clearer pictures of trends in future waves of The Agency Universe Study.

Additional details on these methods can be found in Appendix B.

About Future One and the 2018 Agency Universe Study

Weighting the Survey Data

To represent the agency universe accurately, the survey responses needed to be weighted by agency revenue size. For example, in relation to their numbers in the agency universe, many more Large and Jumbo agencies responded than Small and Medium-Small agencies. Therefore, it was necessary to give the responses from Small and Medium-Small agencies higher weights than responses from the Large and Jumbo agencies. In arithmetical terms, in preparing the weighted data each response is multiplied by the weight applicable to its revenue category. Appendix B provides more information on the weighting.

Accessing Report Information

The report includes a Reader's Guide, which provides definitions and details about analysis that are essential to understanding the study results. *Reading it before proceeding to the body of the report is strongly recommended.*

Accessing Additional Information

The Agency Management Summary will focus on implications of the study findings.

Reader's Guide

Questionnaire Sections

The questionnaire is divided into 12 sections. The section numbers shown below will assist the reader in identifying the correct section for each question noted as the source for a graph in the report. For example, QA1 refers to a question asked in the "Your Agency" section.

- A. Your Agency
- B. Your Agency's Revenues and Markets
- C. Market Access Providers
- D. The Carriers You Represent
- E. Customer Service Centers
- F. Your Agency's Staff
- G. The Insurance Business Environment
- H. Your Agency's Future
- I. Marketing
- J. Information Sources
- K. About You
- L. Your Agency's Technology



Reader's Guide

The Unit of Analysis

In the Agency Universe Study, the unit of analysis is the agency. Most findings are presented as percentages of agencies or averages across agencies. The reader should keep in mind that these are findings about agencies, not revenue. They do not take into account the fact that revenues are quite concentrated in larger agencies.

Mix of Business

Using information on sources of insurance revenue, responding agency locations were classified into three groups based on their primary concentration.

Personal Lines Dominant (Weighted n=608, 46% of agencies providing information)

70%+ insurance revenue from:

P&C personal lines commissions

P&C personal lines profit sharing, contingent commissions, and supplemental commissions

Individual medical insurance commissions, bonuses, and fees

Individual life, annuities, mutual funds and other investment products

Commercial Lines Dominant (Weighted n=204, 16% of agencies providing information)

70%+ insurance revenue from:

P&C commercial lines commissions

P&C commercial lines profit sharing, contingent commissions, and supplemental commissions

Value-added services (e.g. risk management, claim administration, loss prevention)

Retirement plan (401k, 403b, 457) commissions, bonuses and fees

Group medical insurance commissions, bonuses and fees

Other employee benefits (e.g., dental, disability, life) commissions, bonuses, and fees

Balanced (Weighted n=502, 38% of agencies providing information)

Agencies not falling into either of the two "dominant" groups (but providing sufficient information to categorize revenue sources).

Note: 151 agencies were not assigned to a mix of business group because they did not provide the necessary information.

Reader's Guide

Age

Agencies were classified into one of two groups, based on self-reported year when their agency was established.

New (Weighted n=282, 18% of agencies providing information)

Agencies established within past five years (2014 or later)

Established (Weighted n=1,182, 82% of agencies providing information)

Agencies established before 2014

Geography

The study utilized the four U.S. Census regions and the nine Census Divisions, as shown below.

Northeast (Weighted n=235, 16% of responding agencies)

New England (Weighted n=74, 5% of agencies)

CT, MA, ME, NH, RI, VT

Middle Atlantic (Weighted n=161, 11% of agencies)

NJ, NY, PA

South (Weighted n=529, 37% of responding agencies)

South Atlantic (Weighted n=247, 17% of agencies)

DC, DE, FL, GA, MD, NC, SC, VA, WV

East South Central (Weighted n=77, 5% of agencies)

AL, KY, MS, TN

West South Central (Weighted n=204, 14% of agencies)

AR, LA, OK, TX

Midwest (Weighted n=399, 28% of responding agencies)

East North Central (Weighted n=242, 17% of agencies)

IL, IN, MI, OH, WI

West North Central (Weighted n=157, 11% of agencies)

IA, KS, MN, MO, ND, NE, SD

West (Weighted n=268, 19% of responding agencies)

Mountain (Weighted n=133, 9% of agencies)

AZ, CO, ID, MT, NM, NV, UT, WY

Pacific (Weighted n=134, 9% of agencies)

AK, CA, HI, OR, WA

Reader's Guide

Community Types

Using U.S. Census data, agencies were classified into one of four groups based on the ZIP Code information contained in the sample. Where an MSA (Metropolitan Statistical Area) is part of a CMSA (Consolidated Metropolitan Statistical Area), we used the MSA to determine community population. For example, an agency in Stamford, CT would be counted as being in a medium metro area (Bridgeport-Stamford), rather than in the larger CSA including New York City.

Rural Areas/Small Towns (Weighted n=220, 19% of responding agencies)

Population less than 50,000

Small Metropolitan Areas (Weighted n=105, 9% of responding agencies)

Population 50,000 - 249,999

Medium Metropolitan Areas (Weighted n=255, 21% of responding agencies)

Population 250,000 - 999,999

Large Metropolitan Areas (Weighted n=612, 51% of responding agencies)

Population 1,000,000 or more

Note that a few urbanized areas with populations somewhat greater than 50,000 have not been classified as MSAs by the Federal Office of Management and Budget. Nonetheless, we included agencies in these areas in the Small Metropolitan Area category.

Acknowledgements

The 2018 Agency Universe Study has been carried out, analyzed, and reported under the direction of the IIABA Future One Research Task Force. Zeldis Research and Maynard Robison wish to acknowledge the invaluable guidance and help provided by members of the research committee.

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Zeldis Research, an independent market research firm, directed the study. Since 1991, Zeldis Research has been designing customized market research to help clients understand their customers. Zeldis Research has extensive experience in the insurance industry, as well as consumer products, education, financial services, healthcare, and publishing, and offers the full spectrum of quantitative and qualitative techniques, including advanced analytic approaches.

With deep and broad sector experience and an understanding of the products relevant to the insurance industry, Zeldis Research helps clients understand consumer and business trends and the complex influences that could impact marketing efforts.

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Maynard Robison, an independent consultant who has worked on the Agency Universe Study since 2000, also partnered closely with Zeldis Research on this study. Maynard can be reached at (215) 760-2351 or by e-mail at maynard.robison@verizon.net.

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Key Findings – The Independent Agency Universe in 2018



Overall Independent Agency Size and Market Conditions

- In 2018, the estimated total number of independent property/casualty agents and brokers in the United States stands at 36,500 – while this may reflect a small decrease relative to 2016 that presumably reflects the current M&A environment, it is important to note that the resource used to calculate the agency universe has changed to a more accurate and industry-focused data provider, MarketStance. Thus, the agency universe sizing in 2016 and 2014 (sourced from D&B and a variety of other resources) may have slightly inflated the number of agencies.
- Based on MarketStance data, in 2018, the estimated percentage of Small agencies (with less than \$150,000 in revenue) stands at 35%. At the other end of the scale, Jumbo agencies (\$10 million+ in revenue) now account for 2% of the universe.
- While 2016 saw a smaller proportion of agencies in small towns and rural areas, this number has returned to 2014 levels, at 19%. This may be partly due to changes in the ways areas are classified by the federal government.
- Business conditions for agencies continue to be favorable; three in four agencies (76%) saw revenue gains from 2016 to 2017 (similar to 2014-2015, in which 74% saw gains). The average size of revenue gains is similar to 2014, at +25% among those reporting an increase. The 11% of agencies that saw decreases in revenues report similar percentage losses to 2014 (average decrease of -14%, compared to -15% in 2014). Personal lines revenue has grown more in 2018 than 2016, with 74% of agencies reporting an increase (versus 70% in 2014).
- As shown in past studies, larger agencies are more likely to focus on commercial lines, whereas smaller agencies are personal lines dominant. The 2014 study found that Jumbo agencies had started to become less commercial lines dominant. Though this trend reversed in 2016, it appears again in 2018, with as 27% of Jumbo agencies are balanced versus 18% in 2014.

Market Access Providers and Carrier Relationships

- Nearly eight in ten agencies (79%) use market access providers, primarily for commercial lines; six in ten use wholesale brokers (61%) or MGAs (58%) for commercial lines. Agents cite access to specialty markets as the most important reason for using them, followed by the lack of carrier sales volume requirements.
- Agencies are appointed with an average of 16.4 carriers across all lines; larger agencies have a significantly larger number of appointments. Nearly nine in ten (89%) work with Excess and Surplus carriers, with larger agencies more likely to access them directly, and smaller agencies placing E&S business through MGAs.
- For personal lines, Progressive, Foremost, Liberty Mutual carriers, and Travelers are represented by the most agencies (as in 2016). In small commercial, Progressive is again cited most often, with Travelers, Foremost, The Hartford, and Liberty Mutual following. Travelers is mentioned most often for medium and large commercial.
- Agencies retain almost 90% of their business from year to year, with about 30% remarketed to different carriers; this is comparable to 2016.
- Average personal lines auto commission reported by agencies is 16.2%.
- The majority of agencies strongly prefer that customers get routine customer service from the agency. About one in ten prefer that the agency provides service, but would consider the carrier for service. Larger agencies are more likely to use carrier customer service centers, with 28% using them for both personal and commercial lines.

Marketing

- Marketing budgets have continued to increase directionally over the past three waves of the research, with marketing representing a higher proportion of expenditures in 2018 than 2016 (19% versus 13% in 2016). (By “directional,” we are referring to differences that are consistent but are not large enough to be statistically significant.) As in 2016, agency website development and social media/digital marketing are the most important marketing activities.
- Use of third-party services for website development is up from 2016 (46% versus 36%). Agencies also use third-party contractors for computer/network set-up and, to a lesser extent, building the agency’s social media presence.
- E-marketing activities continue to grow in importance (20% select as a top activity compared to 14% in 2016), while Yellow Pages activity is on the decline. Facebook is used by 75% of agencies and LinkedIn by 63% of agencies, with other social media channels used much less often. Social media is primarily used to build the agency’s brand and attract new prospects.
- As in 2016, agencies focus their efforts primarily on renewal and retention over generating new business, though agencies at the smaller and larger ends of the size spectrum place more emphasis on new business.
- Agents keep in touch with current customers via annual reviews and telephone calls; personal visits are used more often for commercial lines customers, and email for personal lines. The use of personalized email has increased since 2016 for both personal and commercial lines customers.
- Referrals are the primary method of contact with prospects.

Technology

- Agencies continue to leverage technology; nearly six in ten use a comparative rater for personal lines, and eight in ten use agency management systems. AMS systems are used for customer view/search, real-time auto quotes for personal lines, and alerts and notifications.
- Use of paperless office for commercial and personal lines has increased since 2016, as have electronic communications including texting with clients (up to 50% from 43%), agency e-signature tools (up to 42% from 33%), and carrier e-signature tools (up to 39% from 29%).
- Agents are more likely than in 2016 to agree that insureds are just as likely to accept e-documents as paper (44% vs. 35%) and that they have seen significant cost savings by using carriers' paperless communication options (38% vs. 29%).
- Despite their increased reliance on technology, fewer than six in ten agencies (56%) see the need for their own cyber policy. This figure is notably higher among Jumbo agencies, however (91%). Four in ten (44%) offer cyber policies to customers; again, Jumbo agencies are more likely to do so (82%).

Agency Challenges

- As agencies continue to focus on social media and digital marketing efforts, marketing effectively through the internet remains a challenge (55%, on par with 57% in 2016). Half of agencies also find multiple carrier interfaces a challenge.
- Agency perpetuation plans appear to be an area of focus, with nine in ten having at least some type of plan (compared to 79% in 2016). The most common plans center around children/family members or other agency principals. Four in ten expect some type of ownership change in the next five years, but only a few plan to make a change in the next year.
 - The aging of the agency population may be slowing somewhat. The average age of principals with 20% or more ownership is 54, slightly younger than in 2016 (55). In 2016, 17% were 66 or older, compared to 15% in 2018.
 - Uncertainty regarding agencies' net worth and difficulties in finding buyers are obstacles to future ownership planning for smaller agencies.
 - Agencies of all sizes also struggle with finding and screening job candidates with strong potential.
- Agencies are also concerned about the impact of emerging purchase channels. One-third believe personal lines purchase directly through insurance companies or through non-insurance websites will significantly impact their agency; one in four are concerned about small commercial direct purchase (through the carrier or through emerging online providers). Nevertheless, six in ten still feel the Independent Agency channel is at a peak, though 42% say it is rising more slowly.
- Agencies are looking to carriers for additional products to sell; clients' cyber/data security risks, the sharing economy, and usage-based insurance are also key topics for carriers to address.
- IIABA programs designed to address agency challenges and serve as information resources show similar awareness and participation/use as 2016; three in four (and nine in ten IIABA members) are aware of TrustedChoice.com, and six in ten members have used it.

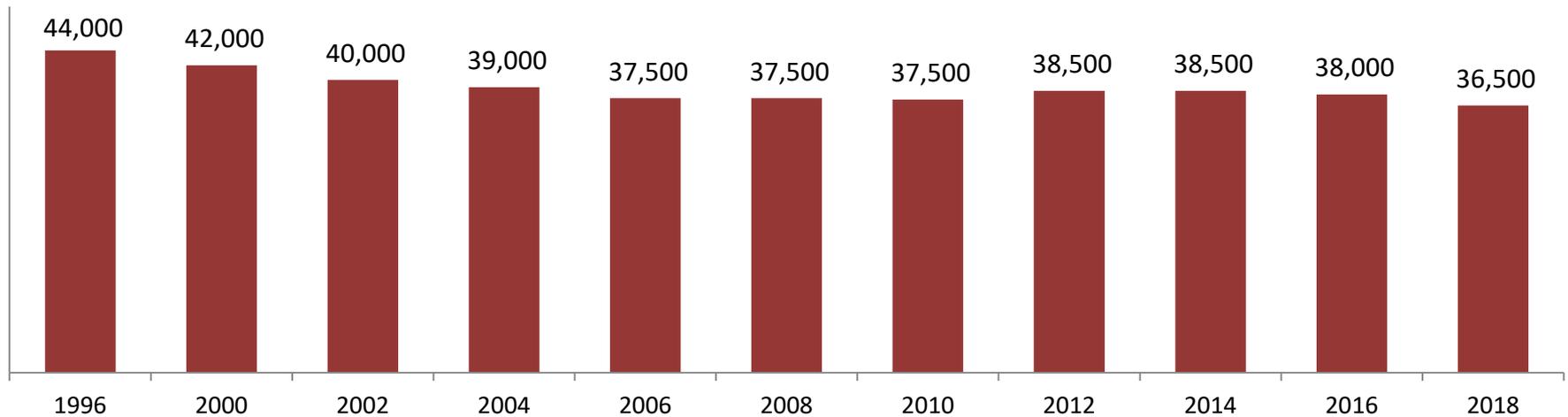
The Agency System



The estimated total number of independent agencies stands at 36,500. However, it should be noted that changes in the agency universe size from 2016 to 2018 are likely a function of a change in the resource used to obtain this information, and may not necessarily reflect a change in the universe itself.

- These estimates are rounded to the nearest 500 to avoid giving the impression of more precision than they actually have. (For details on how these estimates were made, see Appendix B.)

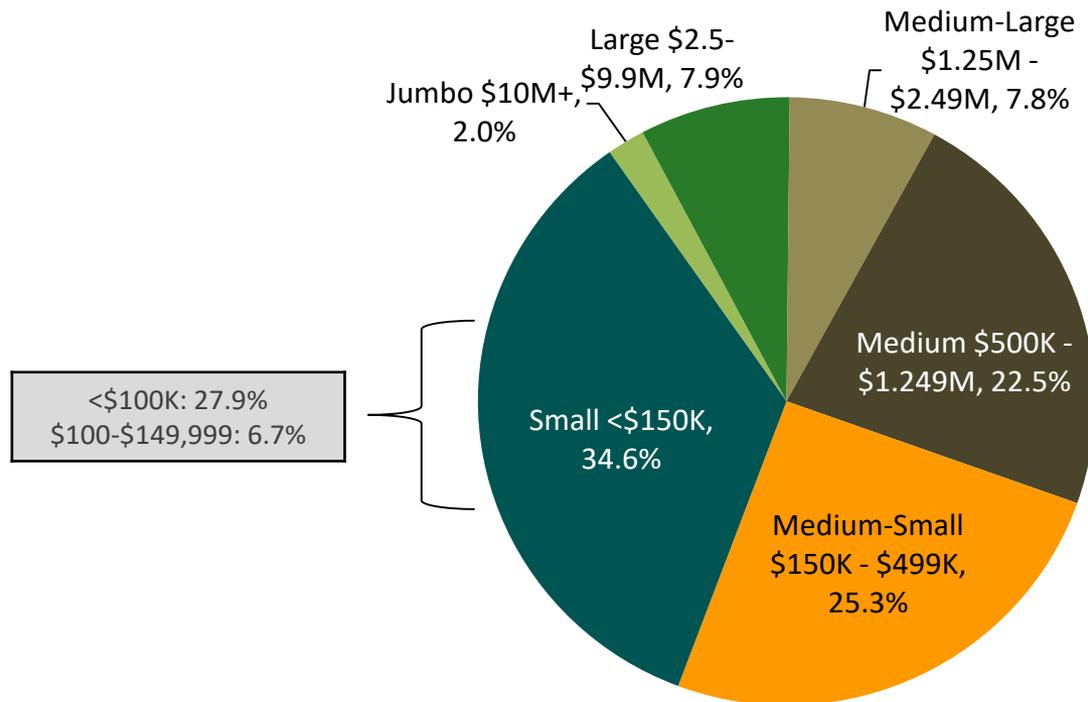
Total Number of Independent Agencies, 1996-2018



In 2018, 35% of all independent agencies and brokerages are Small, and 25% are Medium-Small.

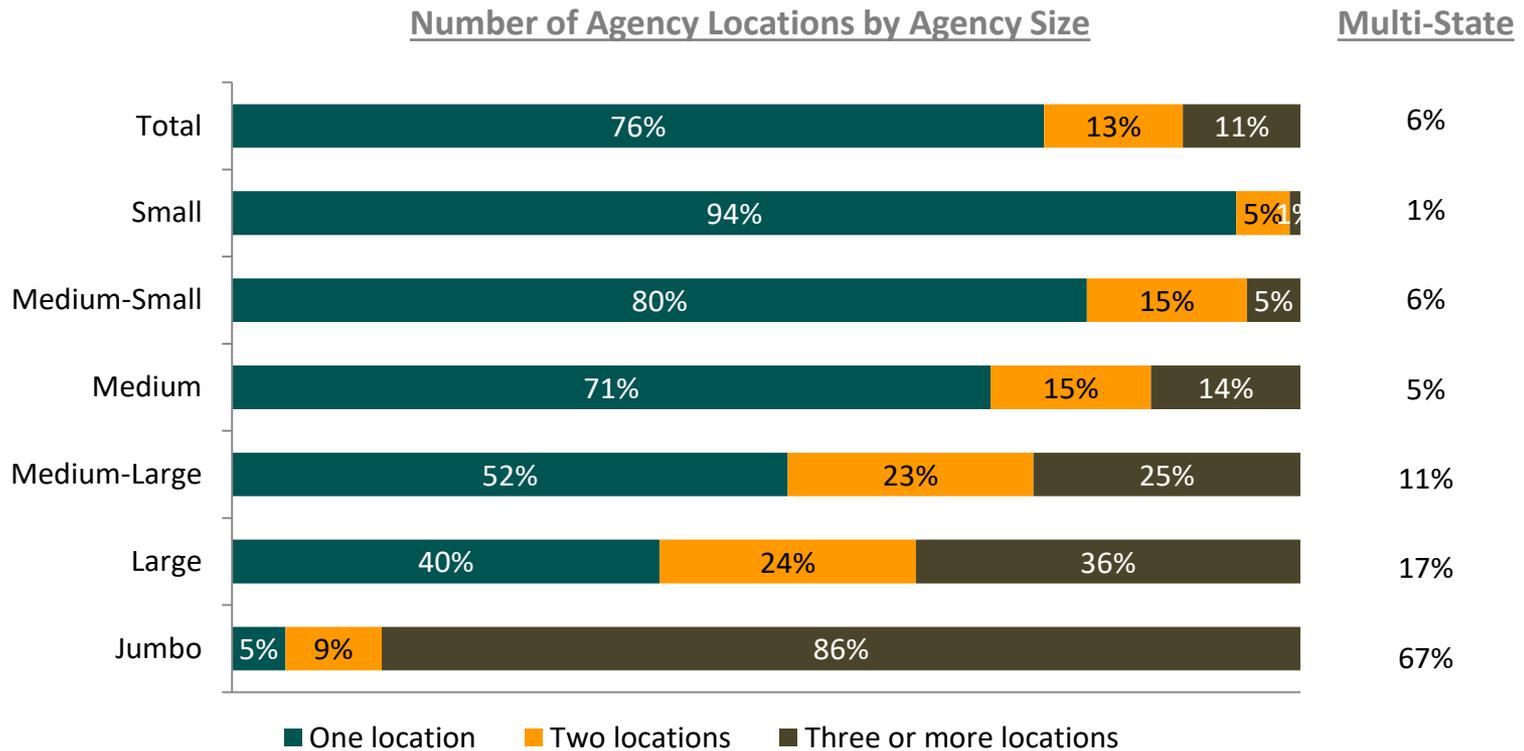
- Note that in 2018, a new resource was used to estimate the universe size (the MarketStance database, widely considered more insurance industry-focused and reliable the data available from D&B).

Agency Distribution by Revenue Size - 2018



For all groups except Large and Jumbo, the majority of agencies continue to have only one location.

- Relatively few agencies (6%) have locations in more than one state, although 67% of Jumbo agencies have multi-state presences.
- Four in ten (41%) agencies are licensed in only one state (44% in 2016), ranging from 63% of Small agencies to 0% of Jumbo agencies.
- Of those agencies with multiple locations, the overwhelming majority (86%) of the respondent locations for this survey were headquarters locations (compared to 87% in 2016).
- The proportion of agencies with multiple locations is 24%, up from 21% in 2016.

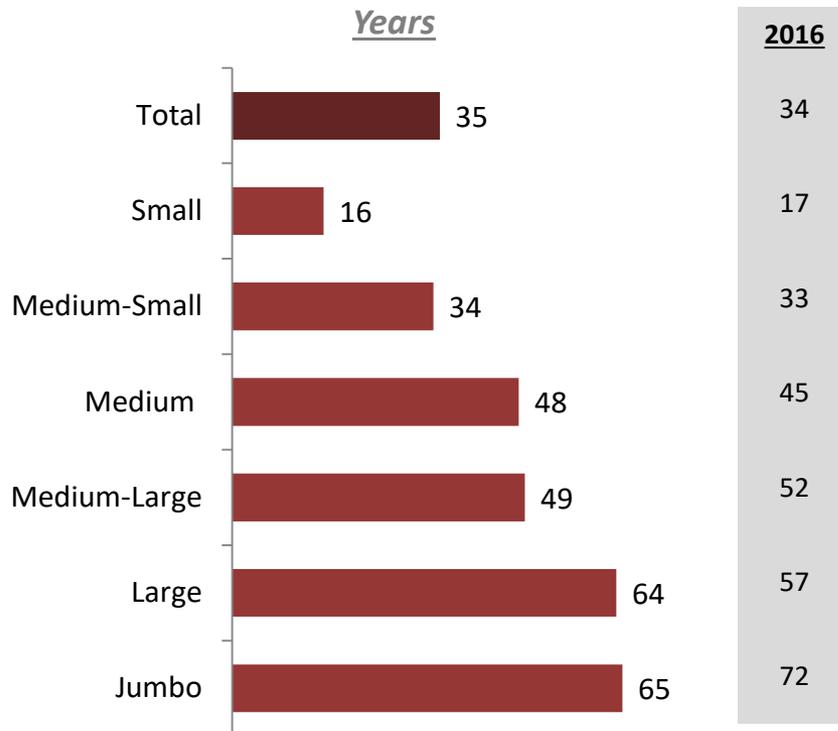


Almost two in ten agencies (18%) were established in the last five years, similar to the proportion of new agencies in in 2016 (13%). On average, agencies are about 35 years old.

- Smaller agencies continue to be more likely to be new, with an average of 16 years of experience; eight in ten new agencies are small (83%).

Average Agency Age by Agency Size

Years



Compared to longer-established agencies, newer agencies (founded 2014 or later) are more likely to:

- Be Small (*83% vs. 24%*)
- Report increased revenue from 2016 to 2017 (*83% vs. 72%*)
- Have converted from exclusive to independent agency within past two years (*12% vs. 1%*)
- Be personal lines dominant (*64% vs. 43%*)
- Be pass-through entities (*94% vs. 78%*)

Newer agencies also tend to make more use of technology, and are more likely to:

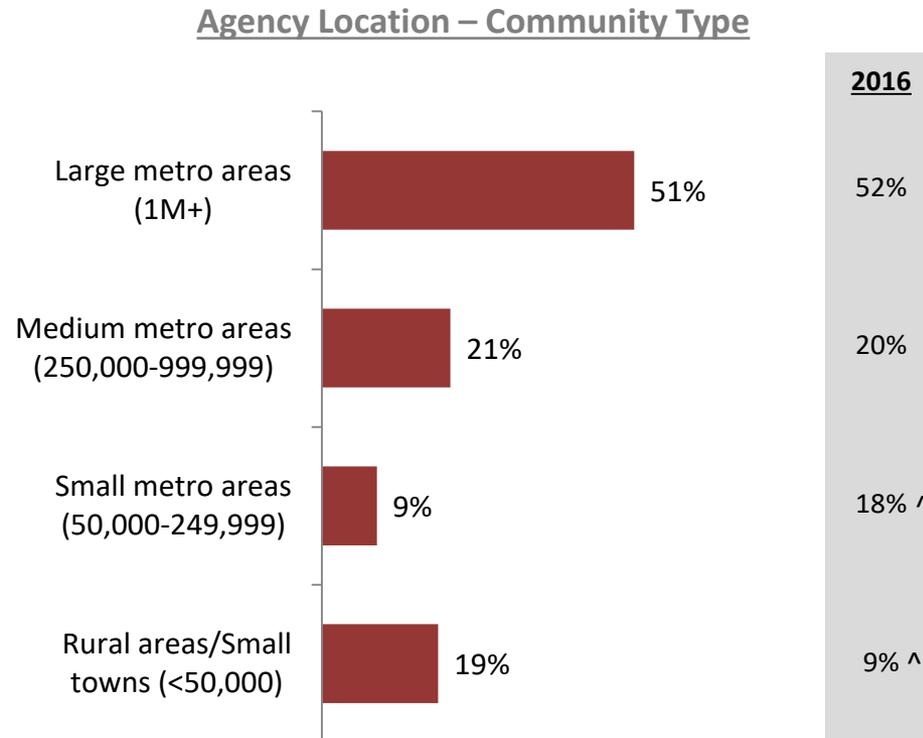
- Strongly agree that digital marketing has become core part of their overall marketing effort. (*61% vs. 42%*)
- Use Facebook (*78% vs. 64%*), LinkedIn (*65% vs. 44%*), Google+ (*43% vs. 24%*), Instagram (*29% vs. 8%*), YouTube (*20% vs. 9%*), and Snapchat (*9% vs. 3%*) to keep in touch with customers/prospects
- Strongly agree insureds are just as likely to accept e-documents as paper documents (*58% vs. 41%*)
- Strongly agree that agency has seen cost savings by using paperless communication options offered by carriers, as well as by offering them to customers (*57% vs. 34% and 49% vs. 31%, respectively*)
- Text with clients as a form of communication for personal lines (*46% vs. 21%*) and commercial lines (*37% vs. 18%*) accounts.

^ indicates significant difference 2016 – 2018

QA10, Weighted n=1444.

As in 2016, about half of independent agencies are in large metro areas.

- The proportion of agencies in small town and rural areas has returned to 2014 levels, returning to 19% from 9% in 2016. Some of this shift may result from reclassification of geographic areas by the Federal Office of Management and Budget.

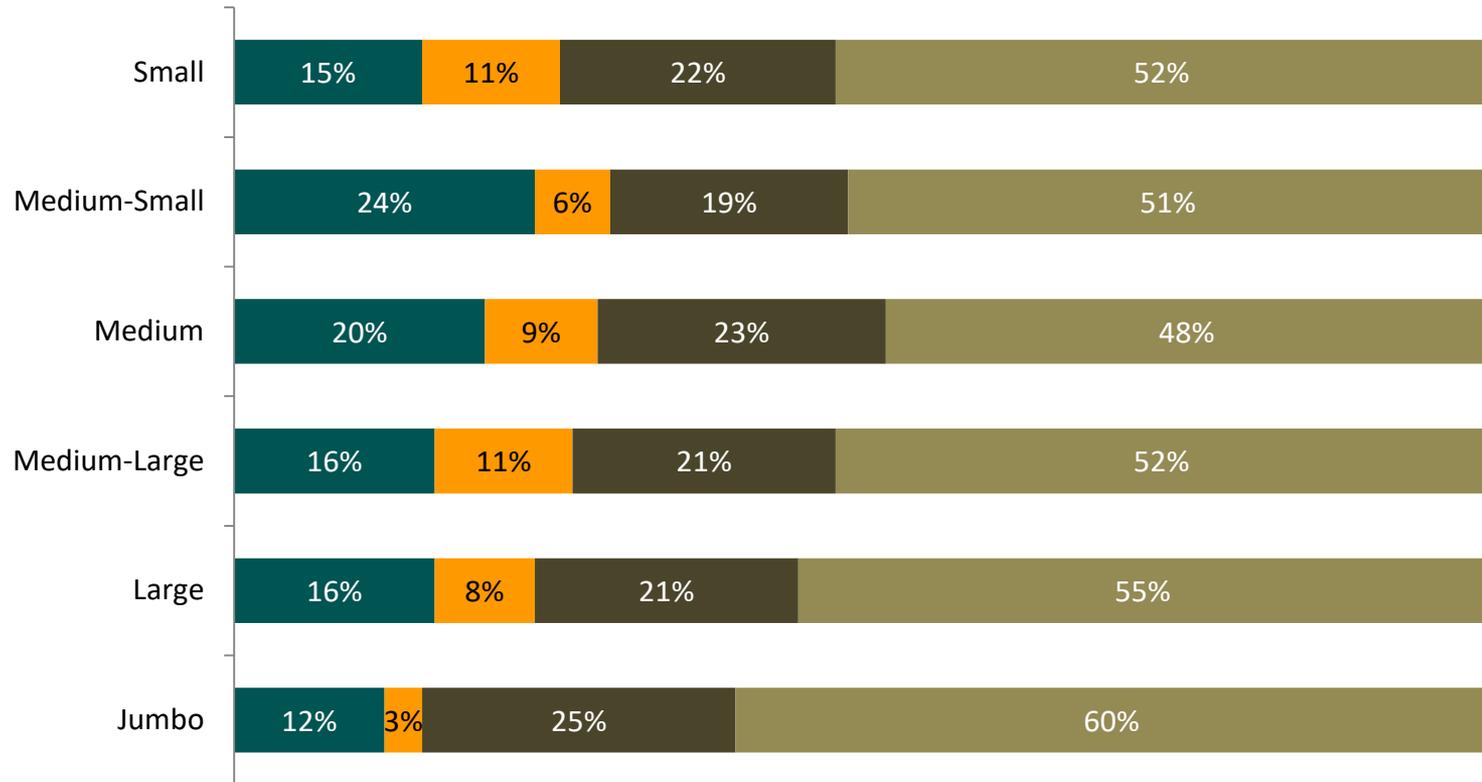


^ indicates significant difference 2016 – 2018

Based on Agency Zip Code, Weighted n=1193-

About half of agencies are located in large metropolitan areas in all categories, with Large (55%) and Jumbo agencies (60%) particularly likely to be located in large metro areas.

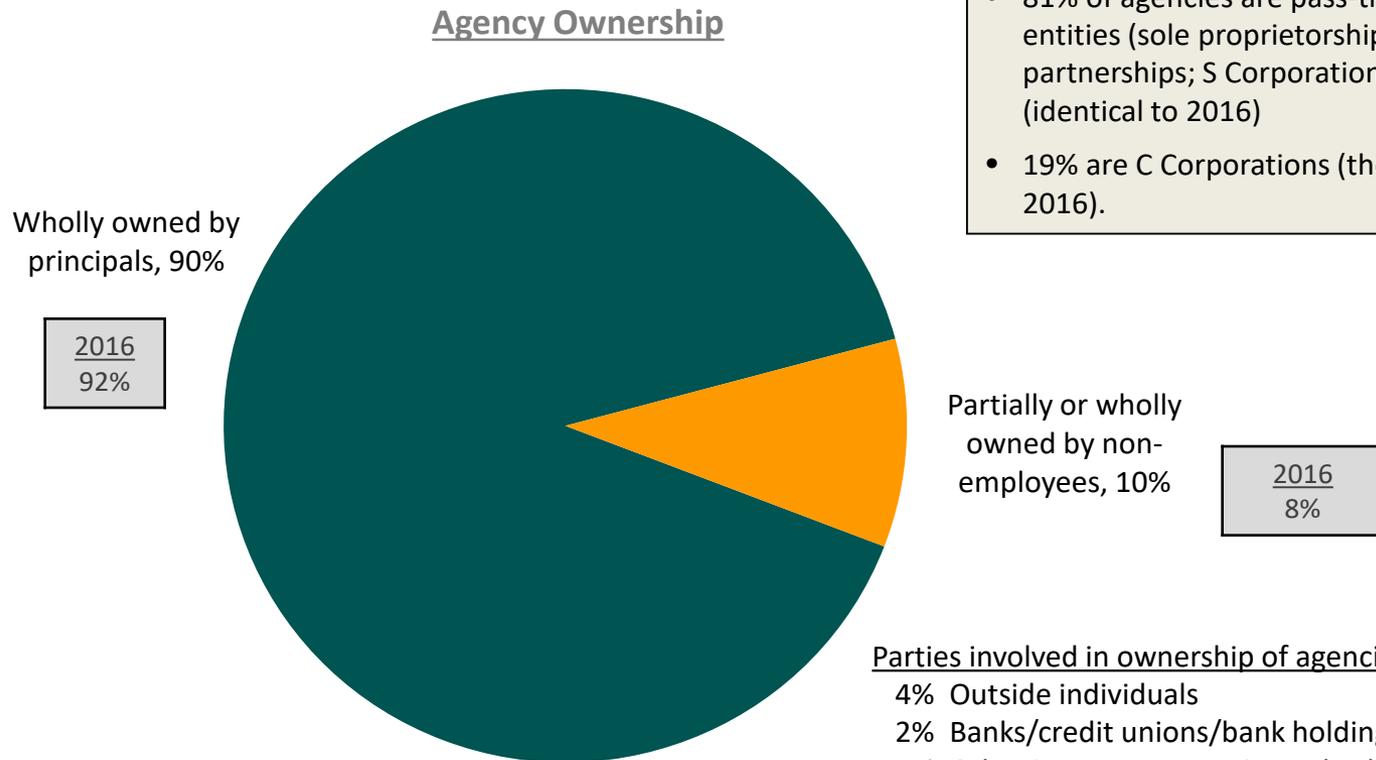
Agency Location – Community Type by Agency Size



■ Rural/Small Town (<50,000)
 ■ Small Metro (50,000-249,999)
 ■ Medium Metro (250,000-999,999)
 ■ Large Metro (1,000,000+)

As in 2016, nearly all agencies are owned by principals.

- One in four Jumbo agencies are wholly owned (26%) or partly owned (17%) by outside people or organizations. Bank ownership is also more common among Jumbo agencies (11%).



Legal Organization:

- 81% of agencies are pass-through entities (sole proprietorships; partnerships; S Corporations, LLCs) (identical to 2016)
- 19% are C Corporations (the same as 2016).

Parties involved in ownership of agencies in 2018 (% of agencies):

- 4% Outside individuals
- 2% Banks/credit unions/bank holding companies
- 1% Other insurance agencies or brokers
- 3% Other entities

^ indicates significant difference 2016 – 2018

QA4/A5, Weighted n=1456; QA9C, Weighted n = 1441.

Just over one in ten agencies have been involved in acquisitions or mergers within the past two years. Overall acquisition/merger activity is widespread among Medium Large, Large and Jumbo Agencies.

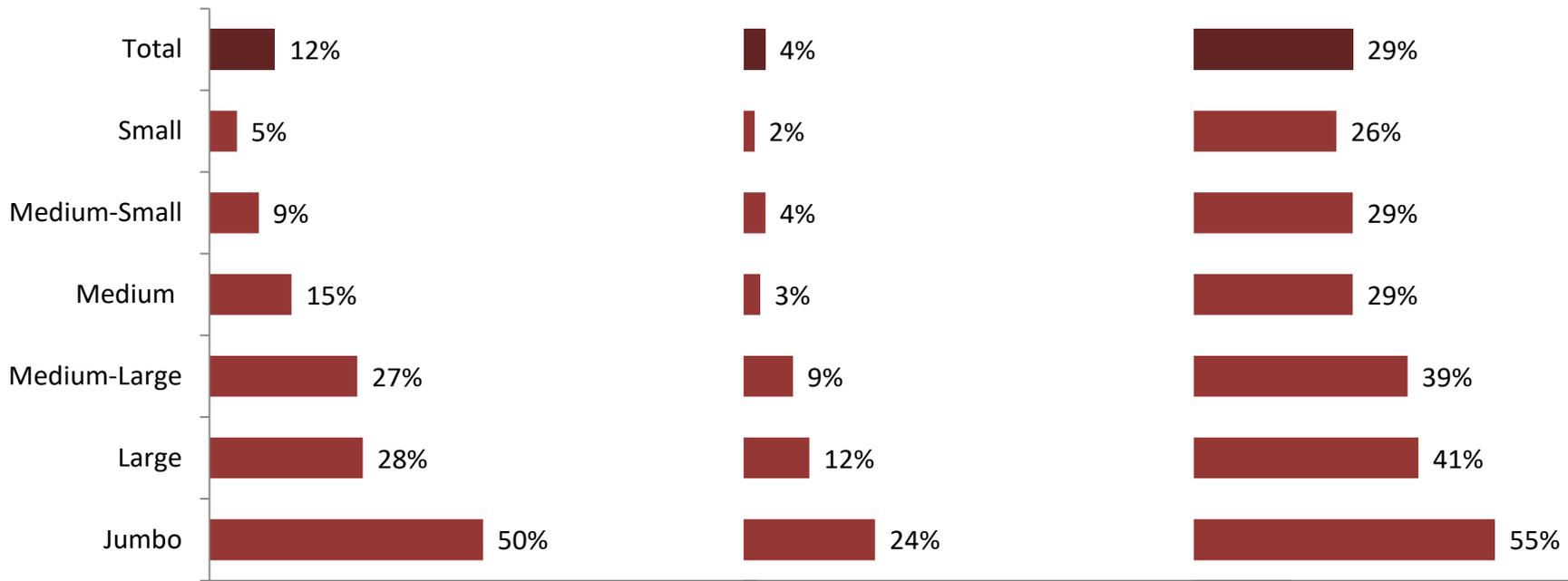
- Overall, 12% have been involved with acquisitions (7% have acquired another agency's book and 6% have acquired another agency's book and operations), 1% have merged with another agency, and another 3% have converted from exclusive/captive to independent agencies.
- Nearly one-third of agencies have plans for merger/acquisition activity in the next two years; 19% plan to acquire another agency's book and operation, 16% plan to acquire another agency's book. Just 5% anticipate being acquired by another agency.

% Involved in Acquisitions and/or Mergers

Done In Past Two Years

Currently in Process

Planning for Next Two Years



*Among sole/headquarters locations.

QA6, Weighted n=1403-1404 Questions revised in 2018; therefore, trending not shown.

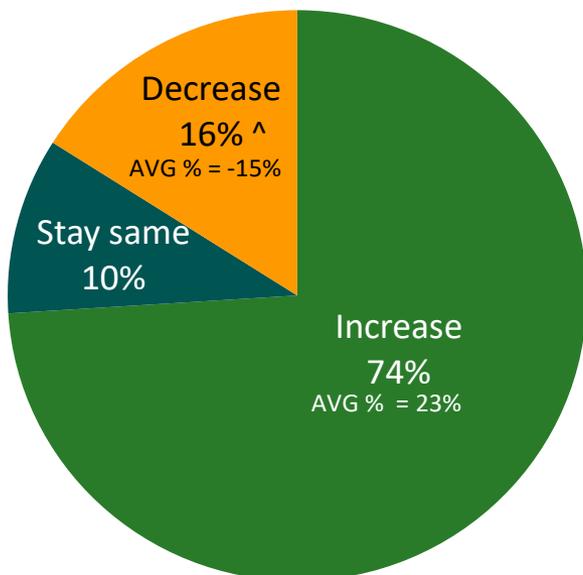
Agency Revenue



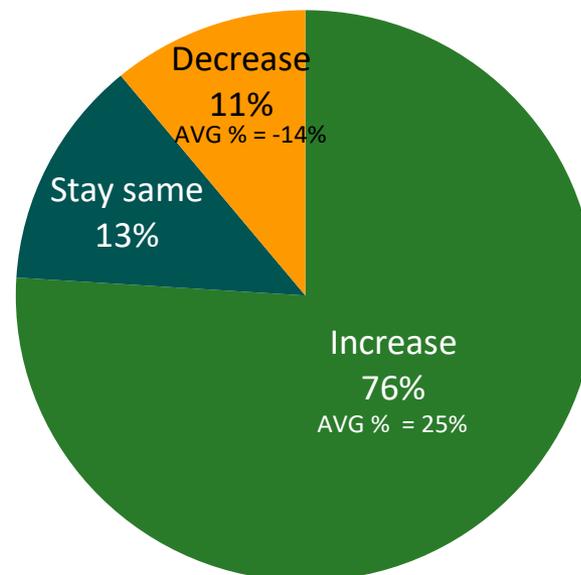
Three in four agencies saw revenue increases between 2016 and 2017, with an average increase of 25%. Slightly more than one in ten (11%) report decreased revenue.

- Jumbo agencies are significantly more likely to report an increase (88%) than are Small agencies (69%), Medium-Small (77%), or Medium agencies (79%). For more detail see Appendix A.

Change in Total Revenue 2014 vs. 2015



Change in Total Revenue 2016 vs. 2017

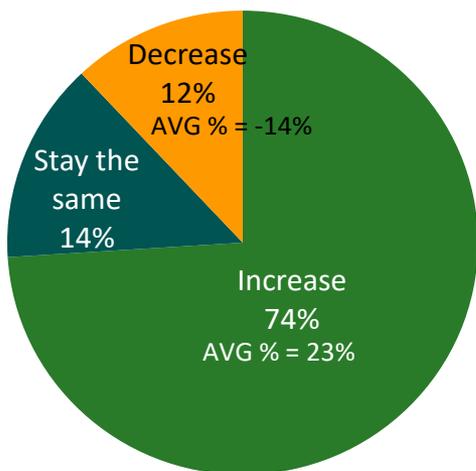


^ indicates significant difference 2016 – 2018
QA9B/B2, Weighted n=1461.

Three in four agencies report increases in personal lines revenue, and seven in ten agencies report increases in commercial lines revenue from 2016 to 2017.

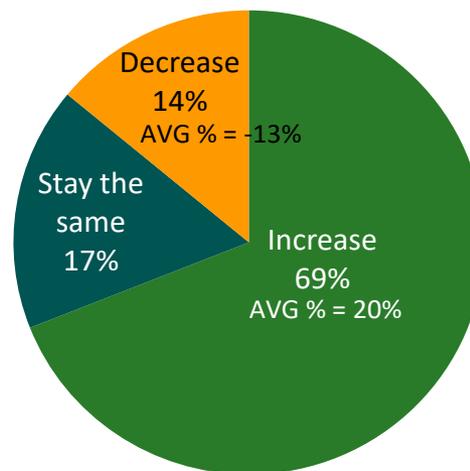
- As in past AUS studies, Small agencies that saw increased revenues experienced larger increases than others, in percentage terms.
- For more detail on revenue changes by agency size categories, see Appendix A.

Change in Personal Lines Revenue
2016 vs. 2017



2014 vs. 2015
Increase 70% ^
Stay the same 13%
Decrease 17% ^

Change in Commercial Lines Revenue
2016 vs. 2017



2014 vs. 2015
Increase 68%
Stay the same 15%
Decrease 17% ^

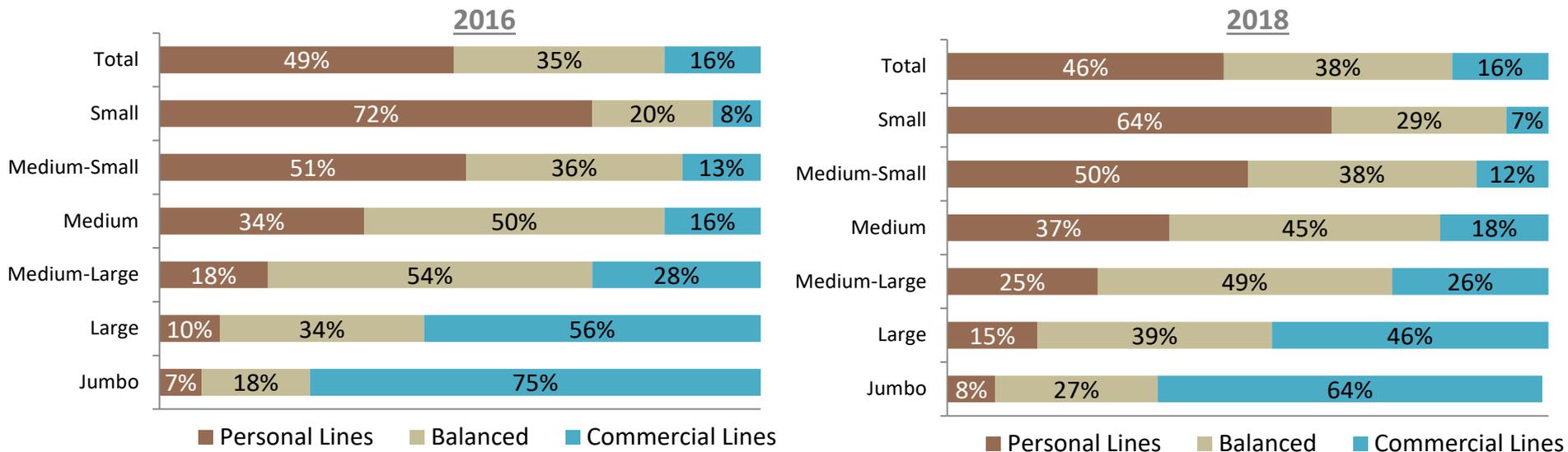
^ indicates significant difference 2016 - 2018

QA9B/B2, Personal Lines Weighted n=1460; Commercial Lines Weighted n=1459.

Larger agencies are more likely to focus on commercial lines than smaller agencies. Two in three Small agencies are personal lines dominant, with the same proportion of Jumbo agencies commercial lines dominant.

- “Dominant” is defined as 70% or more of revenue from personal or commercial lines (commissions plus bonuses, as defined in the Reader’s Guide); “Balanced” are all agencies in between those two extremes.
- In 2012 and 2014, Jumbo agencies appeared to be less commercial lines dominant and more balanced in their source of revenue (perhaps due to a decline in commercial lines premiums and a re-focus on personal lines business). While this pattern reversed itself in 2016, it appears again in 2018, as Jumbo agencies have moved toward more balanced revenue.

Dominant Source of Revenue



^ indicates significant difference 2016 - 2018

QB5A, Weighted n=1314.

Although revenue has increased, numbers of commercial accounts have only increased directionally since 2016. Small agencies have more small accounts; Jumbo agencies report fewer very large accounts than in 2016.

- By “directional,” we are referring to changes that are consistent but not large enough to be statistically significant.
- Readers should keep in mind that these figures are for respondents’ offices, and in most cases except for Small agencies, the offices are not the whole agencies. Even in most Jumbo agencies, minorities of offices specialize in Very Large accounts.

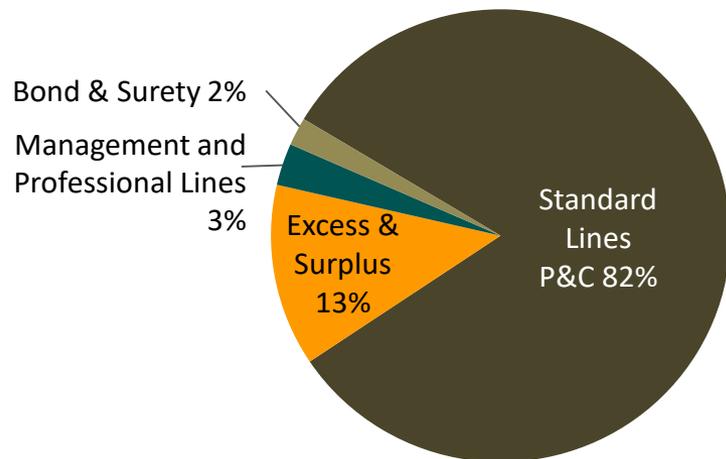
2018 Average # of Commercial Accounts by Account and Agency Size*

Account Size Defined by Annual Premium	Agency Size						
	2018 Total	Small	Medium-Small	Medium	Medium-Large	Large	Jumbo
<u>Small (Under \$15K)</u>	<u>250</u>	<u>78</u>	<u>135</u>	<u>263</u>	<u>601</u>	<u>860</u>	<u>1752</u>
Under \$5,000	180	69	100	184	414	591	1060
\$5,000-\$14,999	71	8	34	79	187	269	709
Medium (\$15K-\$99K)	39	8	15	45	81	157	518
Large (\$100K-\$999K)	6	1	1	4	15	29	101
Very Large (\$1M plus)	<1	0	0	<1	<1	2	8

Mixes of products sold are the same as 2016, with agencies deriving roughly four-fifths of commercial lines revenue from standard products.

- Jumbo Agencies are more likely to generate income from other product categories, including Management and Professional Lines and Bond & Surety.
- Among agencies with revenue from E&S products, 62% say their agencies have producers who are licensed to write E&S (ranging from 59% among Medium Small agencies to 85% among Jumbo agencies); this is significantly higher than in 2016. The remainder are likely processing their Excess & Surplus business via wholesalers.

2018 % of Total Commercial Lines Revenue From Each Product Category

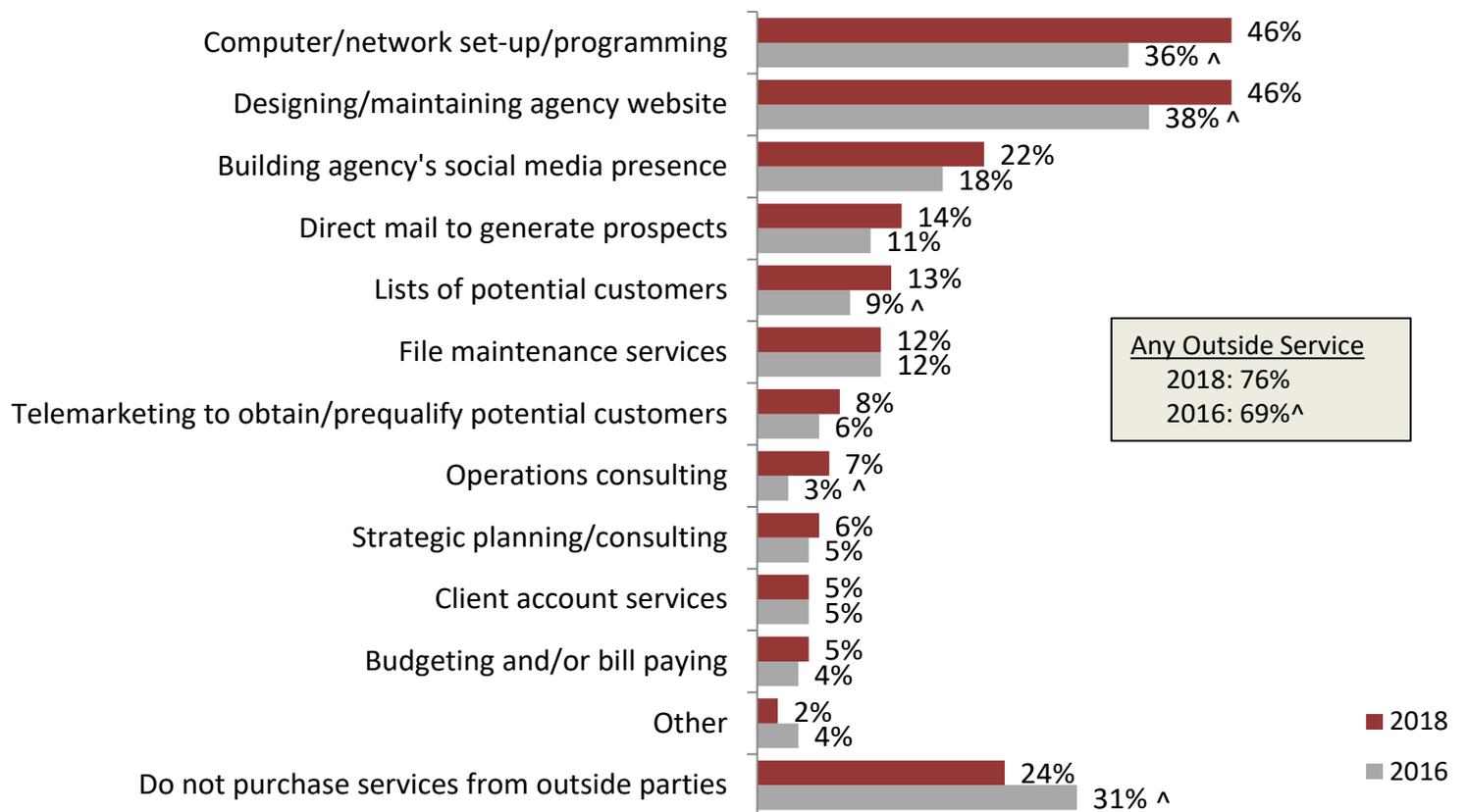


	Small	Med-Small	Med	Med-Large	Large	Jumbo
Standard Lines P&C	84%	82%	81%	81%	77%	73%
Excess & Surplus	13%	13%	14%	13%	15%	17%
Management and Professional	2%	3%	3%	3%	5%	6%
Bond & Surety	2%	2%	2%	3%	4%	5%

Three in four agencies purchase services from one or more third-party contractors, usually IT functions and/or website development and maintenance.

- Use of outside services for computer/network set-up and designing/maintaining website tend to grow with agency size, however Jumbo agencies are somewhat less likely than Large agencies to go outside for these functions.
- Jumbo agencies outsource more than smaller agencies for lists of potential customers (24%) operations consulting (22%) and client account services (20%).

Percent of Agencies Outsourcing Each Function to Third-Party Contractors



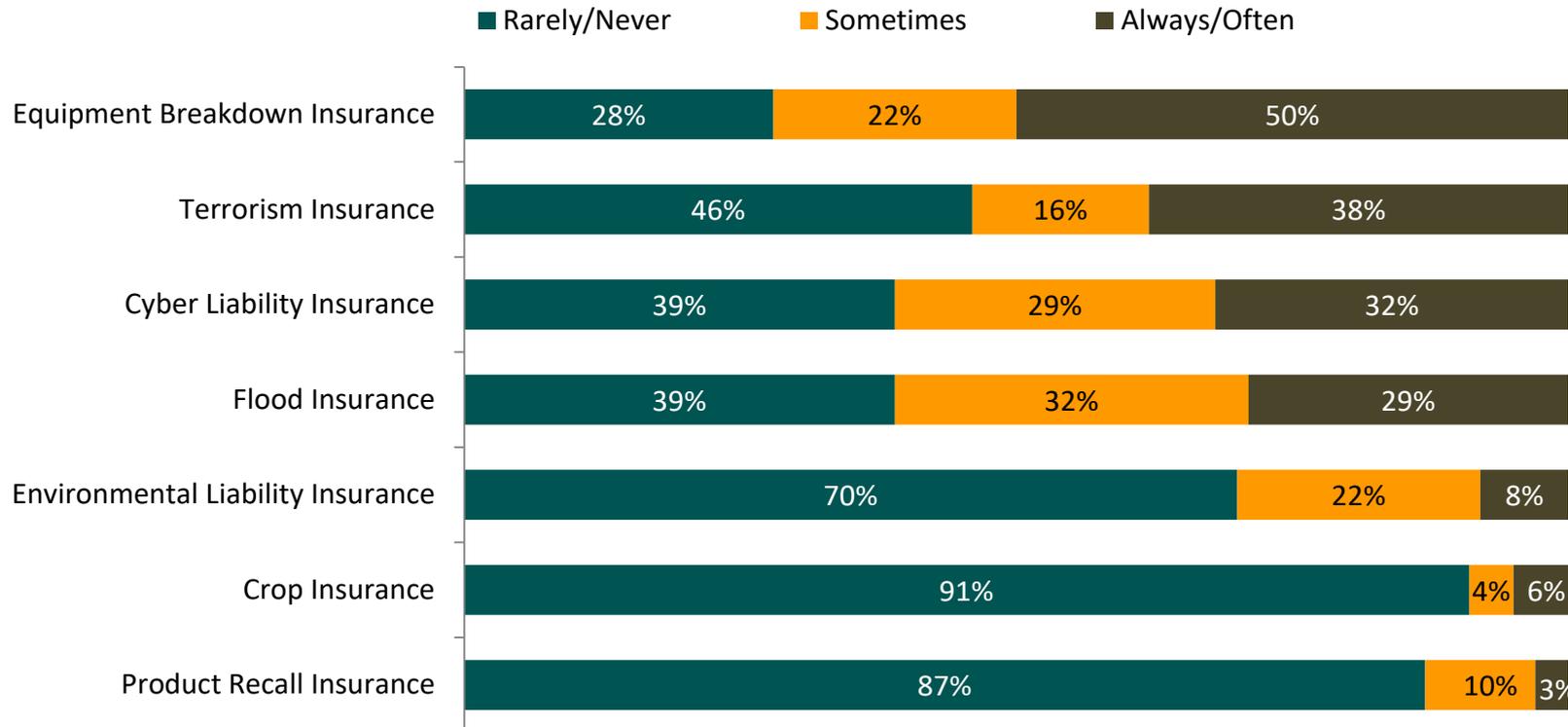
^ indicates significant difference 2016 - 2018

QG2, Weighted n=542 Question wording revised in 2018; however, answer categories remained the same, so trending has been continued.

Half or fewer agencies often sell each type of specialty commercial coverage; equipment breakdown is most common, followed by terrorism and cyber liability.

- Predictably, sales of each type of insurance increase as agency size increases.
- Those who sell equipment breakdown sell it as part of a package almost all the time (on average, 94% of quotes).

Frequency of Selling Each Product



QB7C, Weighted n=1416-1433; Question changed substantially in 2018; trending not shown.

QB7D, Weighted n=960; New Question in 2018.

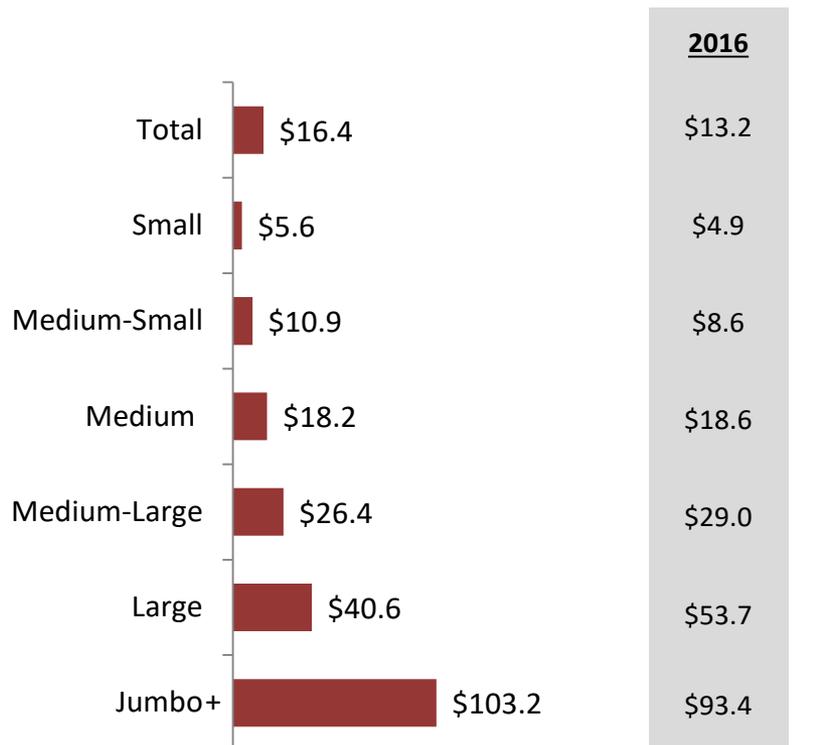
Marketing



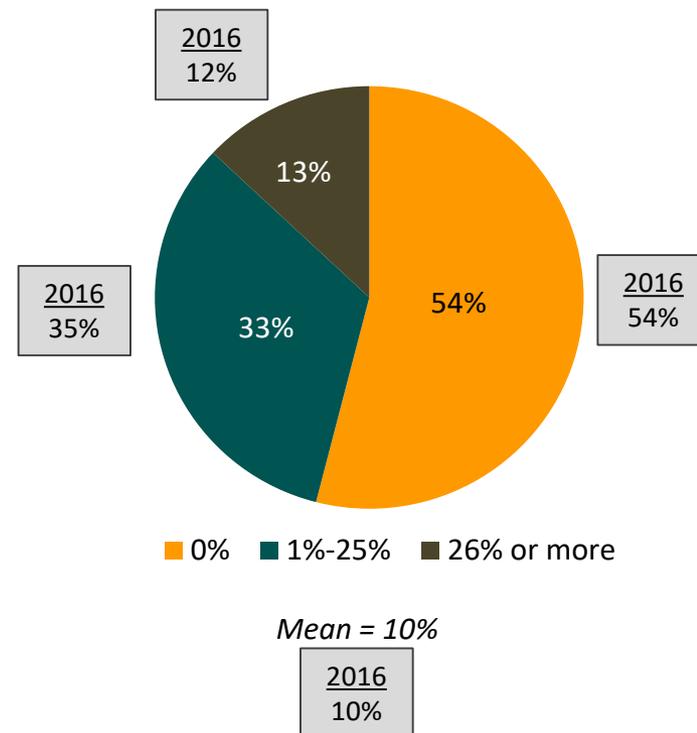
Total agency revenue increased directionally from 2015 to 2017, with only Medium agencies showing little change. Nearly all (97%) had some marketing budget in 2017.

- Carriers provide at least some marketing budget support for 46% of agencies, but 69% of Small agencies received no support.
- Those with a marketing budget say their agency's marketing budgets represent an average of 19% of total 2017 expenditures (up from 13% in 2015), ranging from 29% of Small agency expenditures to 16% of Jumbo agency expenditures – but representing a smaller proportion of Large agencies' expenditures (5%).

Average Marketing Budget by Agency Size
(in thousands)



% of Budget from Carrier Programs



^ indicates significant difference 2016 – 2018

Q11, Weighted n=404; Q12, Weighted n=331; Q11A, Weighted n=363.

Agencies place most importance on efforts related to renewal and retention, rather than generating new business or cross-selling to existing customers; this has not changed meaningfully since 2016.

- Agencies at the opposite ends of the size spectrum – Small and Jumbo – are more likely focus on generating new business than Medium and Medium-Large agencies are.

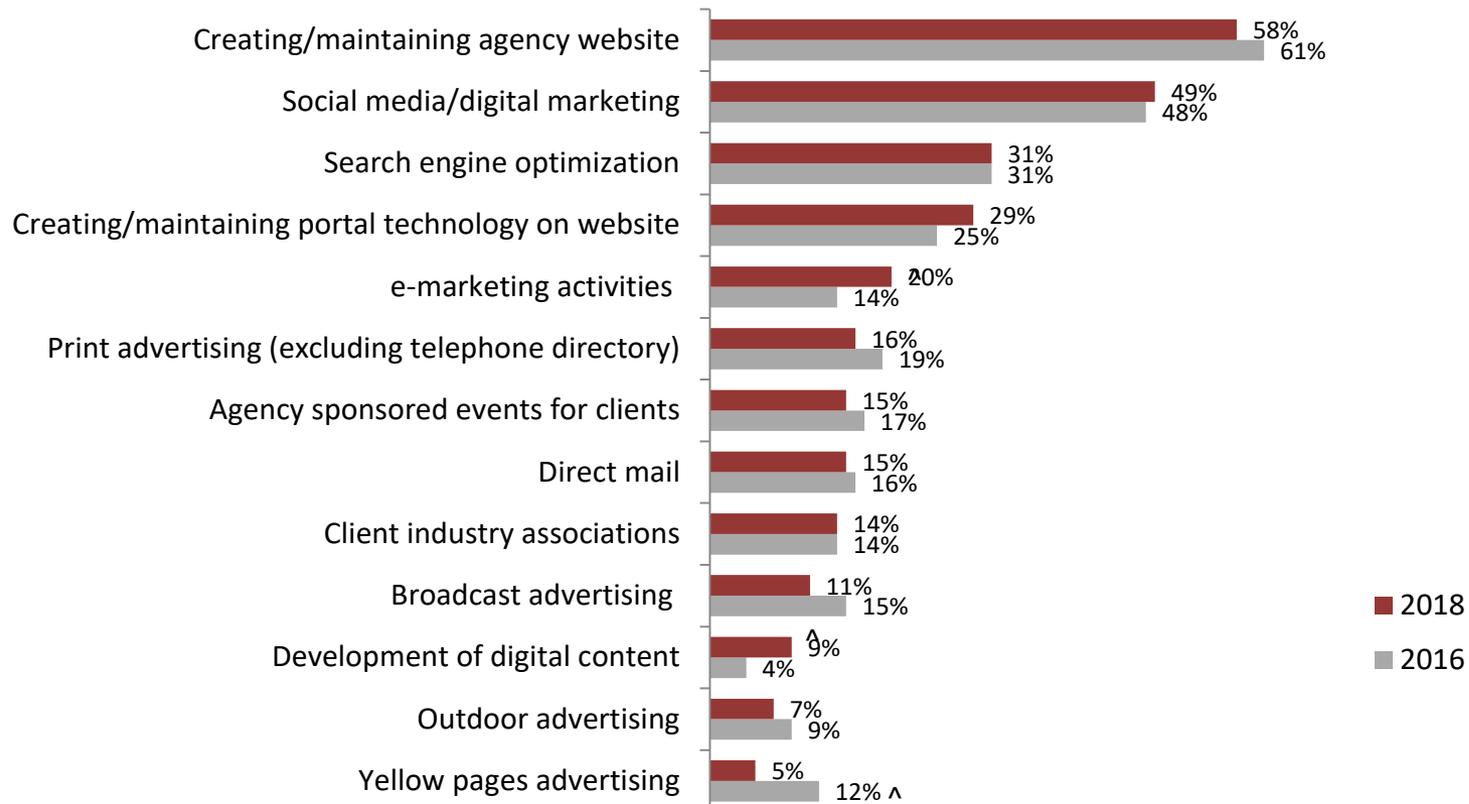
Relative Importance Placed on Different Approaches
Growth/Maintenance of Agency Business
 Number of “Importance Points” Allocated to Each



About half of agencies cite agency website maintenance and social media activities among their top three marketing activities, followed by search engine optimization and portal technology.

- Nearly all (93%) engage in at least one marketing activity.
- Large and Jumbo agencies tend to place more importance on agency-sponsored events and client industry associations, and, to a lesser extent, development of digital content and e-marketing. Small agencies tend to place higher importance on direct mail and print advertising. Medium Large agencies are highly focused on social media marketing; newer agencies focus more on social media and events than older agencies do.

Selected as One of Top Marketing Activities



^ indicates significant difference 2016 – 2018

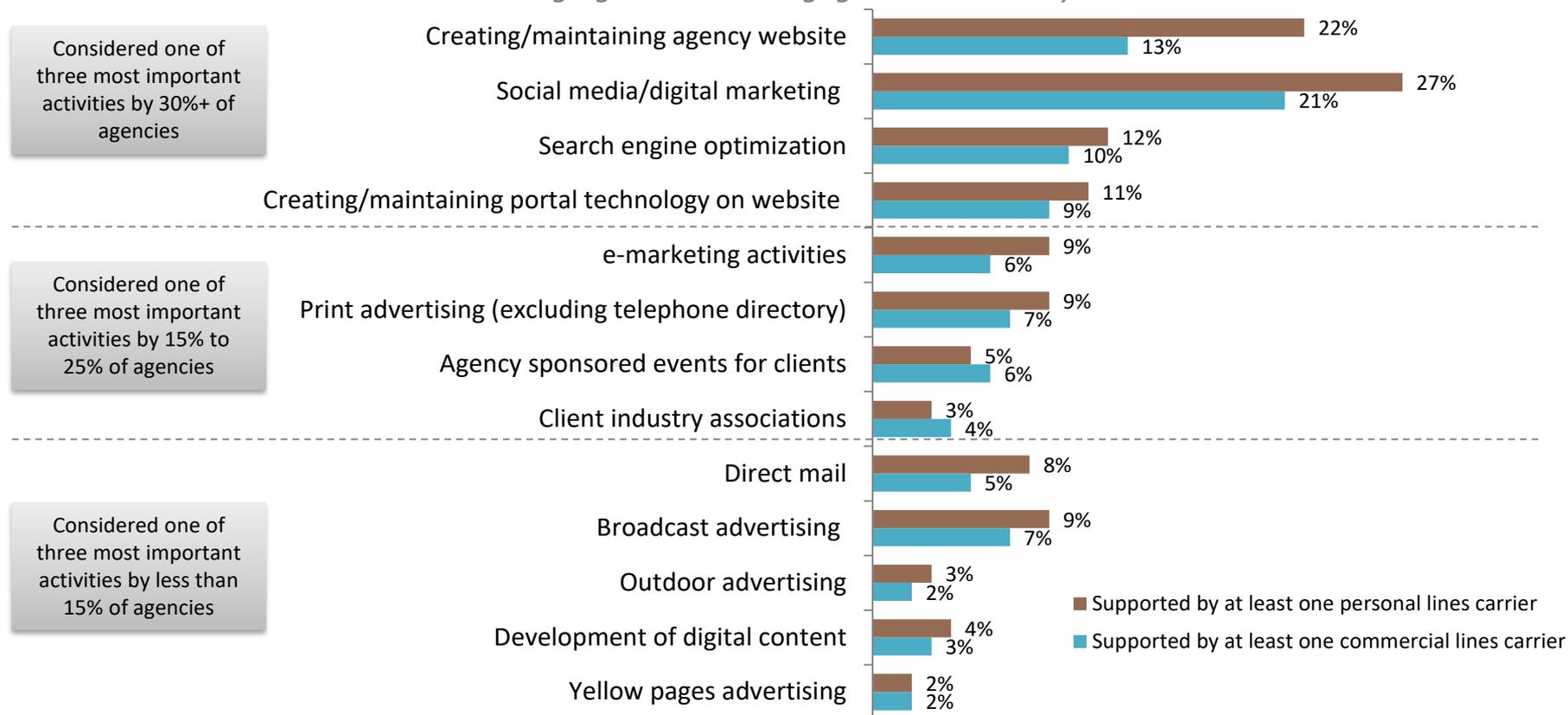
Q13B, Weighted n=566. Q13B not asked in 2014 or earlier.

Roughly one in four agencies receives support from personal lines carriers for social media marketing. Although considered among the most important activities, agencies receive less support for search engine optimization and portal technology, perhaps because these require customization for each agency.

- About six in ten (61%) say they receive some support from personal lines carriers, and half (51%) say they receive support from commercial lines carriers.
- Overall, Jumbo agencies tend to receive more support from commercial lines carriers than agencies of all other sizes, although there are no major differences by agency size in terms of personal lines carrier support.

Carrier Support for Marketing Activities in Order of Importance

Among Agencies Who Engage in Each Activity

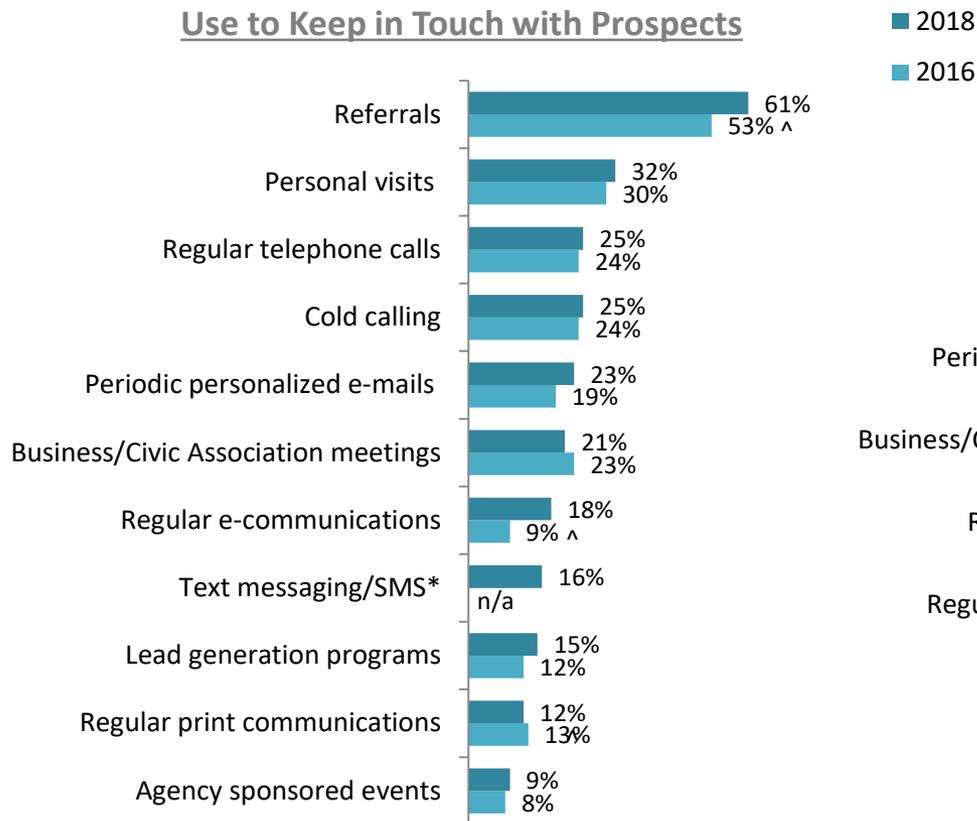


Referrals remain key in commercial lines prospecting, while annual reviews, personal visits and telephone calls are the primary means of keeping in touch with customers.

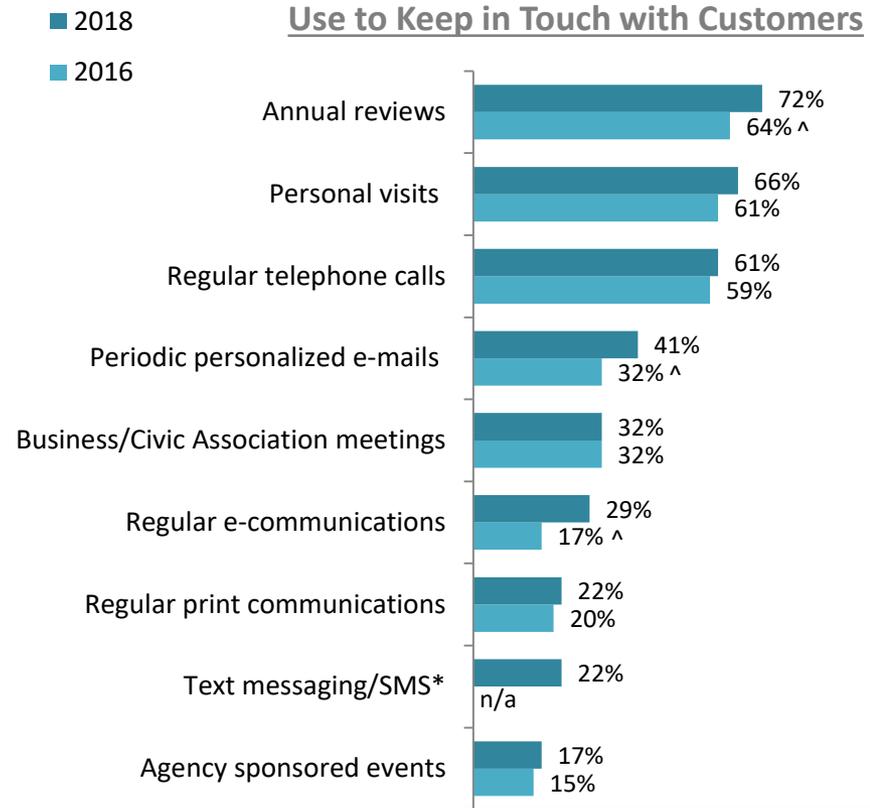
- Compared to 2016, more agencies are using referrals and e-communications for commercial lines prospecting. Annual reviews, personalized emails and regular e-communications are used more frequently for keeping in touch with customers. One in five are texting with customers.

Commercial Lines: Use to Keep in Touch with Prospects/Customers

Use to Keep in Touch with Prospects



Use to Keep in Touch with Customers



^ indicates significant difference 2016 – 2018

Q15, Weighted n= 531, 547.

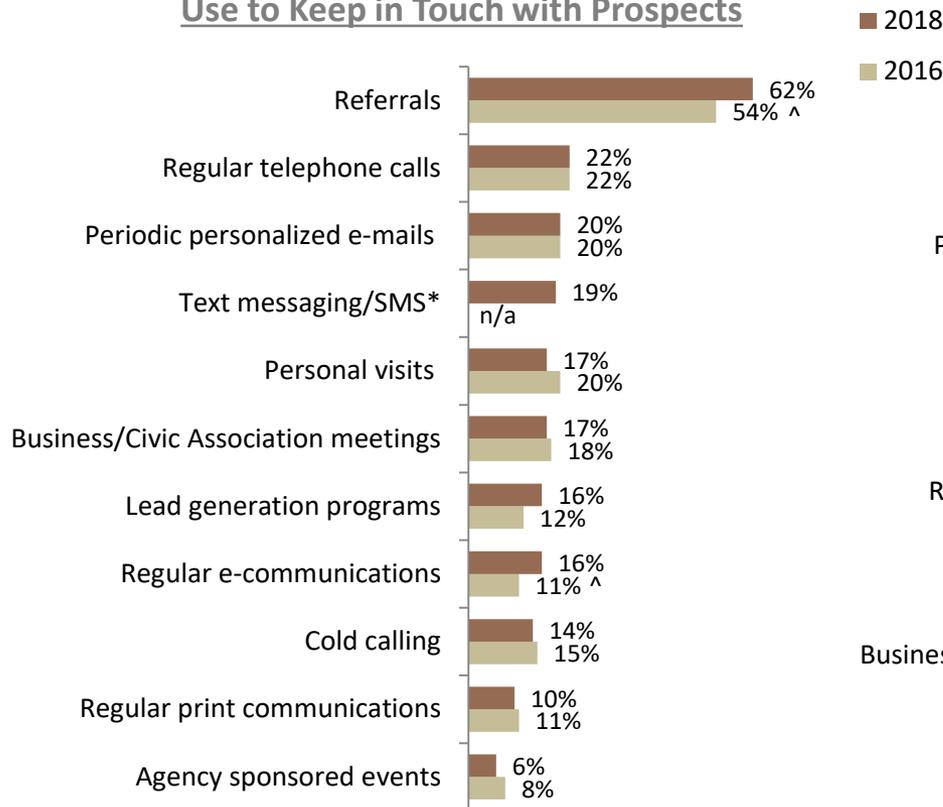
*Item added in 2018

Referrals are also most important in personal lines prospecting, while annual reviews and telephone calls continue to be the primary means of keeping in touch with personal lines customers.

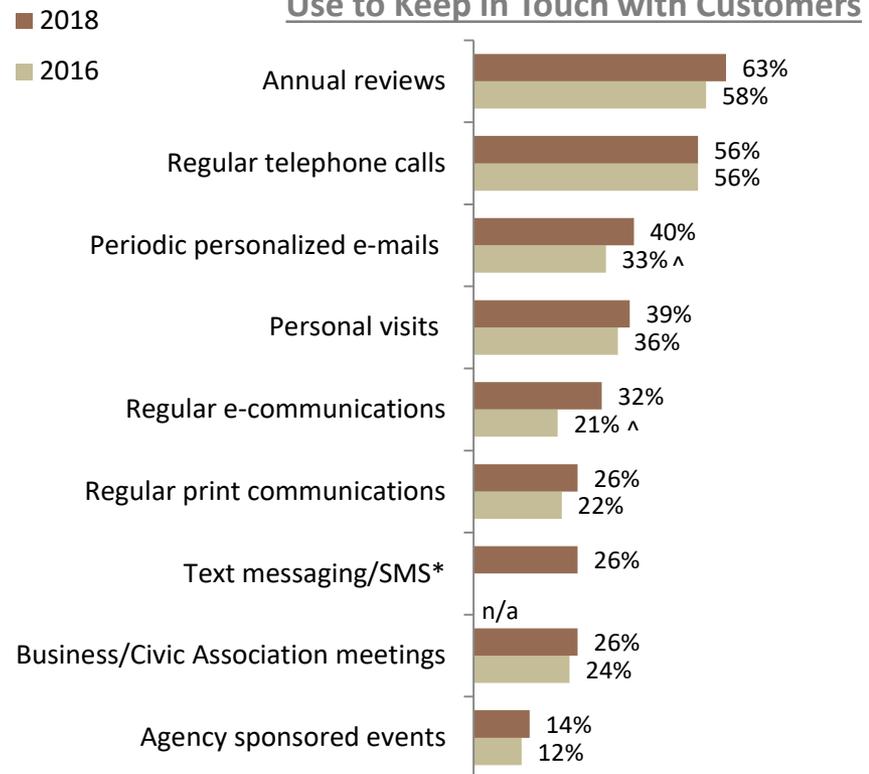
- The use of regular e-communications is significantly higher compared to 2016 for both prospecting and customer contact, whereas the use of referrals for keeping in touch with prospects and personalized emails for keeping in touch with customers has increased from 2016. One-fourth are using text to communicate with personal lines customers.

Personal Lines: Use to Keep in Touch with Prospects/Customers

Use to Keep in Touch with Prospects



Use to Keep in Touch with Customers



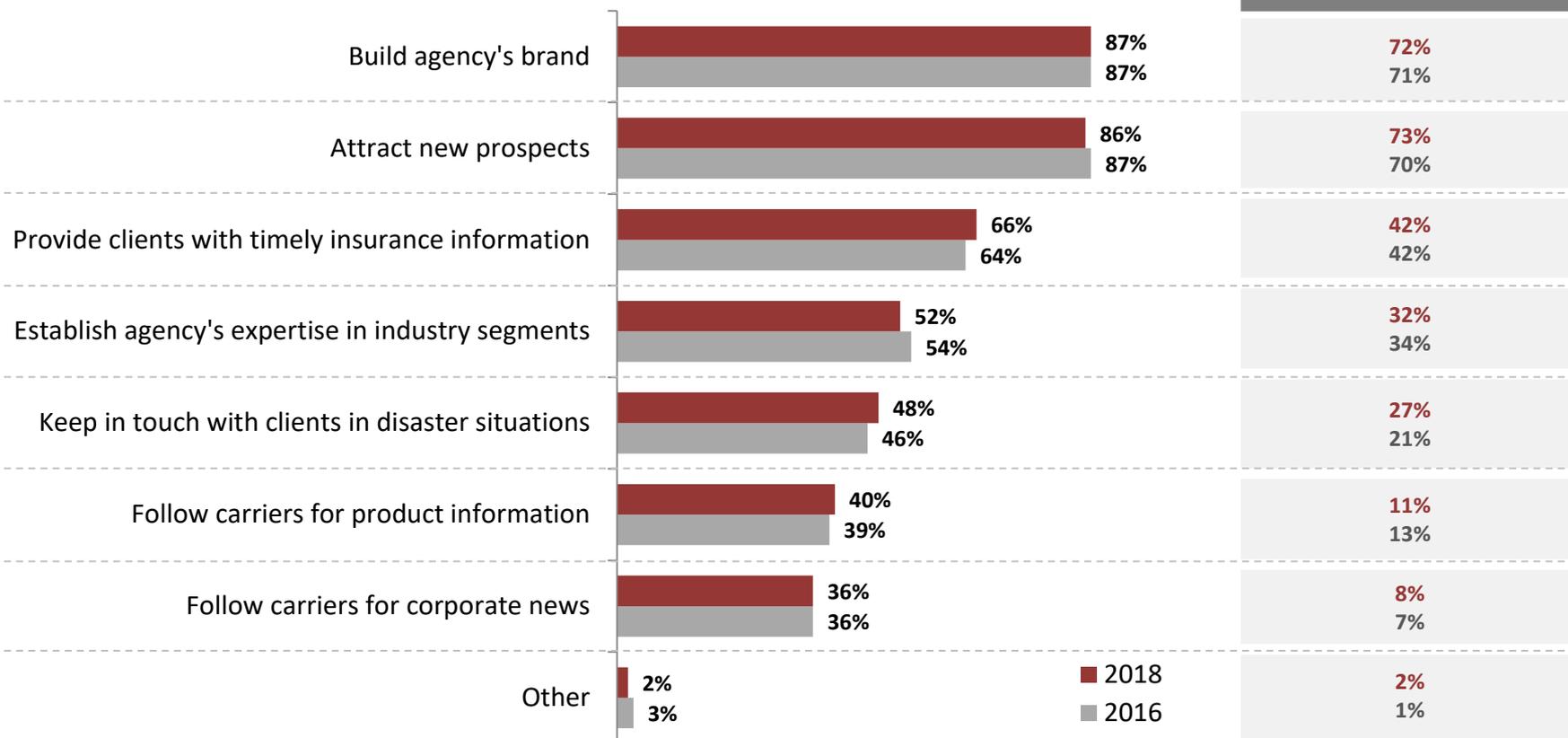
^ indicates significant difference 2016 – 2018

Q15, Weighted n= 528, 546.

*Item added in 2018

Social media continues to serve as a tool for building agencies' brands and attracting new prospects.

Ways in Which Agency Uses Social Media
(Among Those That Include Social Media in Marketing Program)

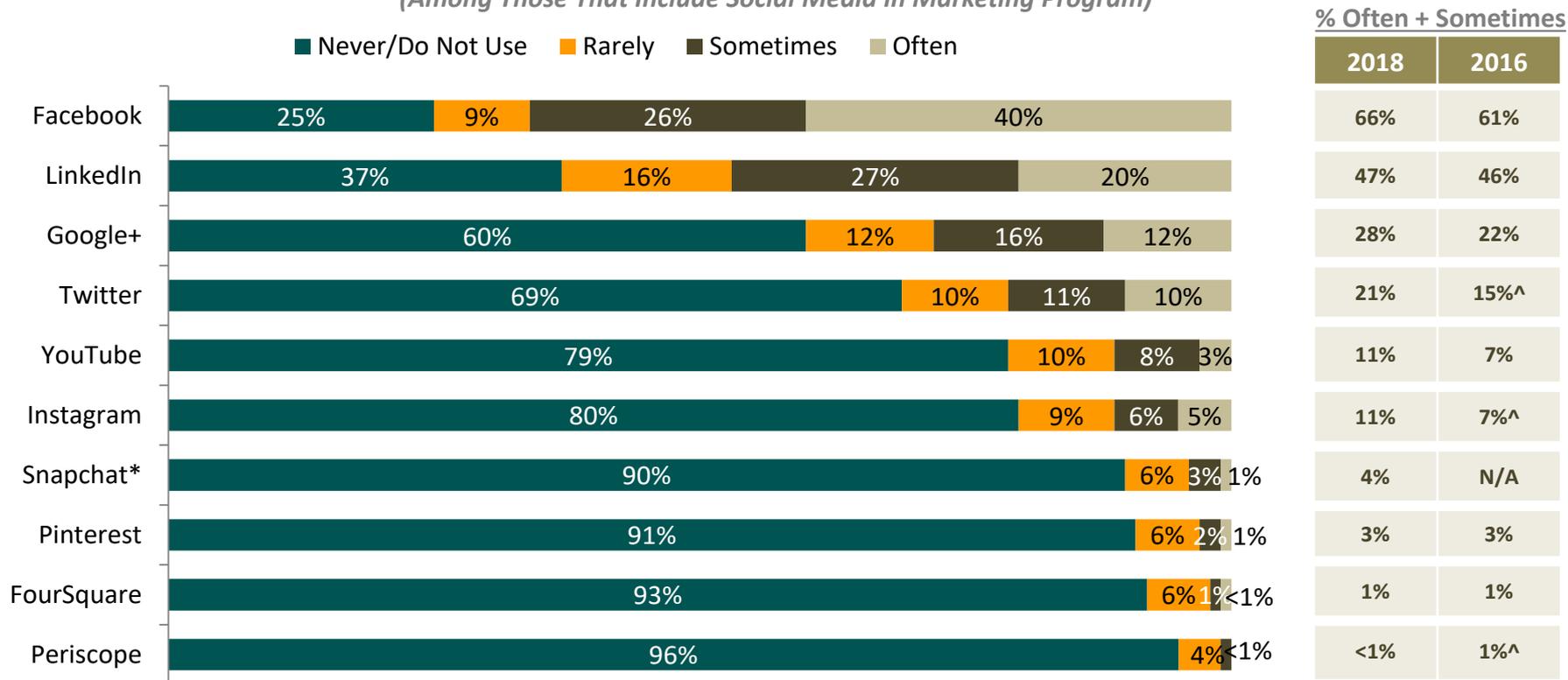


Facebook is the primary social media channel used, followed by LinkedIn. The proportion of agencies using Twitter and Instagram “sometimes” or “often” increased from 2016 to 2018.

- Large and Jumbo agencies are more likely than Small and Medium-Small agencies to use LinkedIn (85% of Jumbo, and 64% of Large agencies use LinkedIn “sometimes + often”), Twitter (31% of Large and Jumbo agencies use Twitter “sometimes + often”), and YouTube (22% of Jumbo, and 21% of Large agencies use YouTube “sometimes + often”).

2018 Social Media Channels Used

(Among Those That Include Social Media in Marketing Program)



^ indicates significant difference 2016 – 2018

Q13FB, Weighted n= 565-575 (bases vary by row). *Item added in 2018

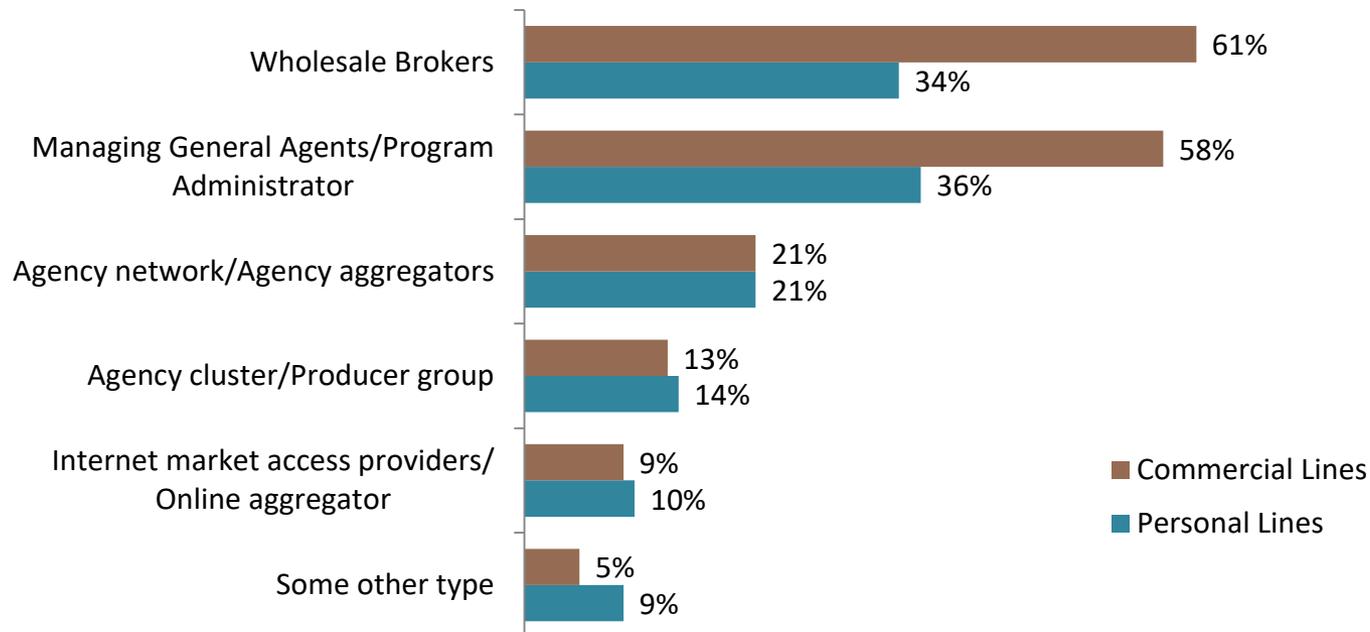
Market Access Providers



More than half of agencies use MGAs and wholesale brokers for commercial lines, and one in three for personal lines.

- Smaller agencies are less likely to use wholesale brokers, while Large agencies are the heaviest users of wholesale brokers for both personal and commercial lines.
- Jumbo agencies make very little use of Internet market access providers or agency network/agency aggregators.

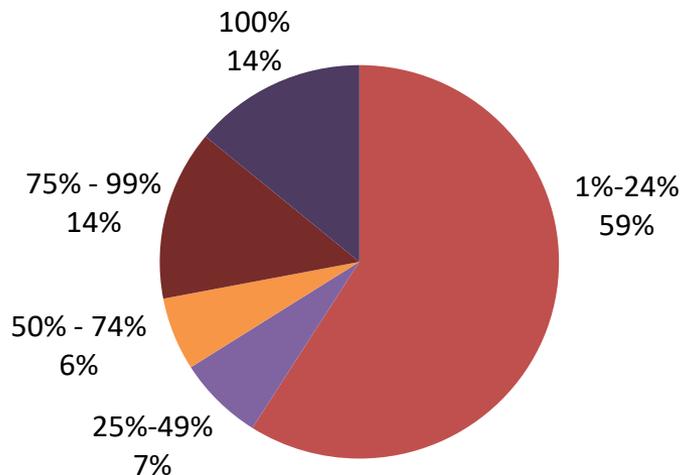
Market Access Providers Used



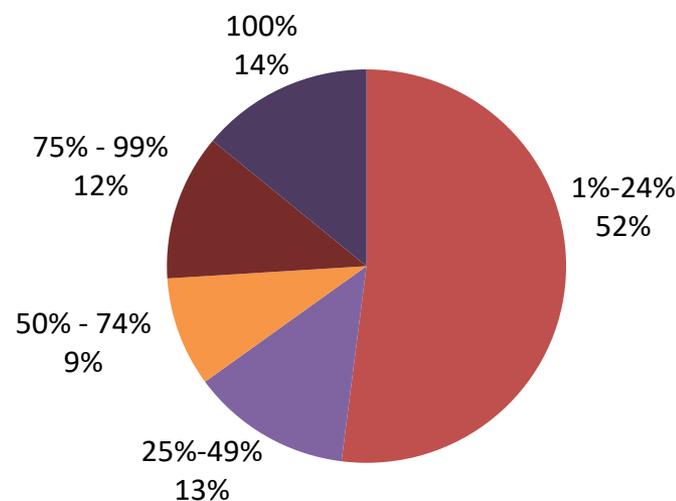
More than one-third of personal and commercial lines income is placed through market access providers (among those who use them).

- Small agencies are most likely to place a larger proportion of business through market access providers for both personal and commercial lines.

% of Personal Lines Income
Derived Through Market Access Providers
(Among Agencies that Use Market Access Providers)



% of Commercial Lines Income
Derived Through Market Access Providers
(Among Agencies that Use Market Access Providers)



Among Users, Mean % of Income Through Market Access Providers

	Total	Small	Med-Small	Medium	Med-Large	Large	Jumbo
Personal Lines	35%	49%	33%	26%	19%	25%	25%
Commercial Lines	38%	55%	37%	27%	26%	30%	27%

Access to specialty markets is the most important reason for using various types of market access providers.

- Smaller agencies are less likely to cite access to specialty markets and more likely to mention access to standard markets.

Top Reasons For Use of Market Access Providers: % Ranking Among Top Three Reasons *Mentions of 3%+ for any Market Access Provider Shown*

	2018	2016
Access to specialty markets	57%	44% ^
Limited or no carrier sales volume requirements	51%	51%
Ability to compete with larger agencies	46%	36% ^
Access to standard markets	43%	51% ^
Enhanced compensation	13%	25% ^
Stability/security of being part of larger organization	10%	9%
Increased attention from carriers	10%	8%
Larger base of business to reduce loss ratio volatility	9%	16% ^
Handles carrier contract negotiations	7%	12%
Provides more time to sell	5%	2%
Brand recognition of aggregator	4%	2%
Employee training, seminars, meetings	4%	2%
Share best practices/assistance with business planning	3%	1%

■ = Top three reasons for using market access provider

^ indicates significant difference 2016 – 2018
QC1C, Weighted n= 550.

As in 2016, MGAs are used for access to specialty markets; agency cluster groups and aggregators are used to access standard markets.

Top Reasons For Use of Market Access Providers: % Ranking Among Top Three Reasons
Mentions of 4%+ for any Market Access Provider Shown

	Agency Cluster/ Producer Group		Agency Network/ Aggregator		MGAs/Program Administrators	
	2018	2016	2018	2016	2018	2016
Access to standard markets	50%	66% ^	60%	50%	36%	42%
Ability to compete with larger agencies	45%	45%	55%	34% ^	44%	33%
Limited or no carrier sales volume requirements	43%	37%	50%	58%	53%	48%
Access to specialty markets	28%	16%	26%	23%	85%	78%
Enhanced compensation	25%	39% ^	28%	41% ^	3%	8%
Increased attention from carriers	25%	21%	12%	10%	3%	<1%
Larger base of business to reduce loss ratio volatility	22%	28%	11%	21% ^	3%	8%
Stability/security of being part of larger organization	21%	15%	11%	14%	4%	2%
Handles carrier contract negotiations	14%	9%	4%	25% ^	5%	5%
Make use of shared back office operations	2%	3%	5%	1%	1%	3%
Brand recognition of aggregator	3%	2%	3%	0%	4%	3%
Employee training, seminars, meetings	4%	1%	8%	4%	2%	1%
Marketing and advertising support	4%	0%	1%	0%	<1%	1%
Share best practices/business planning	3%	1%	5%	1%	1%	0%
Provides more time to sell	<1%	1%	3%	2%	7%	<1%

^ indicates significant difference 2016 - 2018
QC1C, 2018 Weighted n= 111, 131, 196.

■ = Top three reasons for using each type of market access provider

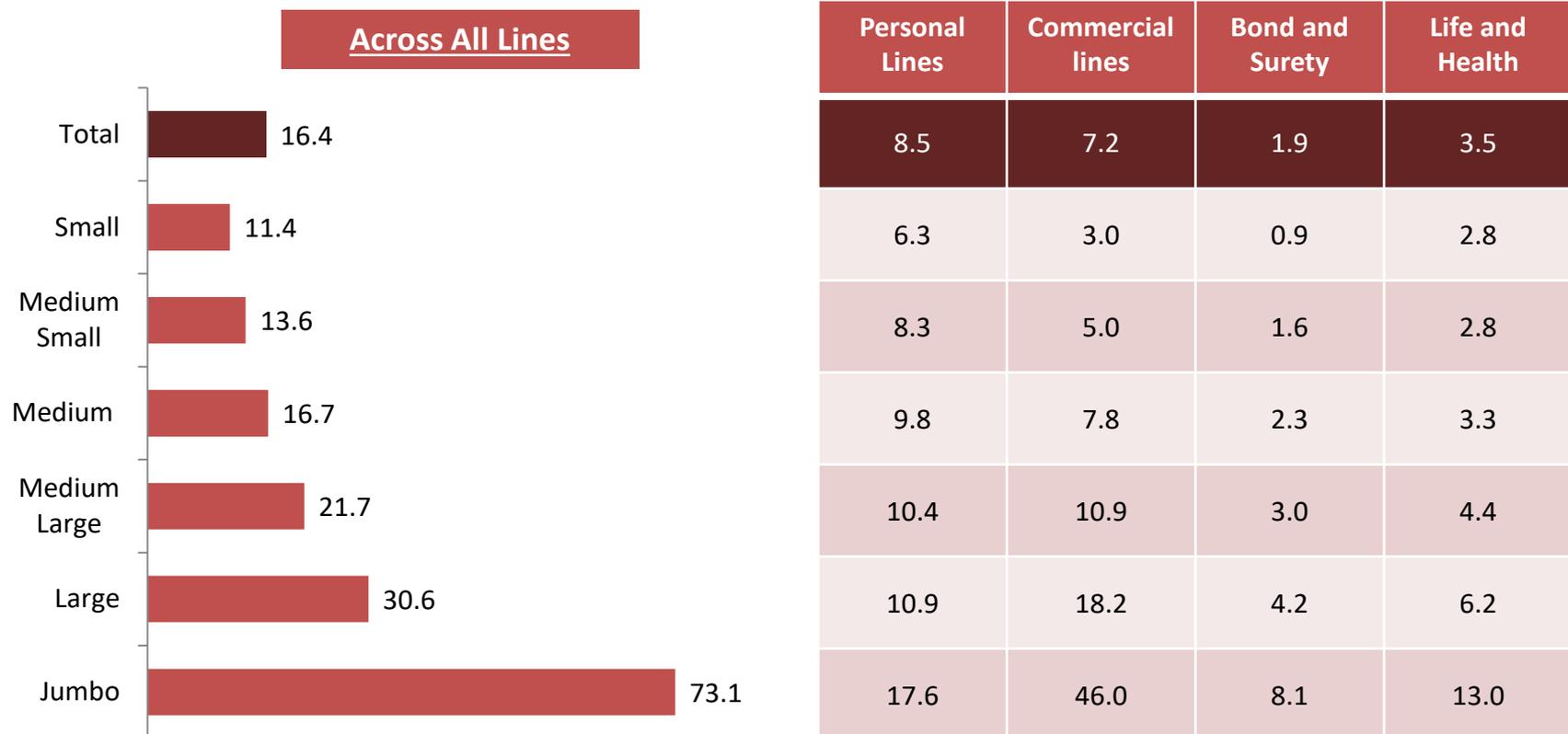
Agency-Carrier Relationships



Agencies have appointments/contracts with an average of almost nine standard personal lines carriers and seven standard commercial lines carriers.

- For all lines, the number of appointments/contracts increases with the size of the agency.

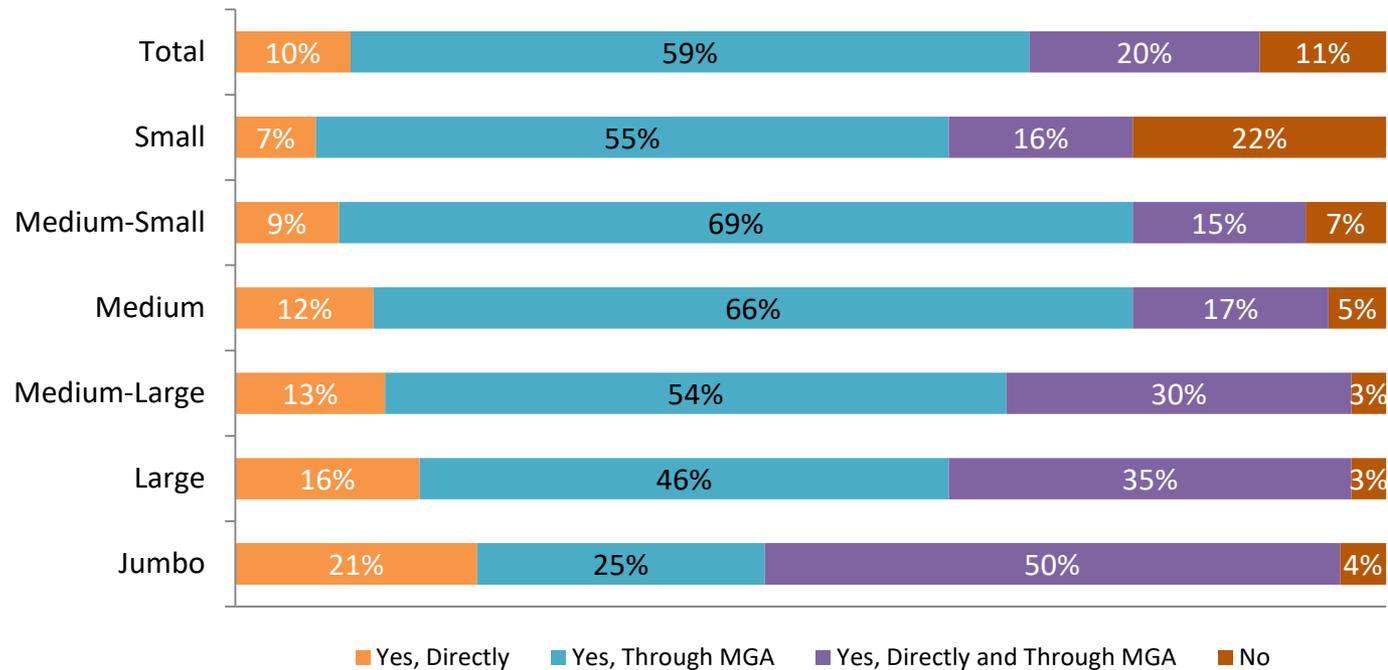
Average Number of Carrier Direct Appointment or Contracts



Nine out of ten agencies work with Excess and Surplus carriers, most often through MGAs.

- Nearly all Jumbo agencies work with Excess and Surplus carriers, often directly.
- One in five Small agencies does not work with E&S carriers.

Working with Excess and Surplus Carriers

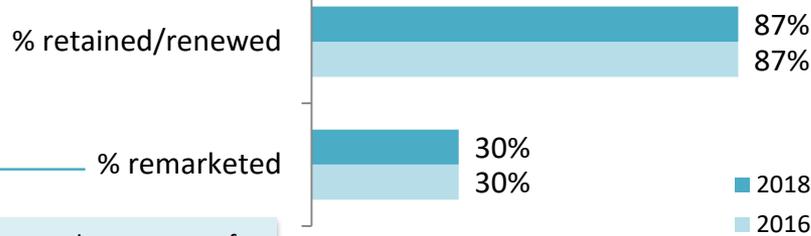


Agencies retain almost 90% of their business from year to year, including business renewed with the same carrier and that retained by the agency but with a different carrier. On average, they remarket about 30% of business each year and spend more than 20% of their time on remarketing.

- Retention and renewal rates differ little among agency size categories, though Jumbo agencies are more likely to remarket commercial lines business. Retention and renewal rates have not changed since 2016.

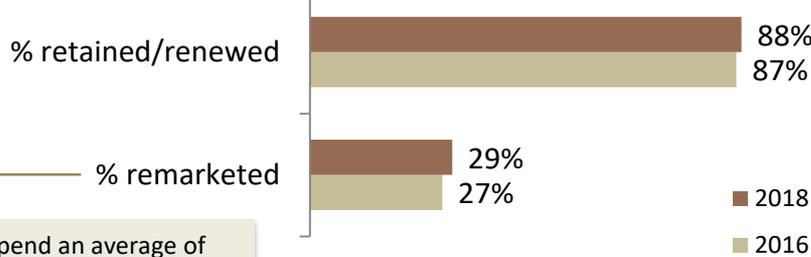
% of Existing Book Retained/Remarketed Each Year
(In Terms of Premium)

Commercial Lines



Agencies spend an average of 23% of their time remarketing their commercial lines book

Personal Lines



Agencies spend an average of 25% of their time remarketing their personal lines book

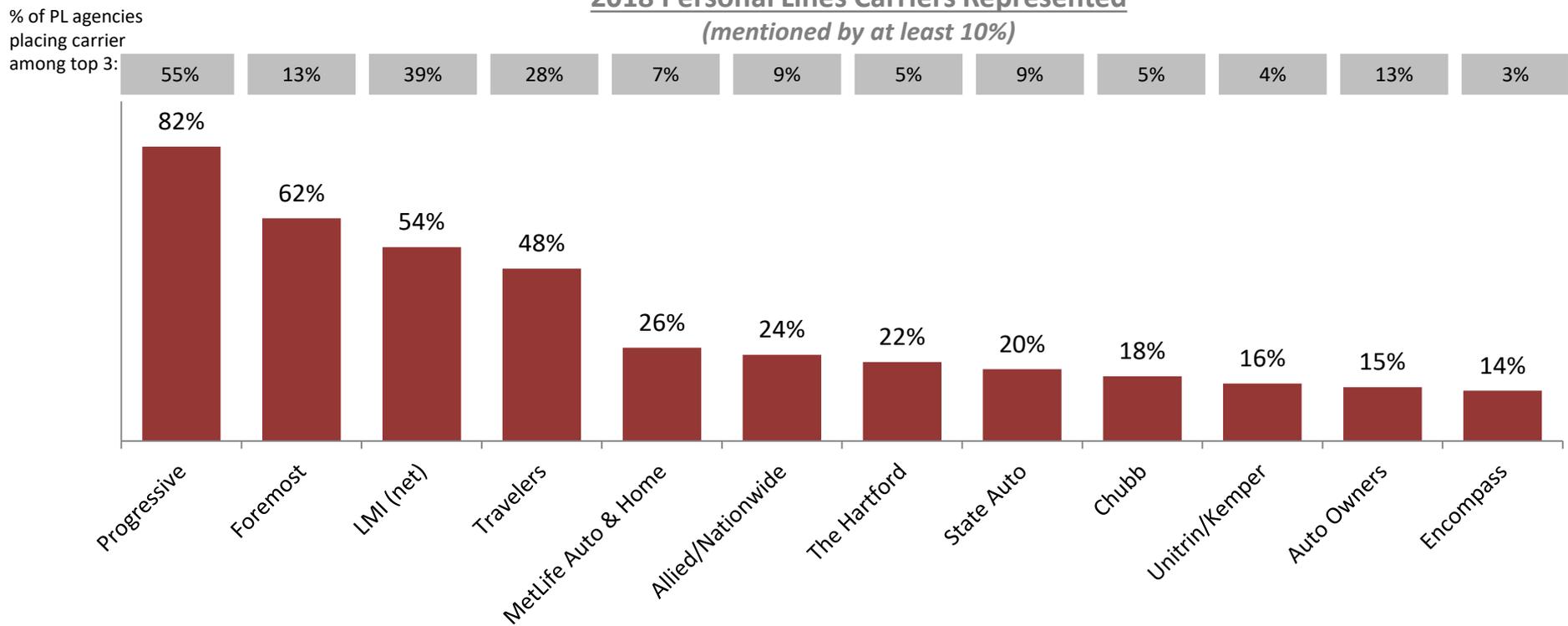
2018					
Small	Med-Small	Med	Med-Large	Large	Jumbo
82%	88%	90%	88%	89%	91%
35%	23%	27%	33%	38%	40%

85%	89%	89%	89%	88%	90%
35%	27%	27%	28%	26%	27%

Four carriers have personal lines relationships with more than one-third of agencies writing personal lines: Progressive, Foremost, the various Liberty Mutual Insurance (LMI) carriers and Travelers, on par with 2016.

- Chubb (18% vs. 11%) and State Auto (20% vs. 10%) have seen significant increases in agency relationships since 2016, while relationships decreased for The Hartford (22% vs. 31%).
- Chubb is more likely to be named as a top carrier among Large and Jumbo agencies; Small agencies more often name Progressive and Foremost.

2018 Personal Lines Carriers Represented
(mentioned by at least 10%)



QD8, Weighted n=591.

QD9A, Weighted n=577.

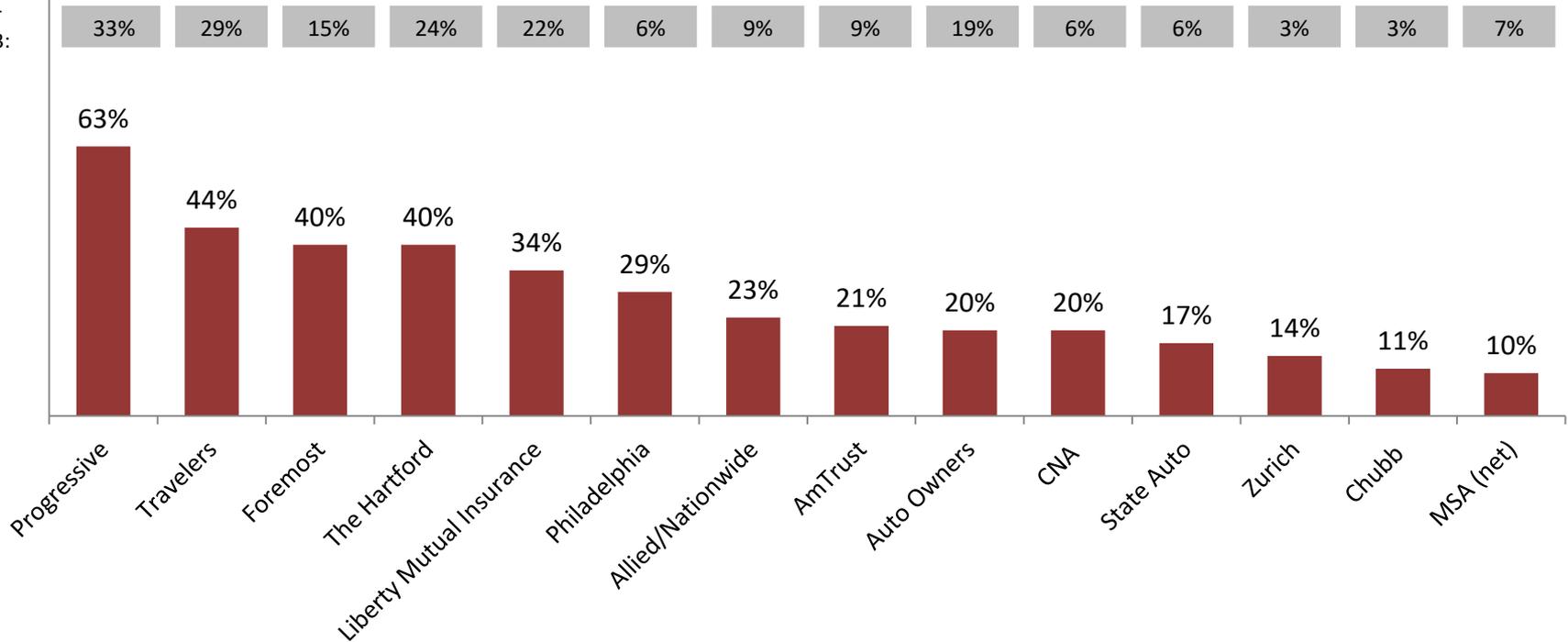
LMI net includes Safeco Insurance and Peerless Insurance

Progressive, Travelers, Foremost, The Hartford and Liberty Mutual each have small commercial lines relationships with more than a third of independent agencies.

- State Auto (17% vs. 10%) has seen significant increases in agency relationships since 2016. One in five now consider Auto Owners one of their top three small commercial carriers vs. 12% in 2016.
- Small agencies are more likely to cite Foremost and Progressive as a top carrier.

% of small commercial lines agencies who place carrier among top 3:

2018 Small Commercial Lines Carriers Represented
(mentioned by at least 10%)

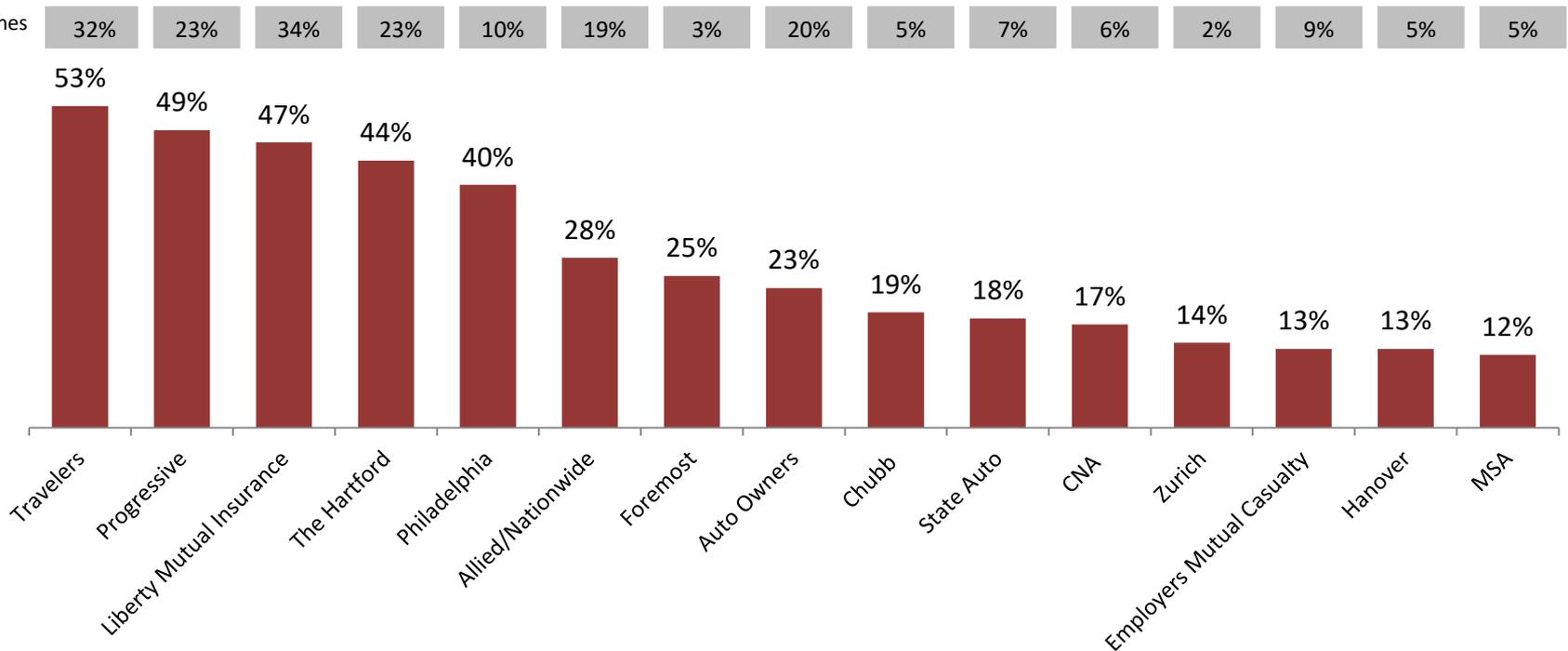


For medium commercial lines, Travelers and Progressive are affiliated with about one-half of agencies. The Hartford, Liberty Mutual and Philadelphia are carried by more than four in ten agencies.

- At least two out of three Jumbo agencies represent Travelers (92%), The Hartford (85%), Liberty Mutual (81%), Philadelphia (69%) and CNA (65%) for medium commercial lines. Jumbo agencies more often name Travelers as a top carrier; Small/Medium agencies name Progressive more often.
- State Auto (18% vs. 10%) has seen significant increases in agency relationships since 2016.

2018 Medium Commercial Lines Carriers Represented
(mentioned by at least 10%)

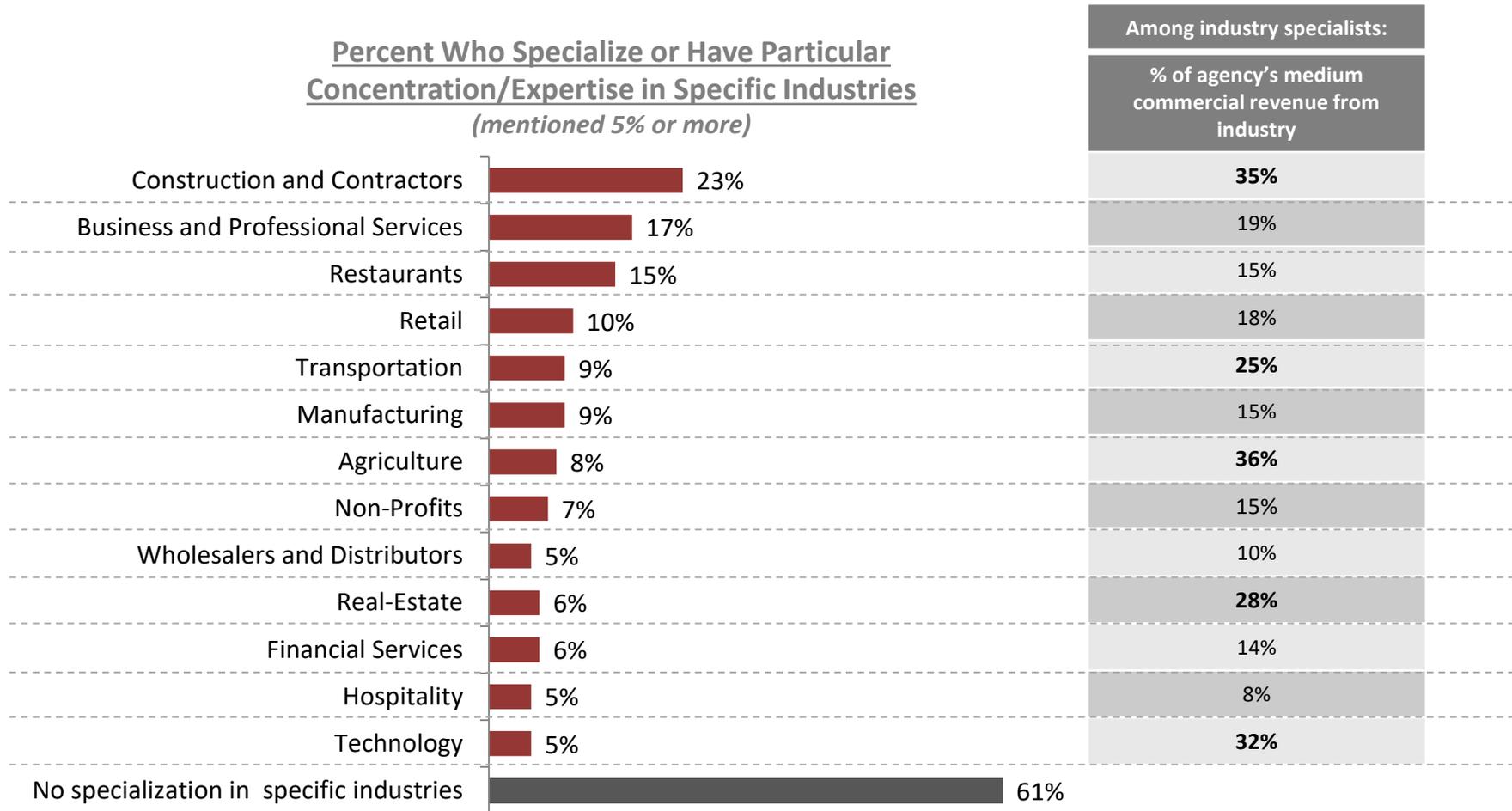
% of medium commercial lines agencies who place carrier among top 3:



Although most agencies say they do not specialize, one in four agencies specialize in construction and contractors.

- Agencies with industry specialization(s), in agriculture, construction, technology, real estate or transportation report that those industries account for about one-fourth or more of medium commercial lines revenue.

Percent Who Specialize or Have Particular Concentration/Expertise in Specific Industries
(mentioned 5% or more)

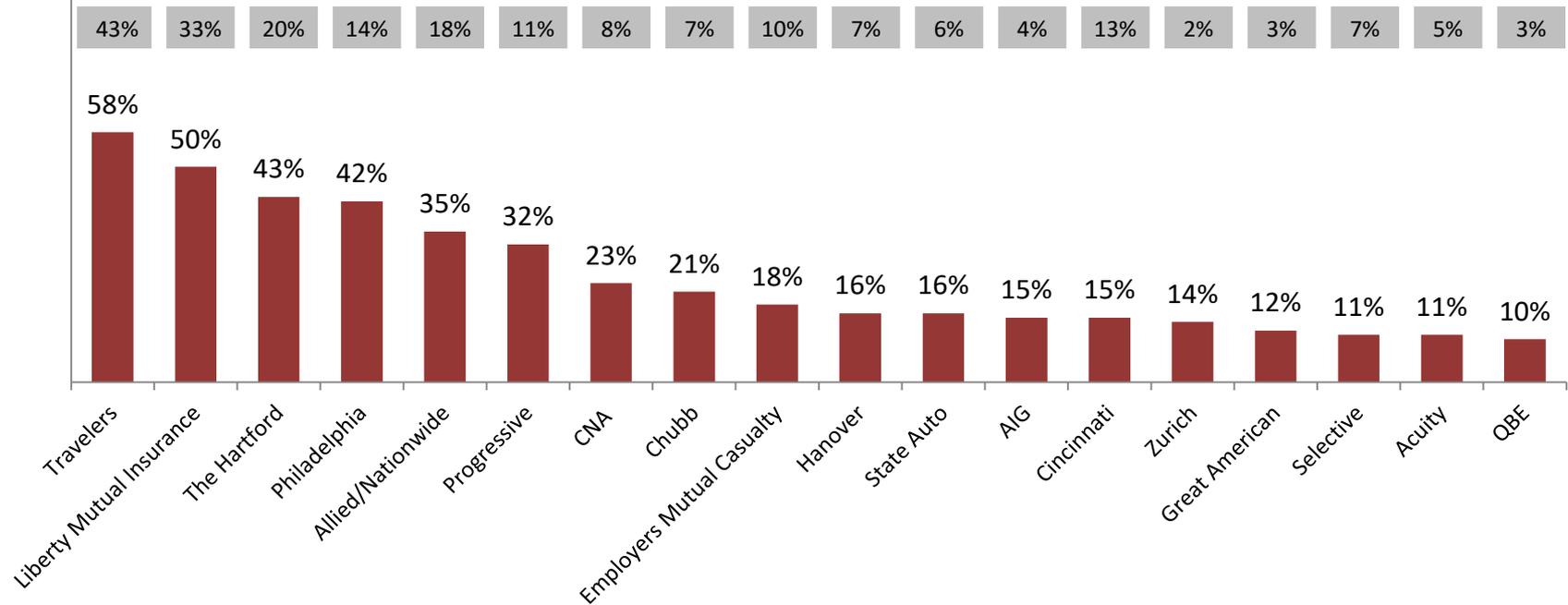


Travelers, Liberty Mutual, The Hartford, and Philadelphia are top carriers for large commercial lines.

- Predictably, Jumbo agencies represent more carriers than smaller agencies for large commercial coverages. They are also more likely to name Travelers and Chubb as top carriers.
- Allied/Nationwide (35% vs. 26%) has seen a significant increase in agency relationships since 2016. Zurich has seen a decrease (14% vs. 23%).

% of large commercial lines agencies who place carrier among top 3:

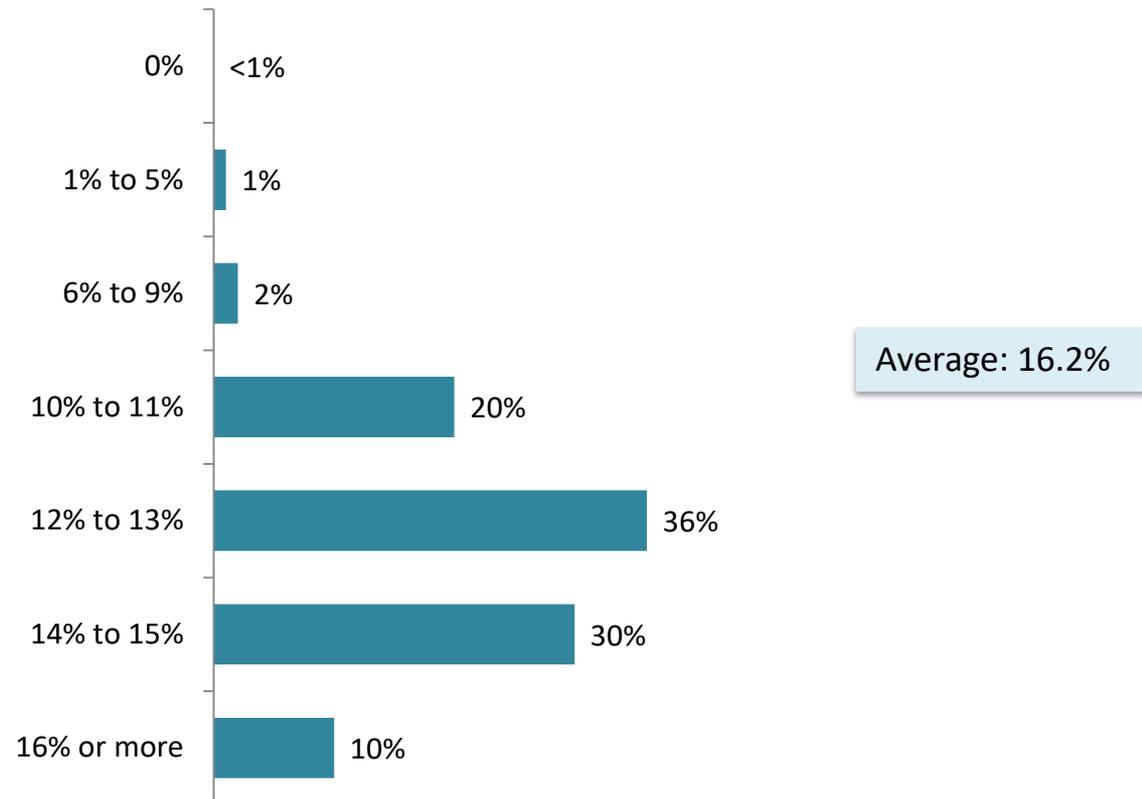
2018 Large Commercial Lines Carriers Represented
(mentioned by at least 10%)



Two out of three agencies receive between 12% and 15% commissions for personal auto business. About one in ten report getting 16%+ commissions on personal auto policies.

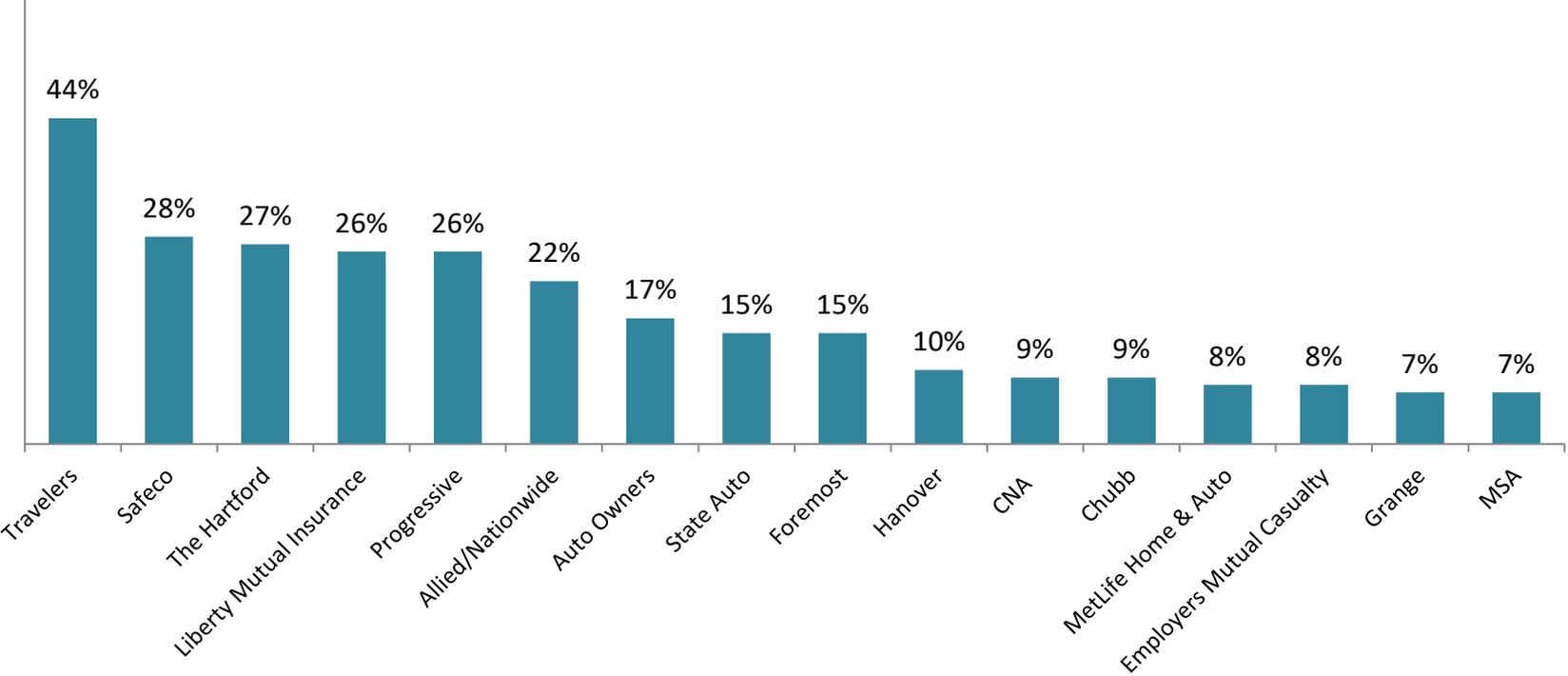
- Smaller agencies receive higher commissions than larger agencies, on average (reported average of 17.7%).

Average Commission Received from Carriers on Standard Personal Lines Auto Business



More than one in five agencies report contingent supplemental compensation from Travelers, Safeco, The Hartford, Liberty Mutual Insurance and Progressive.

2018 Carriers Offering Contingent Supplemental Compensation
(mentioned by at least 7%)

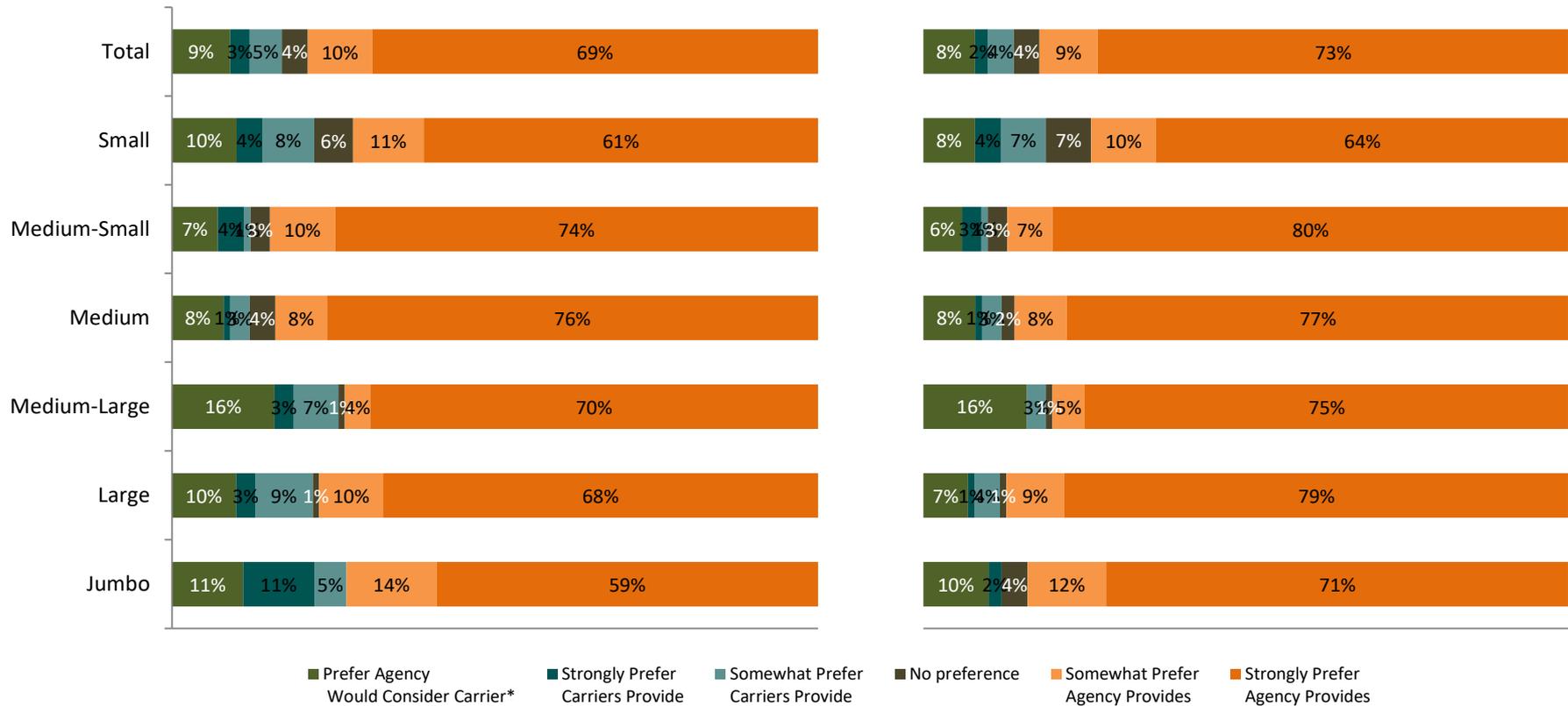


The majority of agencies prefer that customers get routine customer service from the agency rather than carriers.

Preference for the Way Customers Get Routine Customer Service

Personal Lines

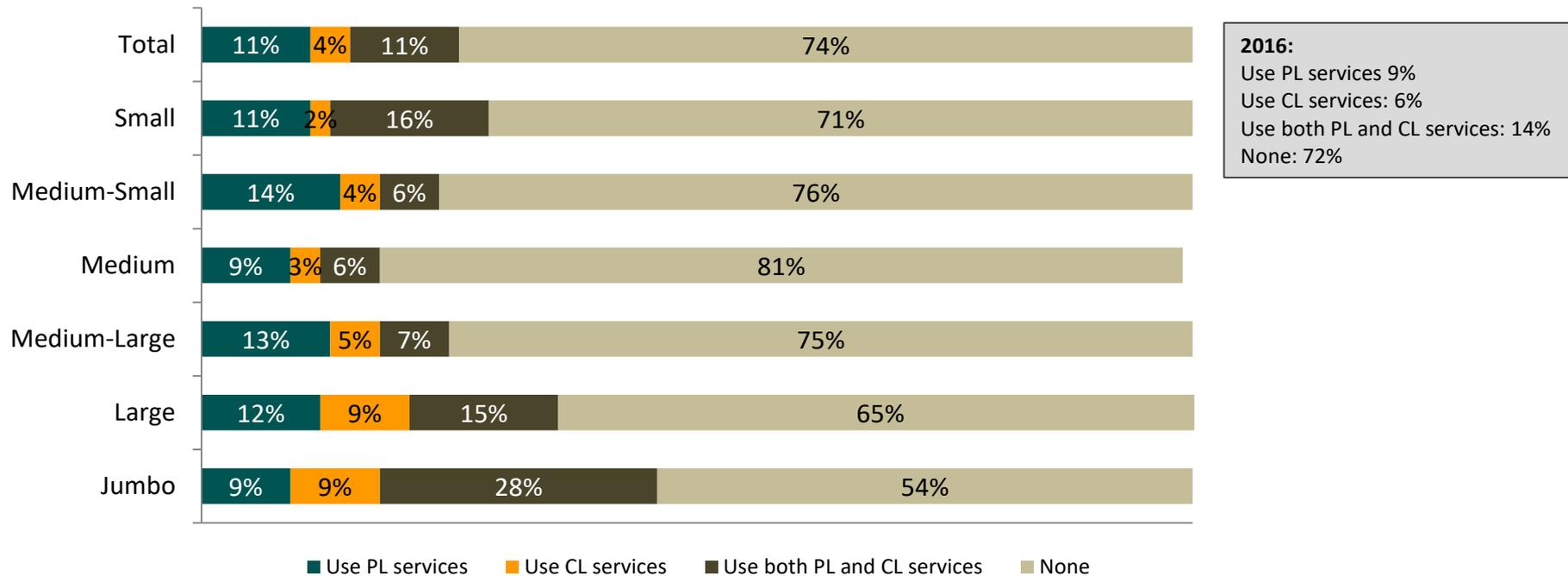
Commercial Lines



Almost three in four agencies in total do not use service centers, with Medium agencies using them least often.

- The highest users of customer services centers, Jumbo agencies, are most likely to use the centers for both personal and commercial lines services.
- Three in ten Small agencies and just under half of Jumbo agencies use carrier customer service centers.

Percent of Agencies Using Carriers' Customer Service Centers*



* Percent of agencies who “have contracts with one or more carriers in which their customer service centers provide non-claims service to accounts and are responsible for any errors and omissions, in return for a reduction in the commission they pay you.”

^ indicates significant difference 2016 - 2018

QE1, Weighted n=606.

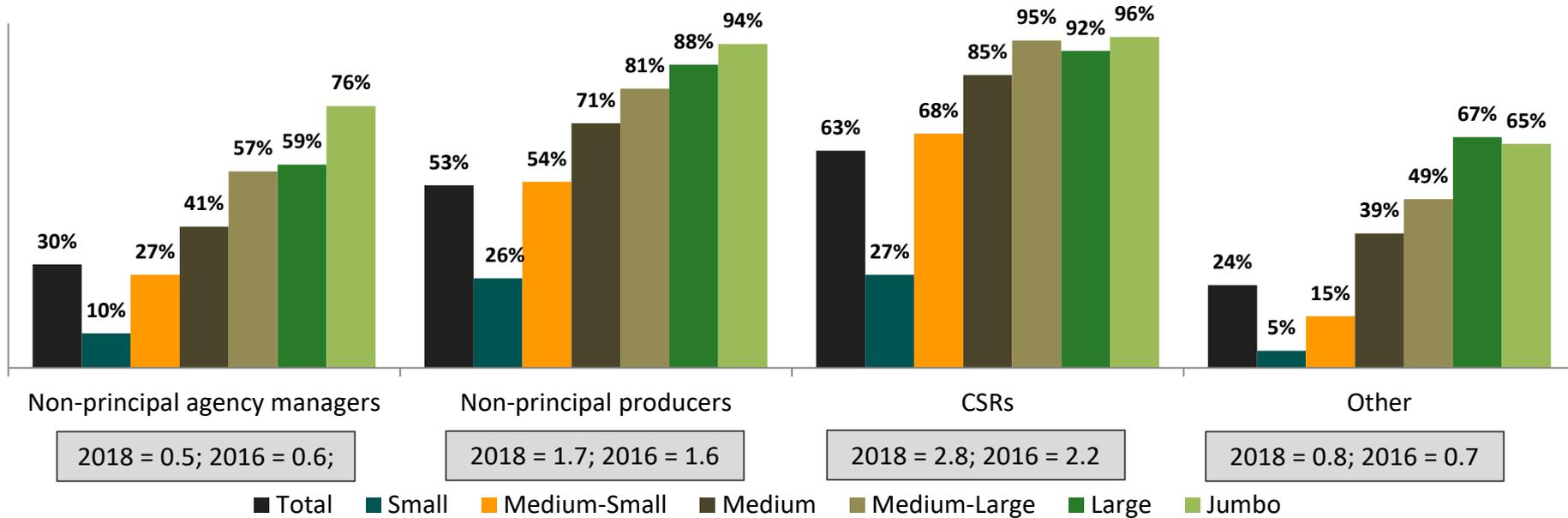
Agency Staff



The average size of agency staffs (7.3) is slightly higher than in 2016 (6.5).

- Nearly all agencies have at least one agency principal, so distribution for that position is not charted (2018 mean = 1.6; 2016 mean = 1.6). The average number of agency principals varies from 1.2 for Small agencies to 2.90 for Large and 4.9 for Jumbo agencies.
- On average, agencies report a total of 7.3 staff members across all positions (median = 4.0), ranging from 2.0 staff members for Small agencies to 75 staff members for Jumbo agencies.*

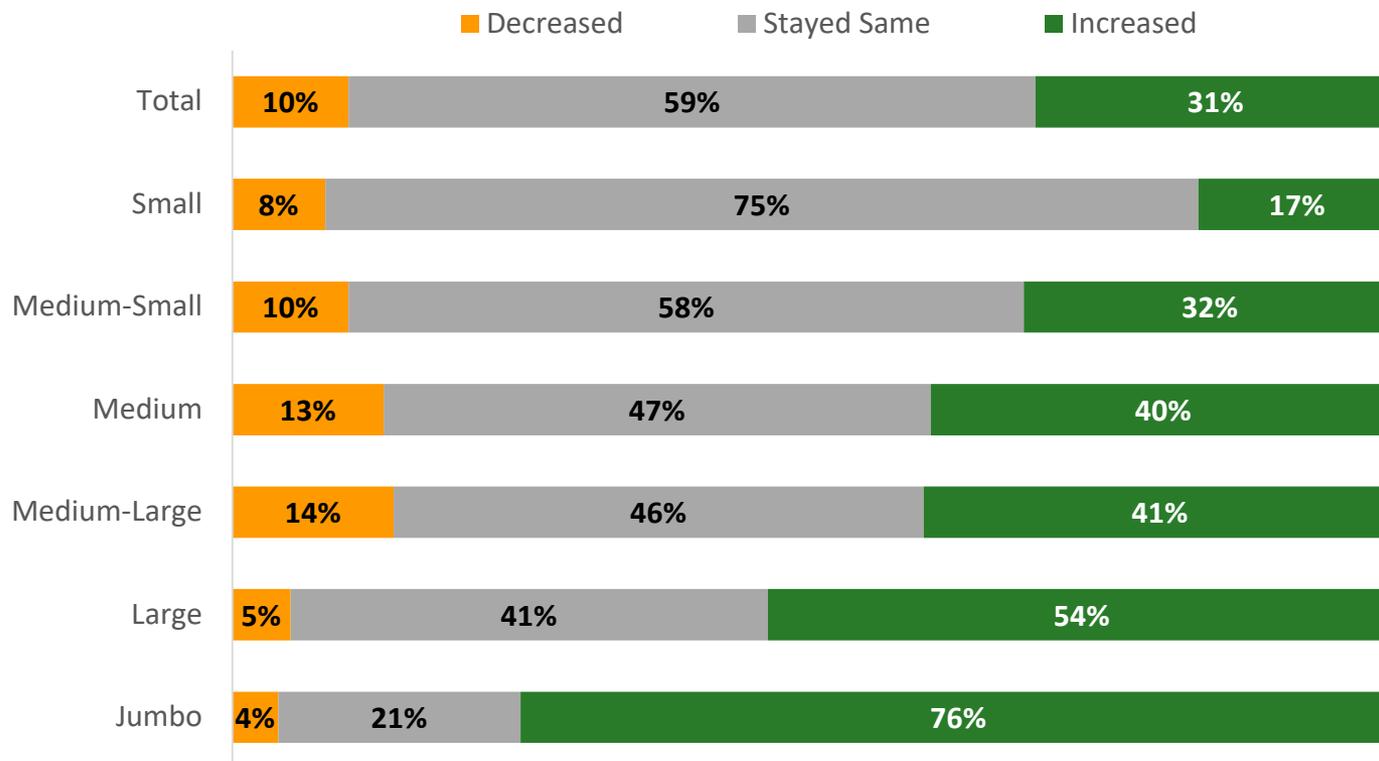
Agencies With at Least One Staff Member (Full Time or Part Time) in Each Position by Agency Size



* Base for total mean and median calculation is respondents providing an answer for number of employees for all positions (Weighted n=671)
 Boxed number shows average number in each position among all agencies.
 QF1, 2018 Weighted n=730-738.

One in three agencies say their employee count has increased in the past two years – Large and Jumbo agencies are more likely to say they have added employees.

Change in Agency's Total Number of Employees



Agency staffing breakouts by gender and ethnicity are generally comparable to 2016. However, the average number of CSR's increased significantly from 2.5 to 3.4.

- Almost all (92%-98%) agencies in the Medium size category or larger have at least one male principal/senior manager, significantly more than the proportion of Small and Medium-Small agencies with male principals or senior managers (72%-79%).
- 13% of newer agencies (established within past five years) have at least one African American principal, versus 2% of established agencies.
- Newer agencies are also more likely to have at least one non-principal producer who is female (86% vs. 64%) or African American (16% vs. 3%). Other than age of agency, no meaningful differences are noted among agencies with minority principals.

% of Agencies With Each Employee Type by Gender and Ethnicity
of Full-Time Equivalents For Each Employee Type

	Agency Principals/ Senior Mgrs	Non-Principal Agency Managers	Non-Principal Producers	CSRs	Other
Gender					
Men	83%	43%	68%	25%	33%
Women	35%	72%	67%	87%	81%
Ethnicity					
Caucasian/Non-Hispanic White	88%	84%	89%	86%	89%
Latino/Hispanic	6%	12%	16%	20%	13%
African-American/Black	4%	5%	4%	9%	6%
Asian Indian/Other South Asian American	2%	1%	2%	3%	4%
East Asian-American/Pacific-Islander	1%	1%	3%	3%	2%
Native American or Alaska Native	1%	1%	2%	1%	0%
Full-time Employee Equivalents					
Average	1.4	1.3	2.5	3.4	1.8

The majority of principals, agency managers, and producers work in both personal and commercial lines, although this is most often the case among smaller agencies.

- Broadly speaking, Small and Medium-Small agencies are much more likely to have principals and producers who are working in both personal and commercial, while larger agencies tend to have more specialized roles limited to personal or commercial lines.
- Fewer Non-Principal Agency Managers are selling personal lines only compared to 2016 (15% vs. 22%).

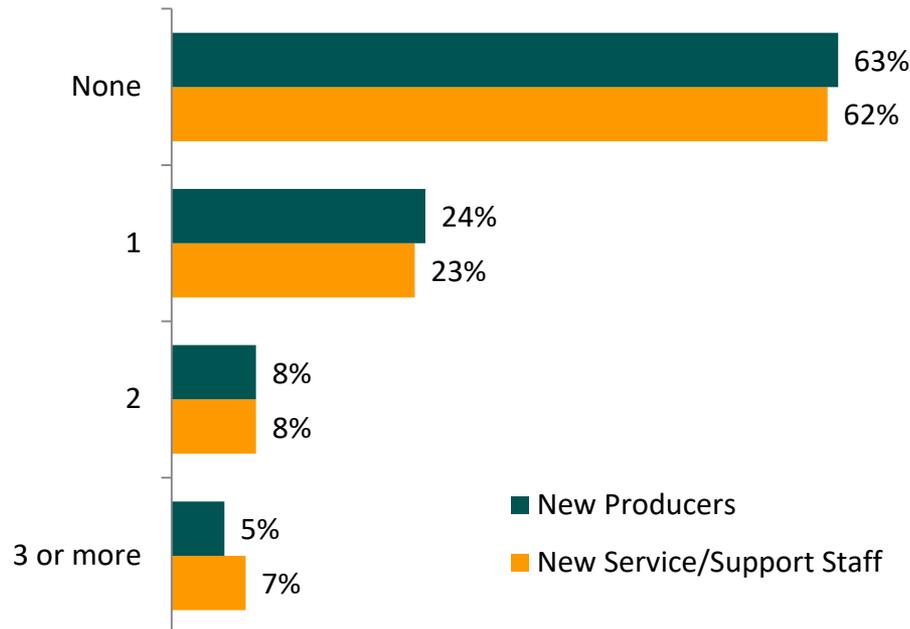
% of Each Employee Type Who Works in Each Line

	Agency Principals/ Senior Mgrs	Non-Principal Agency Managers	Non-Principal Producers
Personal Lines Only	7%	15%	19%
Commercial Lines Only	12%	17%	21%
Both Personal and Commercial Lines	72%	57%	59%
Management Only/Does Not Work in Personal or Commercial Lines	9%	12%	1%

About four in ten agencies hired new producers since May 2016, similar to the hiring rate seen in previous waves.

- Rates of hiring increase in relation to agency size (for example, 90% of Jumbo agencies hired a new producer in the past two years, and 76% hired new support staff).

Number of New Personnel in Past Two Years

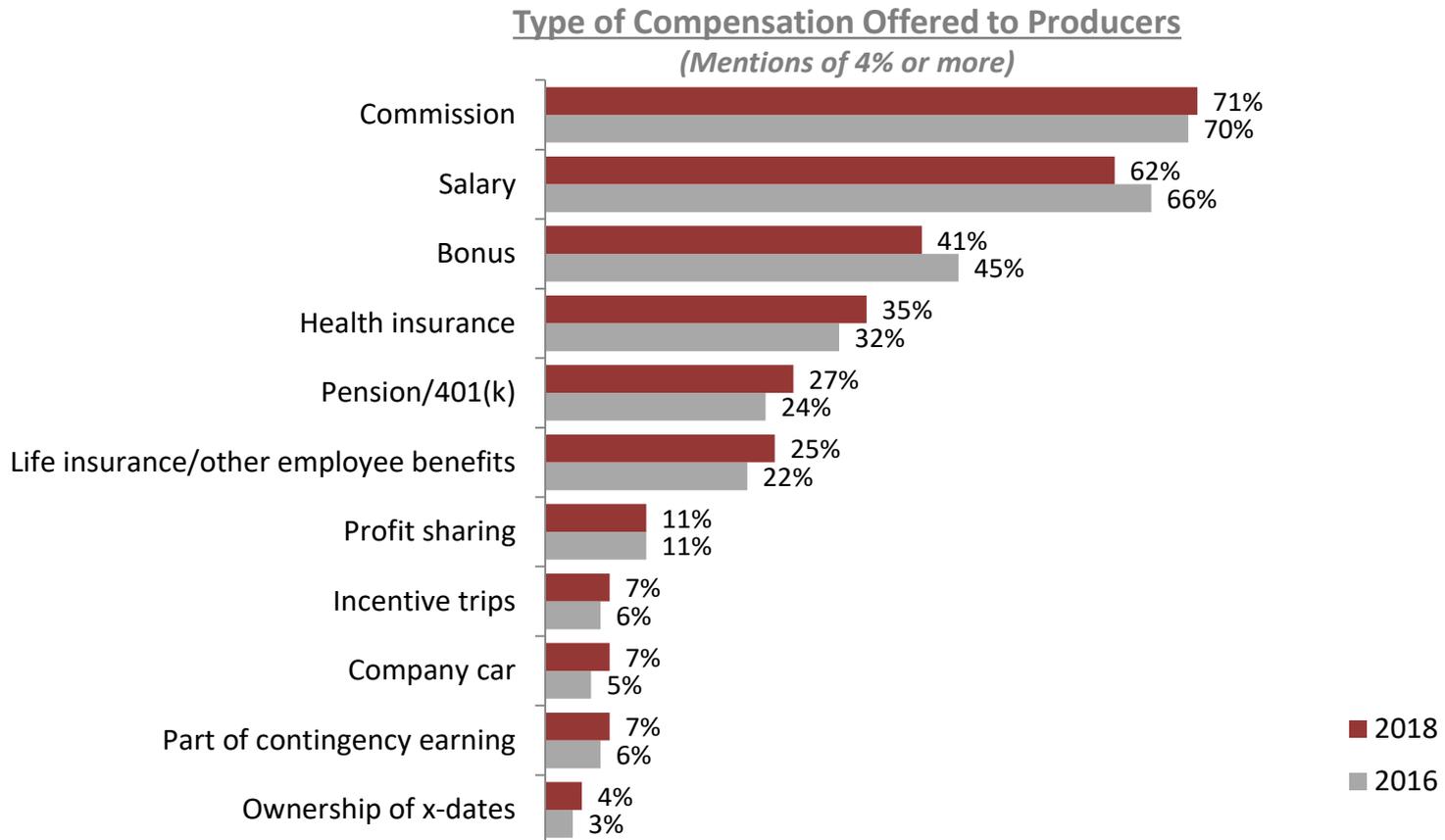


	Mean # of New Producers	
	2016	2018
All agencies	0.6	0.6
Agencies adding producers	1.8	1.7

	Mean # of New Support Staff	
	2016	2018
All agencies	0.7	0.7
Agencies adding new staff	1.8	1.9

The majority of agencies compensate producers with commission and/or salary, and four in ten also offer bonuses.

- One in three offer health insurance, and one out of four offer life insurance/other employee benefits and/or a pension or 401(k).
- Large and Jumbo agencies are more likely to offer most forms of compensation. Only 44% of Small agencies offer a salary, and 24% a bonus.
- Types of compensation are statistically unchanged from 2016.



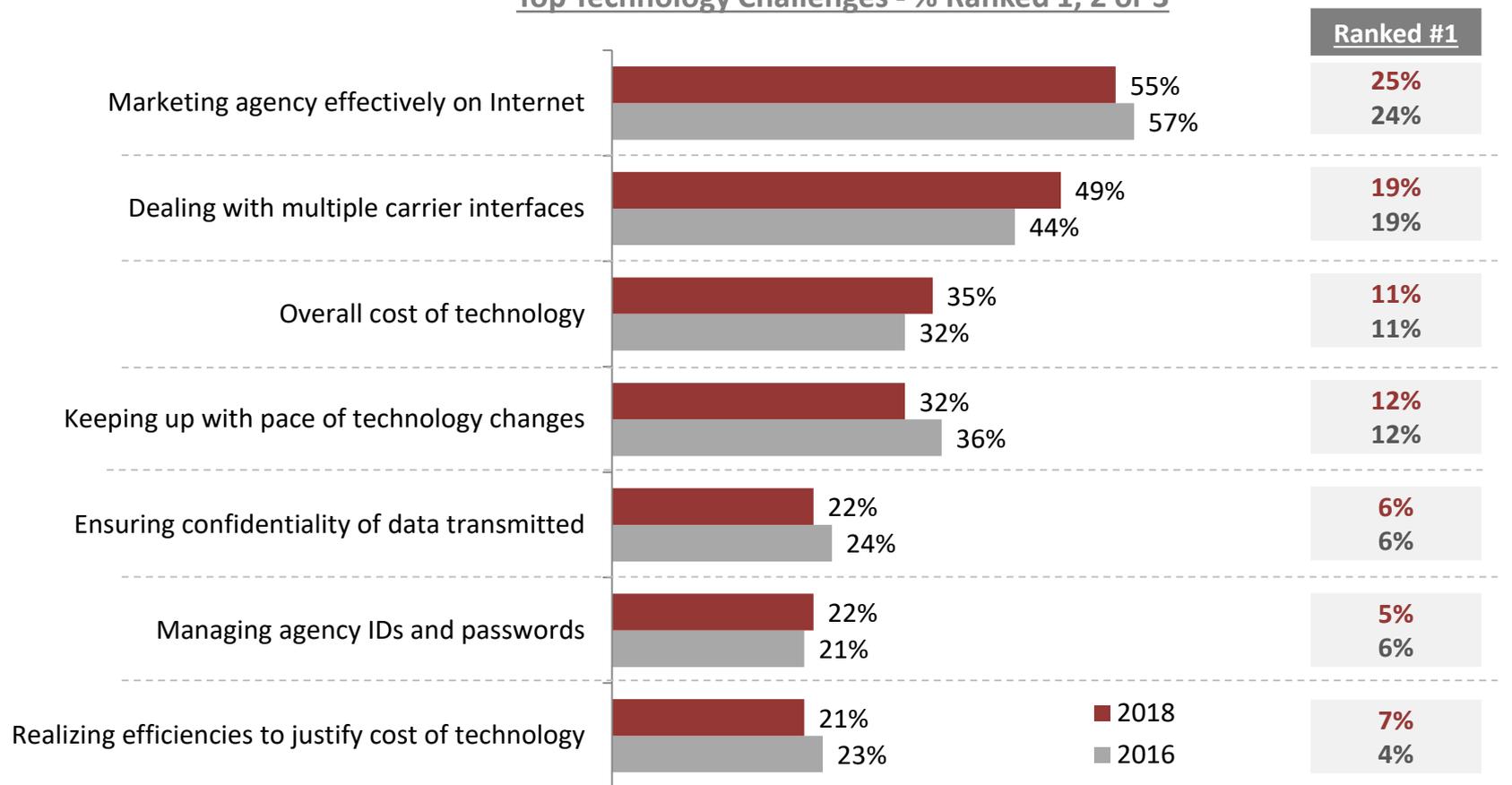
Technology



More than half of agencies see dealing with multiple carrier interfaces as a top technological challenge. Marketing the agency effectively on the Internet, overall cost of technology, and keeping pace with technology advances are also key challenges.

- Small agencies feel particularly challenged to market their agency on the Internet and managing IDs and passwords; Larger agencies are most likely to be challenged in staff adoption of new workflows/technologies.

Top Technology Challenges - % Ranked 1, 2 or 3



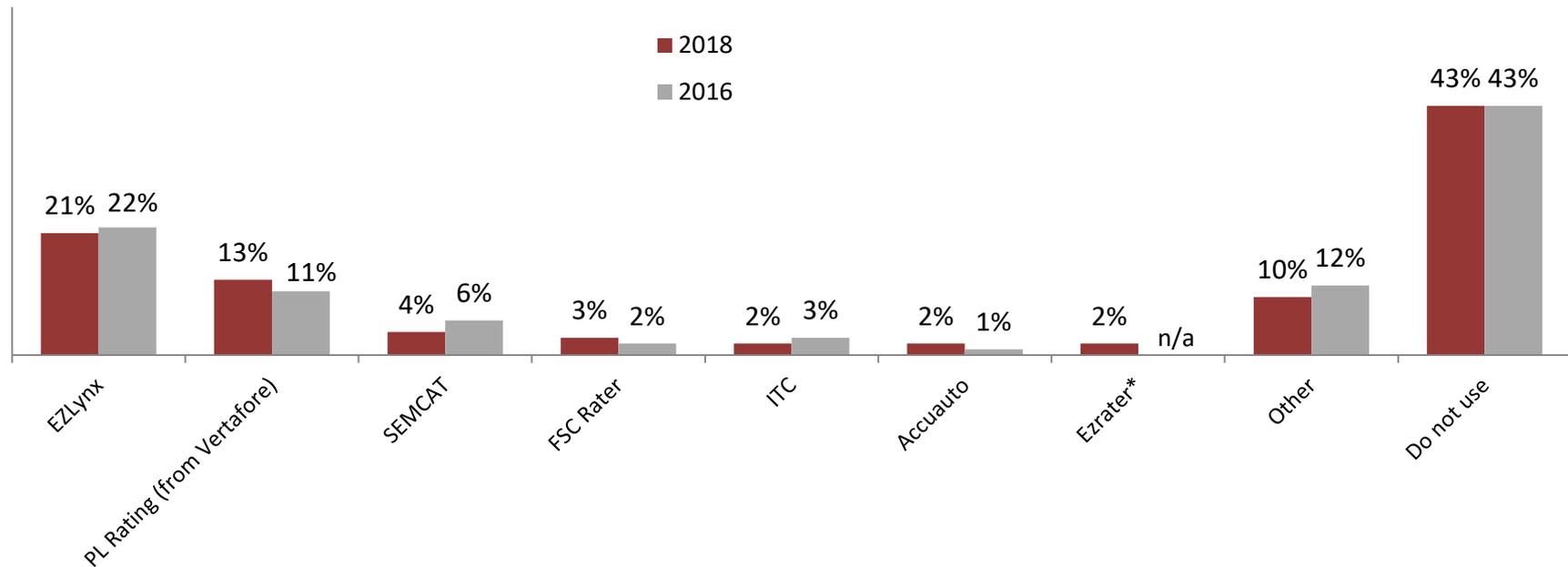
^ indicates significant difference 2016 - 2018

QL1, Weighted n=593.

Six in ten agencies use comparative raters; although use is fragmented, mentions of EZLynx and PL Rating are most common.

- Larger agencies are more likely to use comparative raters in general, and to mention PL Rating specifically.

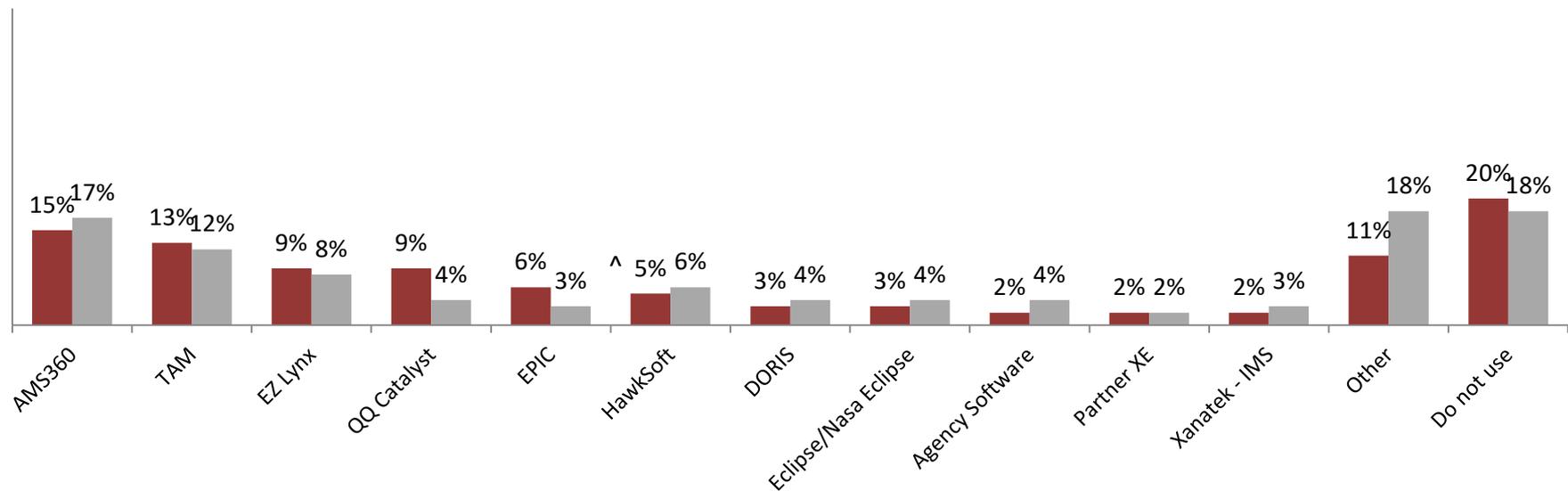
Comparative Raters Used Most Often For Personal Lines (mentioned by at least 2%)



Eight in ten agencies use agency management systems; AMS360 and TAM continue to have highest penetration.

- Use of QQCatalyst has increased since 2016.
- Almost all Medium, Large, and Jumbo agencies use an AMS. They are more likely to use EPIC (especially Jumbo agencies) and Vertafore's Sagitta (used almost exclusively by Jumbo agencies).

Agency Management Systems Used
(mentioned by at least 2%)

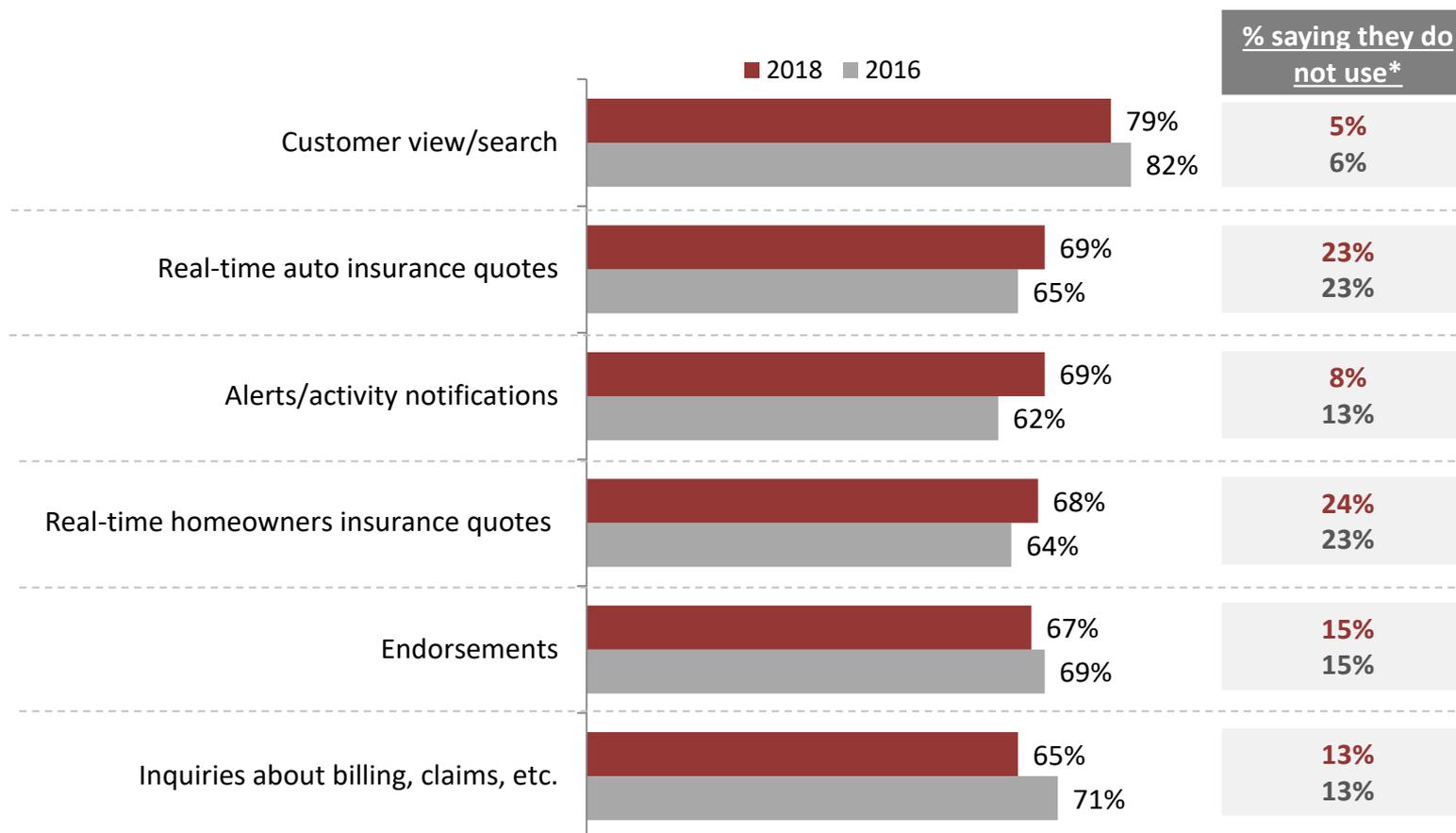


^ indicates significant difference 2016 - 2018

QL8A, Weighted n=624.

Agencies place a great deal of value on key personal lines agency management system functions, especially customer view/search.

Value of Transactions/Functions Through Agency Management System: Personal Lines
(Among Agencies that use an Agency Management System)
 6/7 on 7-point scale, 7=extremely valuable



*Removed from question base for data shown in graph.
 QL10, Weighted n=317-402.

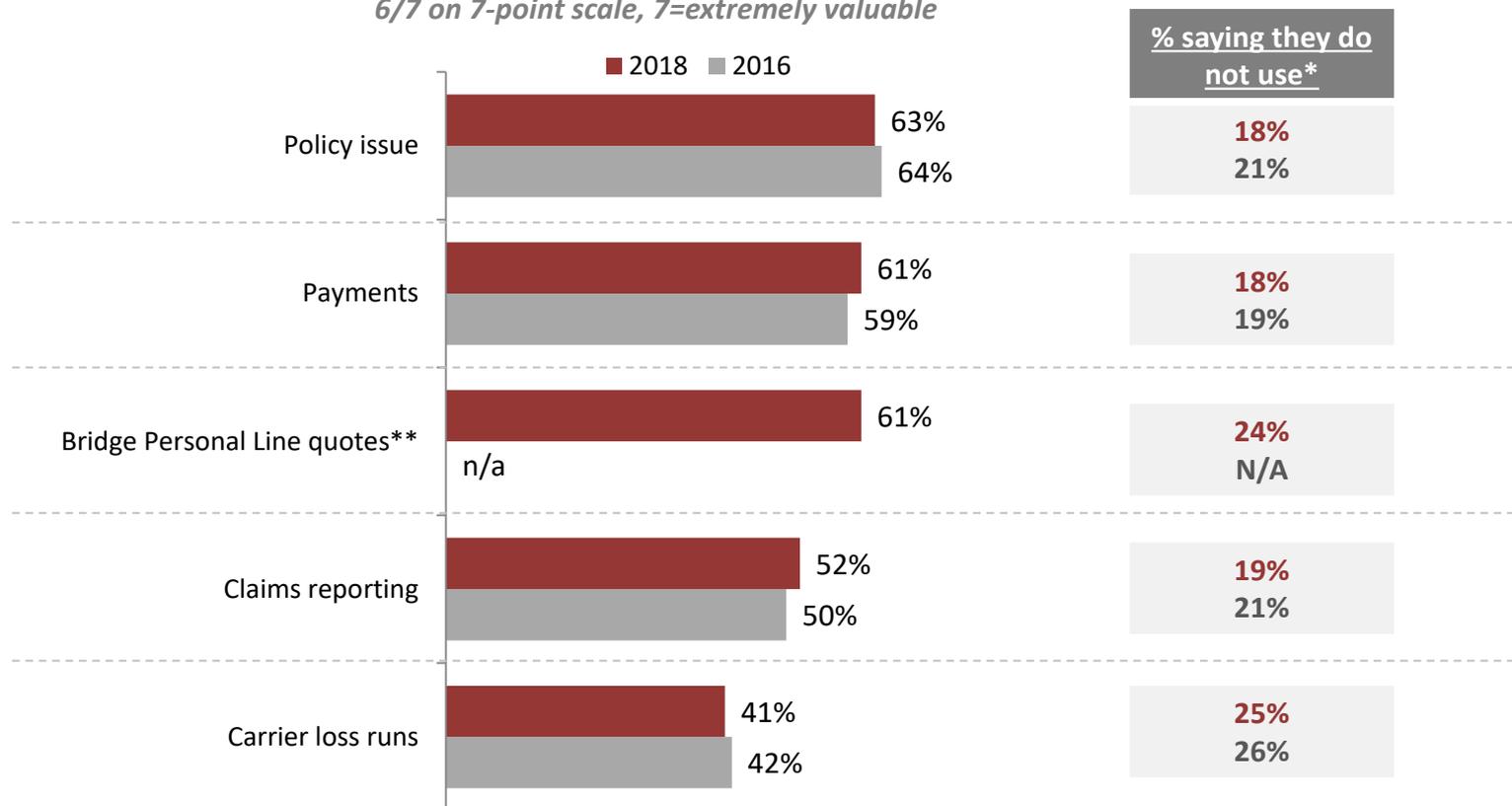
** Item wording revised in 2018.

Carrier loss runs and claims reporting see less use and value as a function of personal lines agency management systems, but are still considered of value to at least four in ten agencies.

Value of Transactions/Functions Through Agency Management System: Personal Lines Continued

(Among Agencies that use an Agency Management System)

6/7 on 7-point scale, 7=extremely valuable



*Removed from question base for data shown in graph.

QL10, Weighted n=317-402.

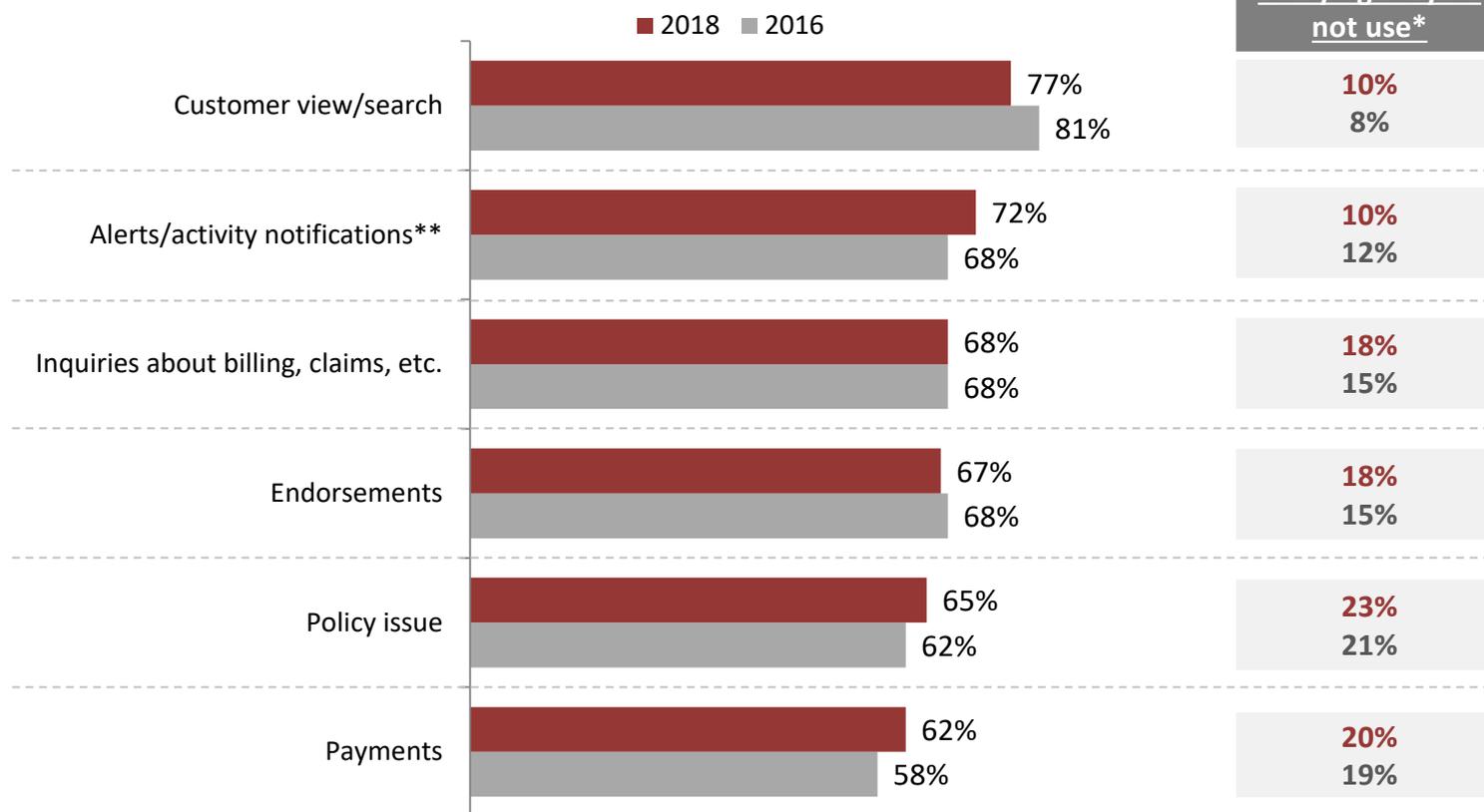
** Item added in 2018

Most commercial lines transactions through an agency management system are valuable to a majority of agencies. As with personal lines, customer view/search is most valuable.

Value of Transactions/Functions Through Agency Management System: Commercial Lines

(Among Agencies that use an Agency Management System)

6/7 on 7-point scale, 7=extremely valuable



*Removed from question base for data shown in graph.
QL12, Weighted n=257-393.

** Item wording revised in 2018.

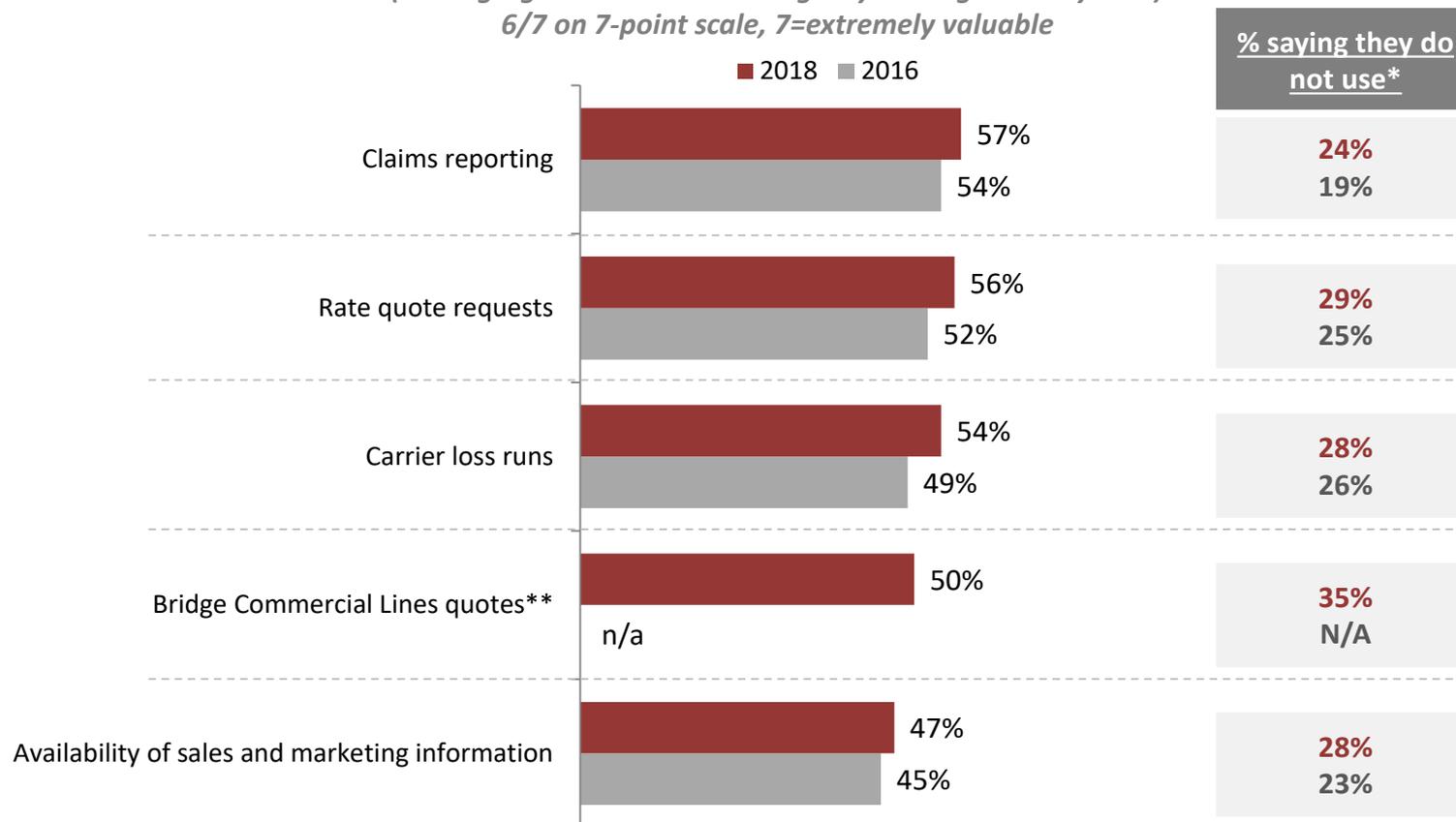
Certain agency management functions are used by fewer agencies, but are nevertheless of value to agencies who use them – particularly larger agencies.

- Large agencies are more likely to value several of these functions – including payments, (79%), claims reporting (75%), carrier loss runs (74%), and rate quote requests (73%).

Value of Transactions/Functions Through Agency Management System: Commercial Lines Continued

(Among Agencies that use an Agency Management System)

6/7 on 7-point scale, 7=extremely valuable



*Removed from question base for data shown in graph.
QL12, Weighted n=257-393.

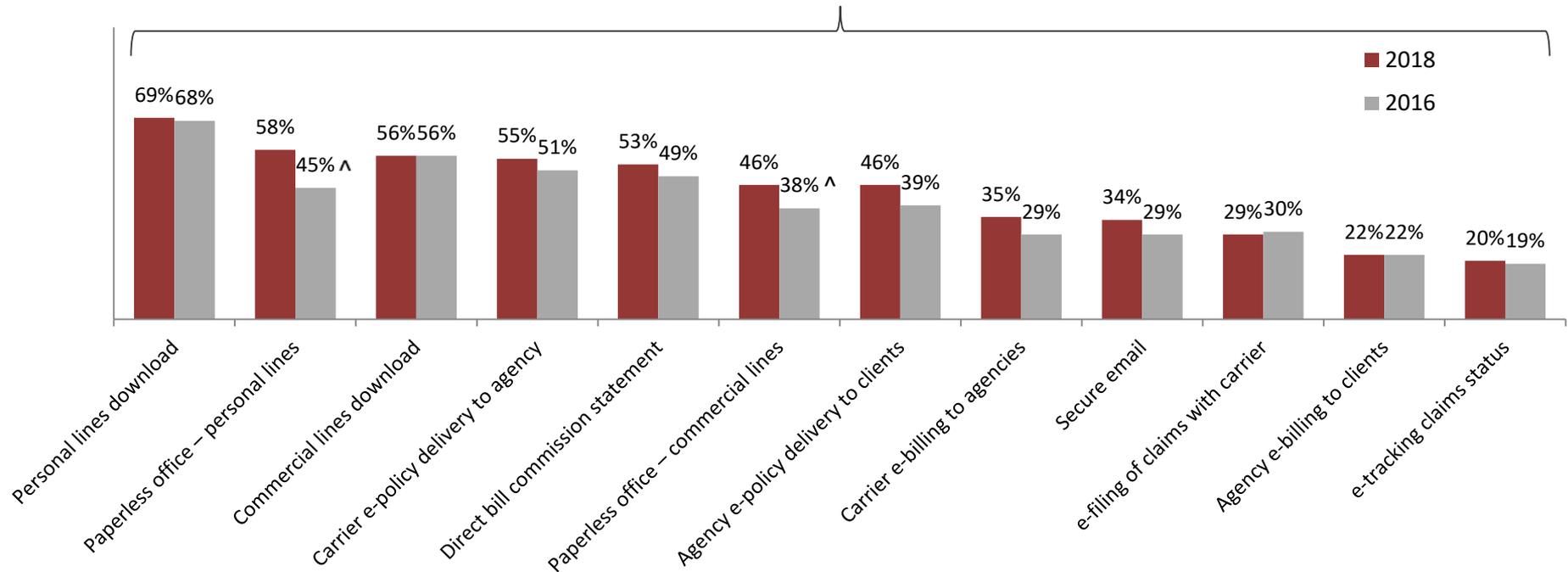
** Item added in 2018

Nearly seven in ten agencies use personal lines download tools and more than half use commercial lines download tools. Use of paperless office for both personal and commercial lines increased from 2016.

- E-policy delivery is more common than e-billing.
- For all processing technologies, usage increases with agency size, with Jumbo agencies particularly likely to use the technologies. For example, about eight in ten Large and Jumbo agencies use personal line downloads, e-policy delivery to the agency, and paperless office for personal lines, while seven in ten use agency e-policy delivery to clients, paperless office for commercial lines and commercial lines downloads.

Processing Technologies Used

Use at least one type of processing technology: 2018=91%; 2016=90%



^ indicates significant difference 2016 – 2018

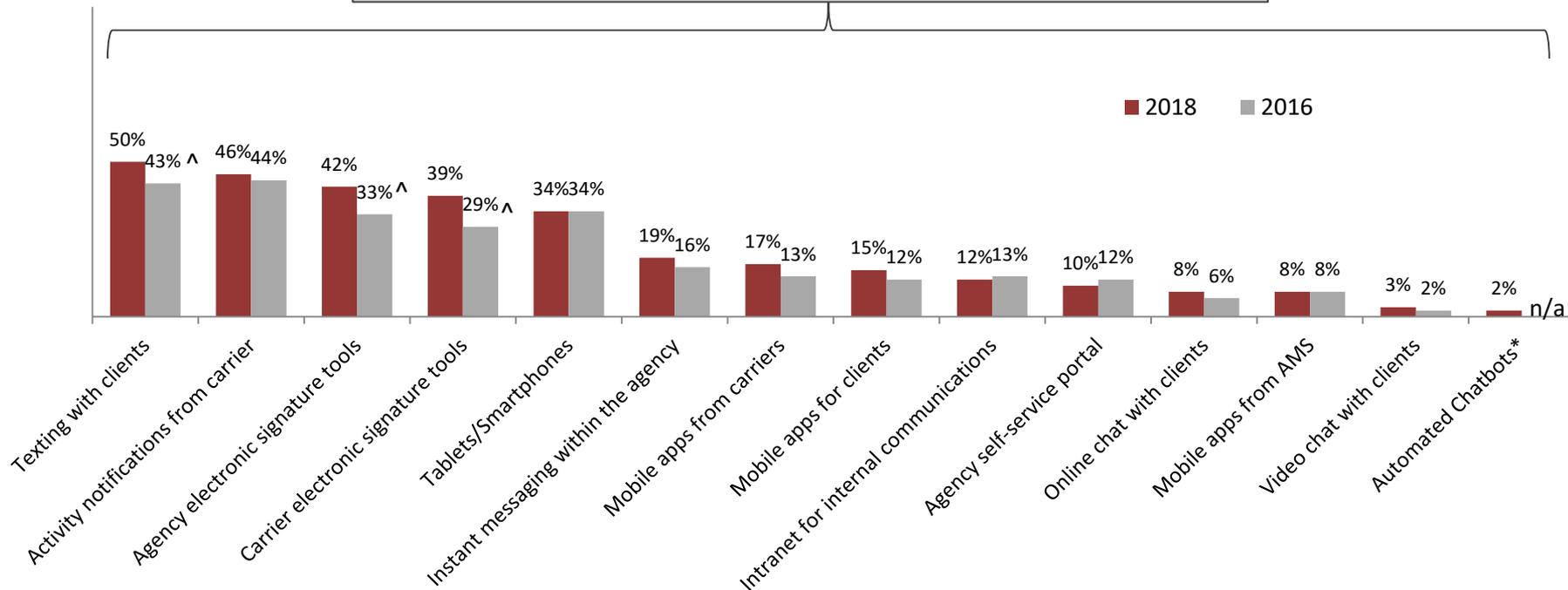
QL16, Weighted n=590.

Texting with clients and activity notifications from carriers are the most common form of communication technology used while chats are least common.

- Texting with clients, and use of electronic signature tools for the agency and carrier have increased since 2016.
- Use of technology varies with agency size. For example, Jumbo agencies are particularly likely to use tablets/smartphones (63%), an intranet (49%) and an agency self-service portal (37%).
- One in five Small agencies say they use none of these technologies compared to 2-3% of Jumbo, Large and Medium Large agencies.

Electronic and Communication Technologies Used

Use of at least one type of electronic and communication technology:
2018=84%; 2016=82%



^ indicates significant difference 2016 – 2018

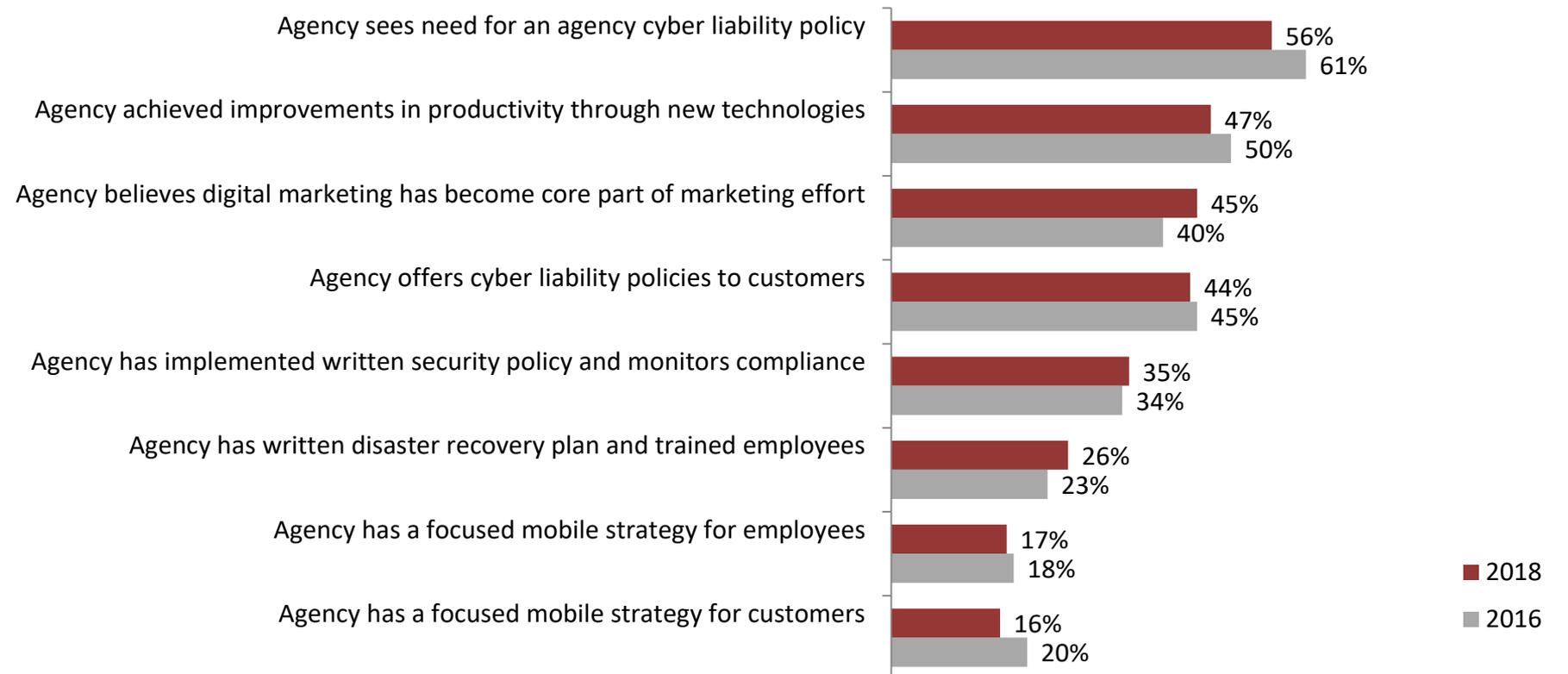
QL16, Weighted n=590.

*Item added in 2018.

More than half of agencies see a need for their own cyber liability policy, and almost half offer cyber liability to customers.

- Jumbo agencies are almost three times as likely as small agencies to see the need for their own cyber liability policy (91% vs. 34%).
- Jumbo agencies are also more likely than smaller agencies to offer cyber liability policies to customers (82%) and to have implemented a written security policy and monitor compliance (77%).

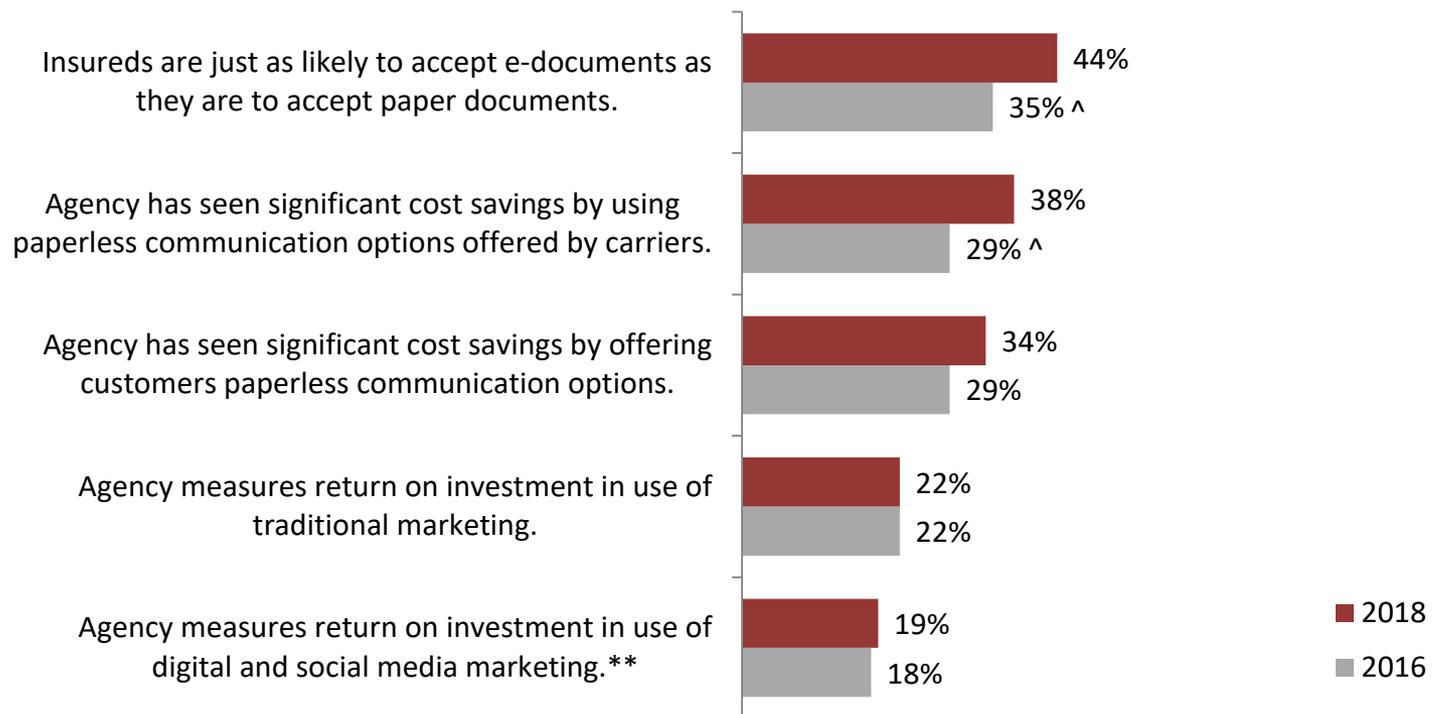
Attitudes Toward Technology
6/7 on 7-point scale, 7=strongly agree



The level of insureds' receptivity to e-documents and agencies that have realized cost savings by using paperless communications both increased since 2016.

Perceptions of Electronic/Digital Resources

6/7 on 7-point scale, 7=strongly agree



^ indicates significant difference 2016 – 2018

Q112, Weighted n=387-530. **Asked only among those who include digital/social media in marketing program.

Attitudes and Perceptions

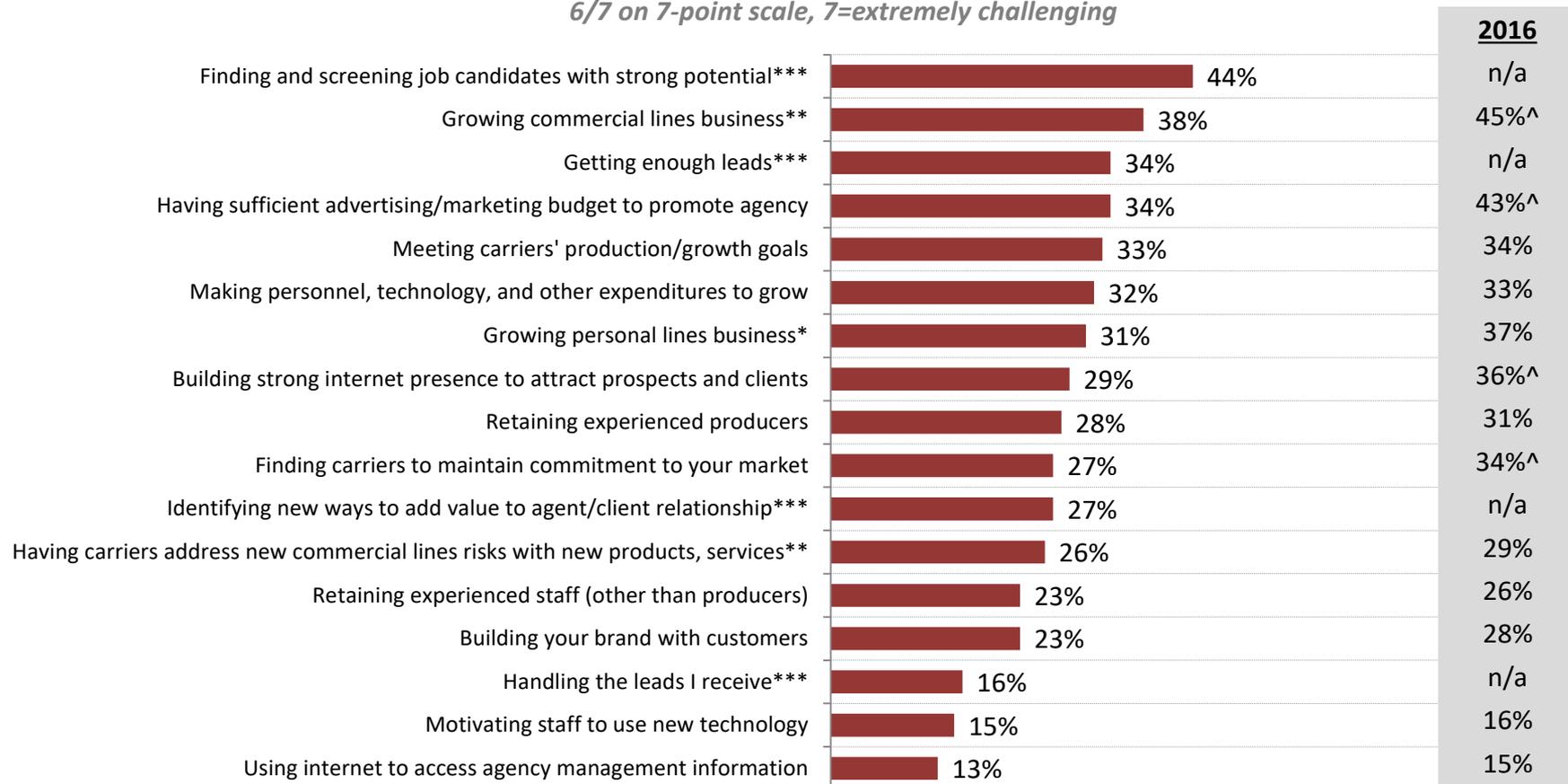


Finding qualified job candidates is a key challenge for agencies; while growing commercial lines business continues to be a concern, it is less important than in 2016.

- Large and Jumbo agencies are most concerned about finding and screening candidates (53%-58%); small agencies are more concerned about getting enough leads (43%) and finding carriers who will maintain their commitment to the market (33%).

Extent to Which Agencies Find Each Item Challenging

6/7 on 7-point scale, 7=extremely challenging



*/** Asked only for respondents who write personal lines/commercial lines, respectively.

QG4, Weighted n=559-618.

*** New item for 2018

Despite the abundance of technological options, six in ten still want carrier reps they can meet face-to-face.

- Carrier brand awareness is less important than in 2016.
- Agencies who agree their agency has placed more focus on customer experience cite additional staff training (71%), sharing insights and customer experience success stories (52%), and measuring customer satisfaction (45%); nearly one in four have developed a customer journey/experience map (22%).

Insurance Business Environment 6/7 on 7-point scale, 7=strongly agree

2016

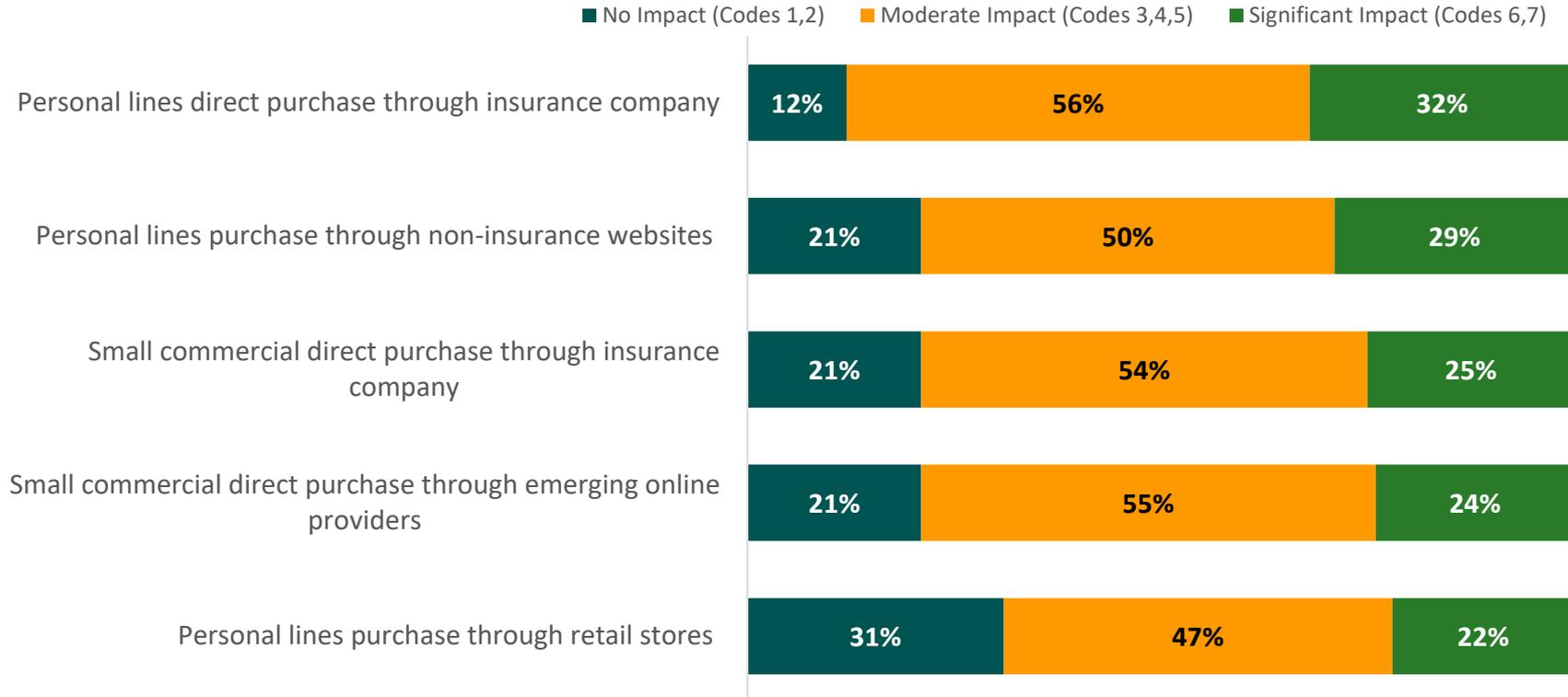

* Asked only for respondents who write personal lines.

QG1, Weighted n=608-633; QG1A, Weighted n=455. Attribute list revised substantially in 2018.

One-third of agencies believe direct purchase through insurance companies will have a significant impact on their agency within the next two years.

- Compared to larger agencies, smaller agencies are more concerned about the impact of all emerging purchase channels.

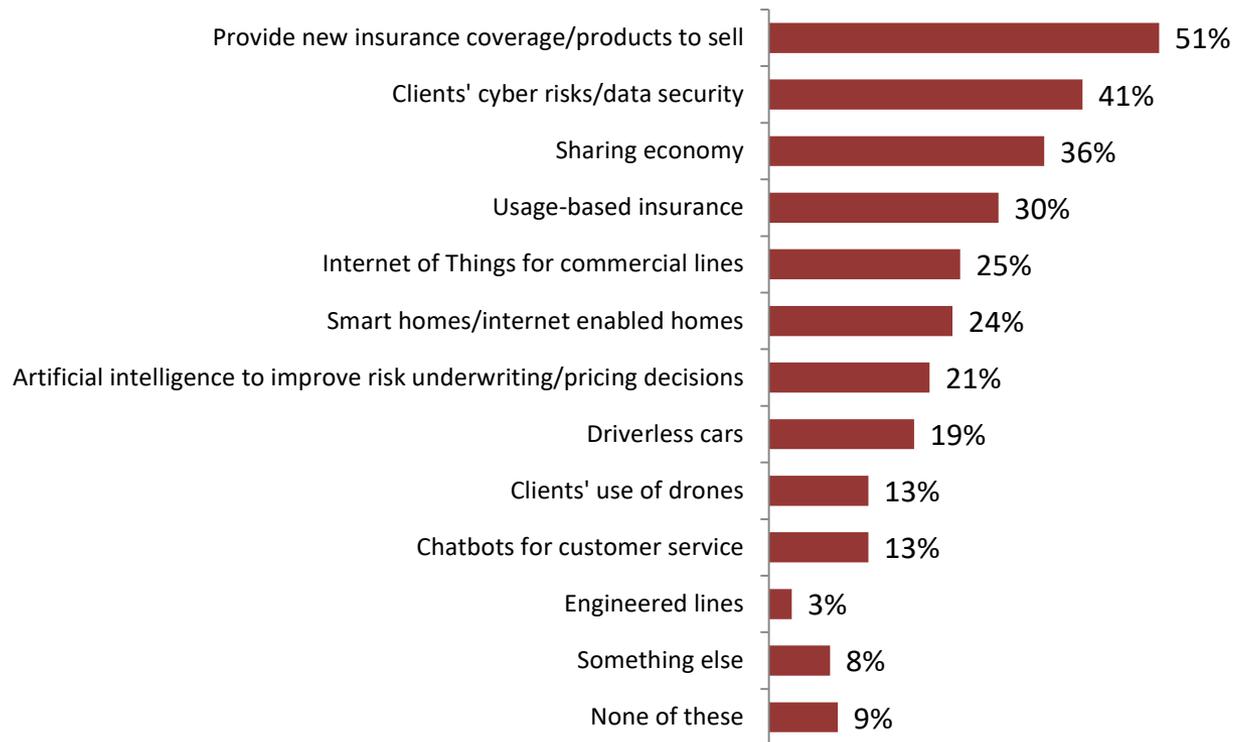
Anticipated Impact on Agency of Emerging Purchase Channels and Trends (Over Next Two Years)



Half of agencies would like carriers to provide new coverages/products, and more than one in three would like carriers to address client cyber risks and the sharing economy.

- Interest in having carriers address client cyber risks increases with size of the agency.
- Small agencies are most interested in having carriers address smart homes (31%); Jumbo agencies are most interested in having carriers address the internet of things for commercial lines (36%) and AI to improve risk underwriting (36%).

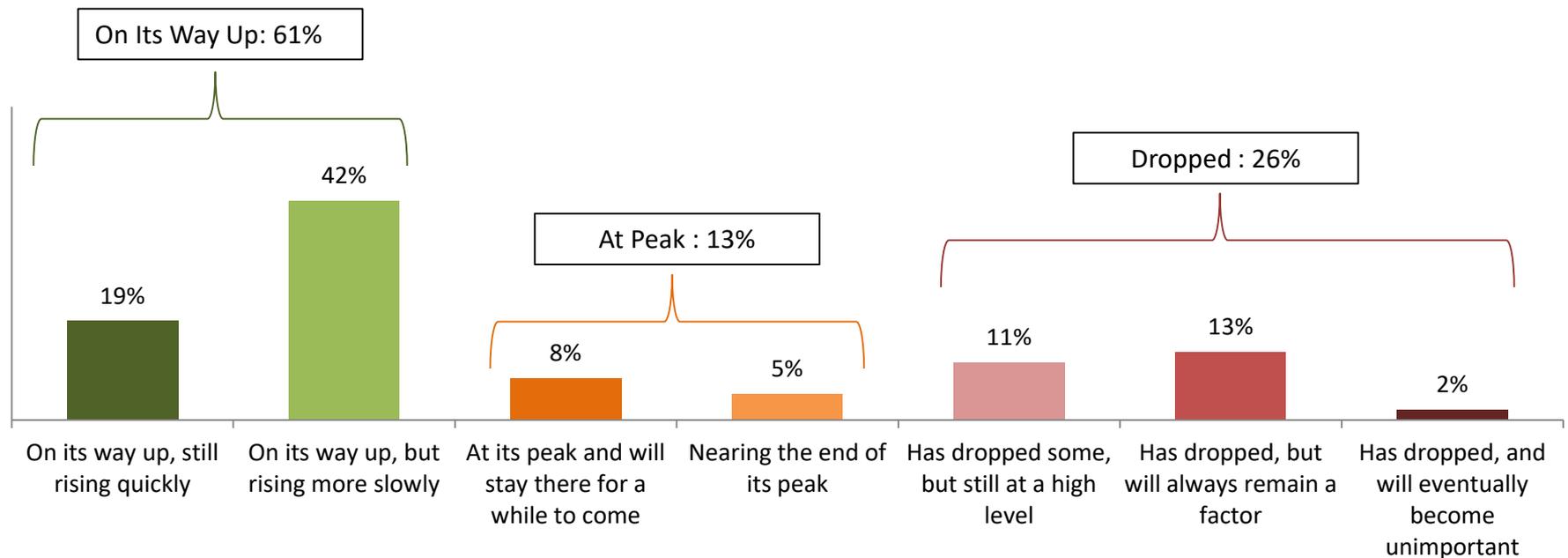
Most Important Issues for Carriers to Address



Agencies have confidence in the Independent Agency channel, with a majority believing it is still on its way up.

- One in four believe the Independent Agency channel is dropping in influence, although almost none expect it to become unimportant.
- Small agencies are most likely to believe that the IA Channel is on the way up (71%), while just over half of all other agencies agree.

Status of Independent Agency Channel

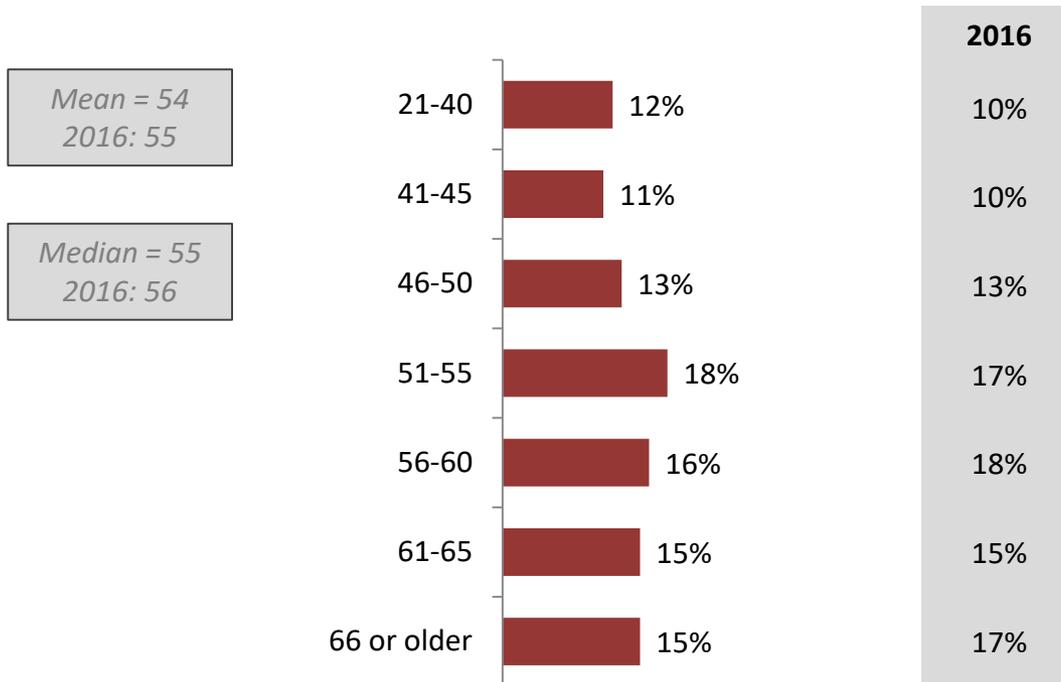


Agency Perpetuation Planning



The average age of principals with 20% or more ownership in their agencies is 54 years old, with 15% of those principals age 66 or older.

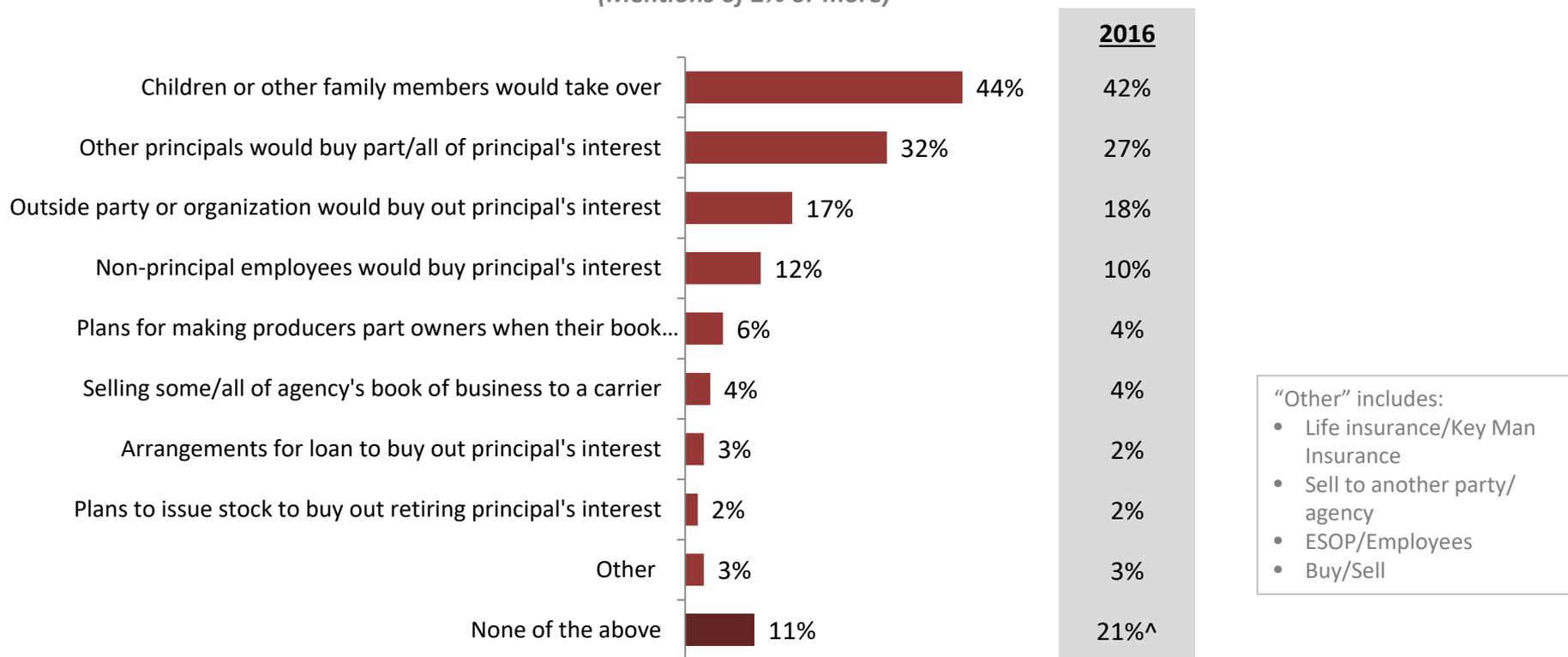
Age of Principals With 20+% Ownership



Nearly nine out of ten agencies have some type of agency perpetuation tool or plan in place, a significant increase from 2016 (79%).

➤ From a list of eight tools/plans evaluated, only four are currently in place at 10% or more of independent agencies.

Agency Perpetuation Tools In Place
(Mentions of 2% or more)



^ indicates significant difference 2016 - 2018
QH10, Weighted n=528.

Agencies are most interested in additional information and implementation support for perpetuation tools related to buying out principals' interest and/or having a family member take over.

- Larger agencies are also interested in information about making producers part owners and several buy out options.

Agency Perpetuation Tools Agencies Would Consider, Assuming More Information/Support Regarding Implementation

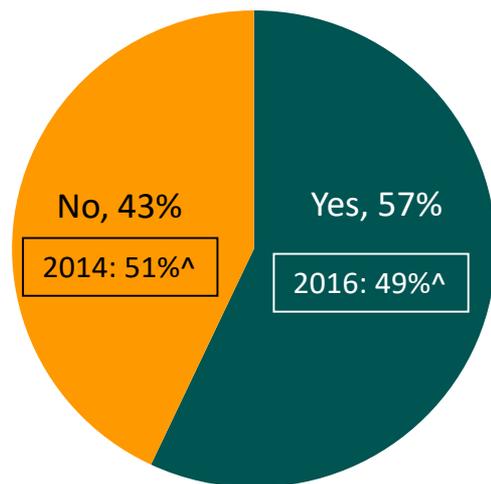
	2018 Total	Small	Medium -Small	Medium	Medium -Large	Large	Jumbo
Outside party or organization would buy out principal's interest	28%	35%	35%	21%	20%	17%	4%
Children or other family members would take over	25%	30%	22%	27%	28%	22%	21%
Other principals would buy part/all of principal's interest	15%	10%	14%	17%	17%	22%	18%
Non-principal employees would buy principal's interest	13%	6%	18%	12%	17%	17%	25%
Making producers part owners when book reaches a certain size	12%	6%	10%	8%	23%	28%	43%
Selling some/all of the agency's book of business to a carrier	10%	13%	15%	6%	3%	1%	4%
Arrangements for a loan to buy out the principal's interest	9%	5%	12%	10%	8%	15%	25%
Plans to issue stock to buy out the retiring principal's interest	4%	1%	5%	3%	3%	11%	25%
Other	1%	1%	2%	1%	2%	1%	4%
None of above	27%	25%	19%	34%	37%	25%	36%

 = Top agency perpetuation tools that would be considered within each revenue size category

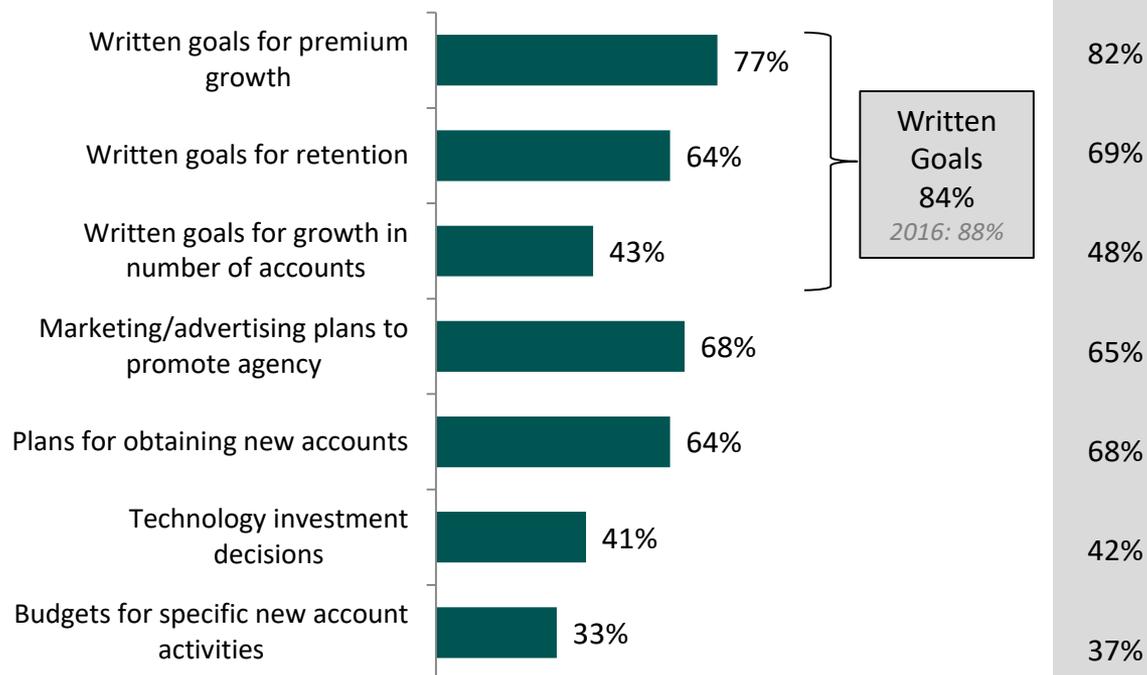
More than half of agencies have a formal business plan, usually including some type of written goals for growth and/or retention.

- Agencies are more likely to have a formal business plan in 2018 than they were in 2016.
- Larger agencies are more likely to have a formal plan and to include written goals, plans for obtaining new accounts, and budget for technology and new account activities.

Have Formal Business Plan



Included in Business Plan (Among Those With a Formal Plan)



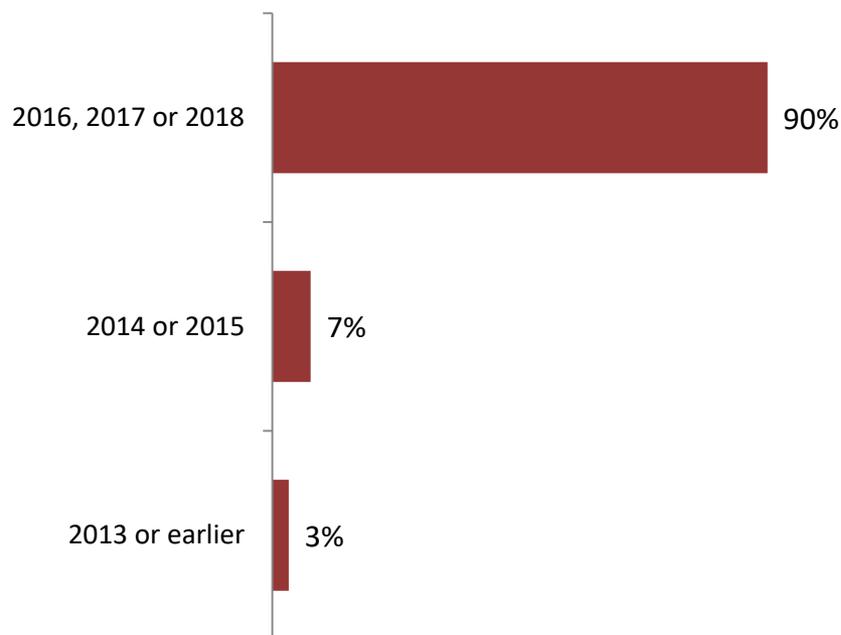
^ indicates significant difference 2016 - 2018

QH4, Weighted n=596; those with a formal business plan weighted n=337

Agencies that have formal business plans update them frequently, with nearly all updating their plans in the past three years.

- All Jumbo agencies with a plan have updated it in the past few years. One in ten Small agencies have not updated their plan in the past five years.

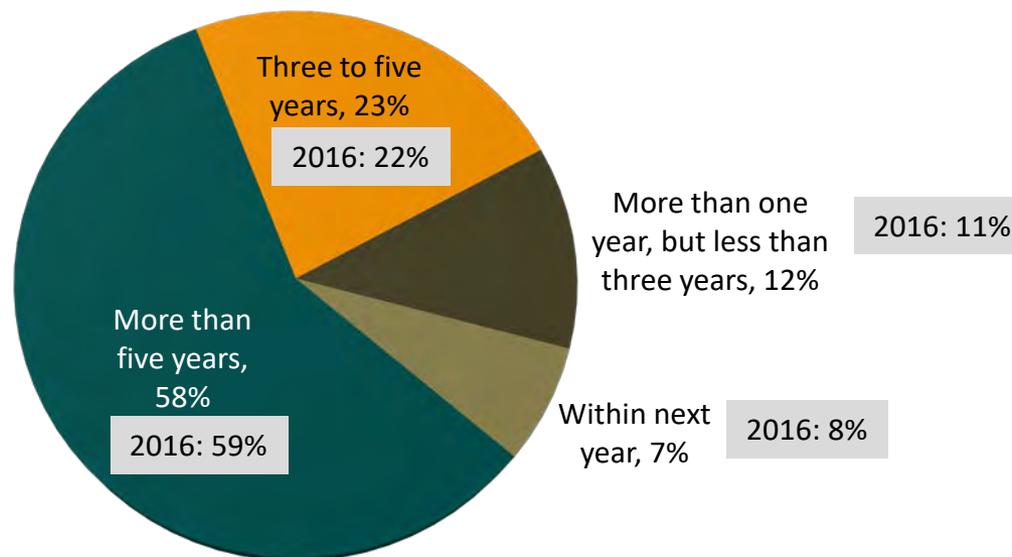
Most Recent Plan Preparation/Update



Four in ten anticipate some type of ownership change in the next five years, but only a few expect a change in the next year.

- However, even when at least one agency principal is age 66 or older, fewer than half (45%) anticipate an ownership change in the next three years.

When Agencies Anticipate Major Ownership Changes
(involving at least 20% of agency ownership)

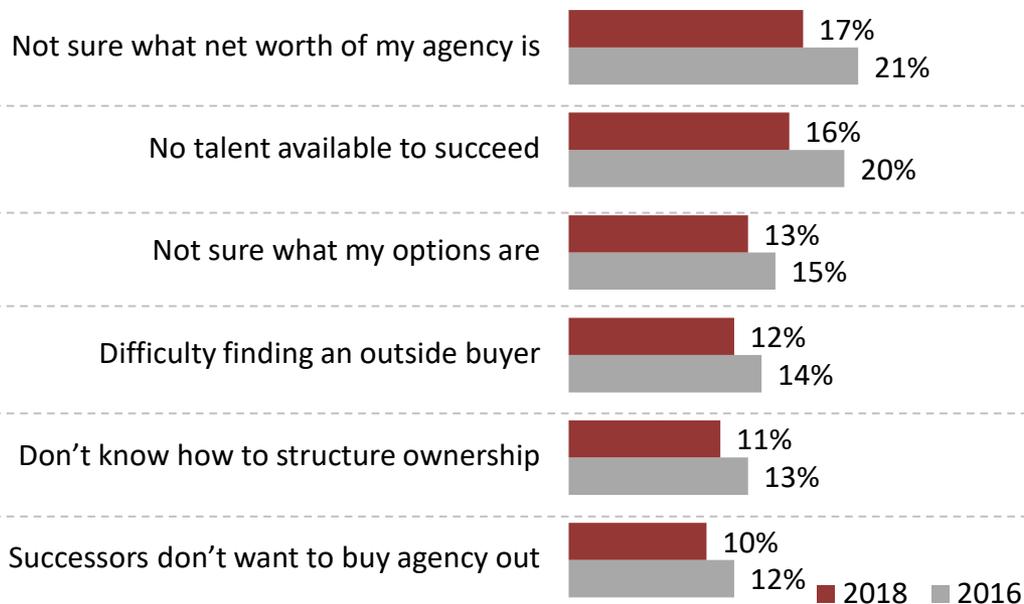


	Small	Med-Small	Med	Med-Large	Large	Jumbo
Within next year	4%	9%	8%	8%	7%	4%
More than one year, but less than three years	13%	11%	13%	10%	11%	8%
Three to five years	19%	21%	26%	27%	31%	16%
More than five years	64%	59%	53%	55%	52%	72%

Fewer than one-fifth see serious obstacles to planning the future of the agency.

- Smaller agencies are more likely to be unsure of the agency’s net worth, to be unsure of their options, to have concerns about difficulty finding an outside buyer, and to agree that their successors do not want to buy the agency out.

Obstacles to Future Ownership of Agency
6/7 on 7-point scale, 7=strongly agree



	2018					
	Small	Med-Small	Med	Med-Large	Large	Jumbo
Not sure what net worth of my agency is	31%	22%	5%	5%	5%	0%
No talent available to succeed	17%	24%	14%	12%	15%	11%
Not sure what my options are	18%	21%	5%	11%	5%	0%
Difficulty finding an outside buyer	22%	16%	4%	0%	3%	0%
Don't know how to structure ownership	10%	14%	10%	9%	8%	5%
Successors don't want to buy agency out	16%	17%	3%	5%	4%	0%

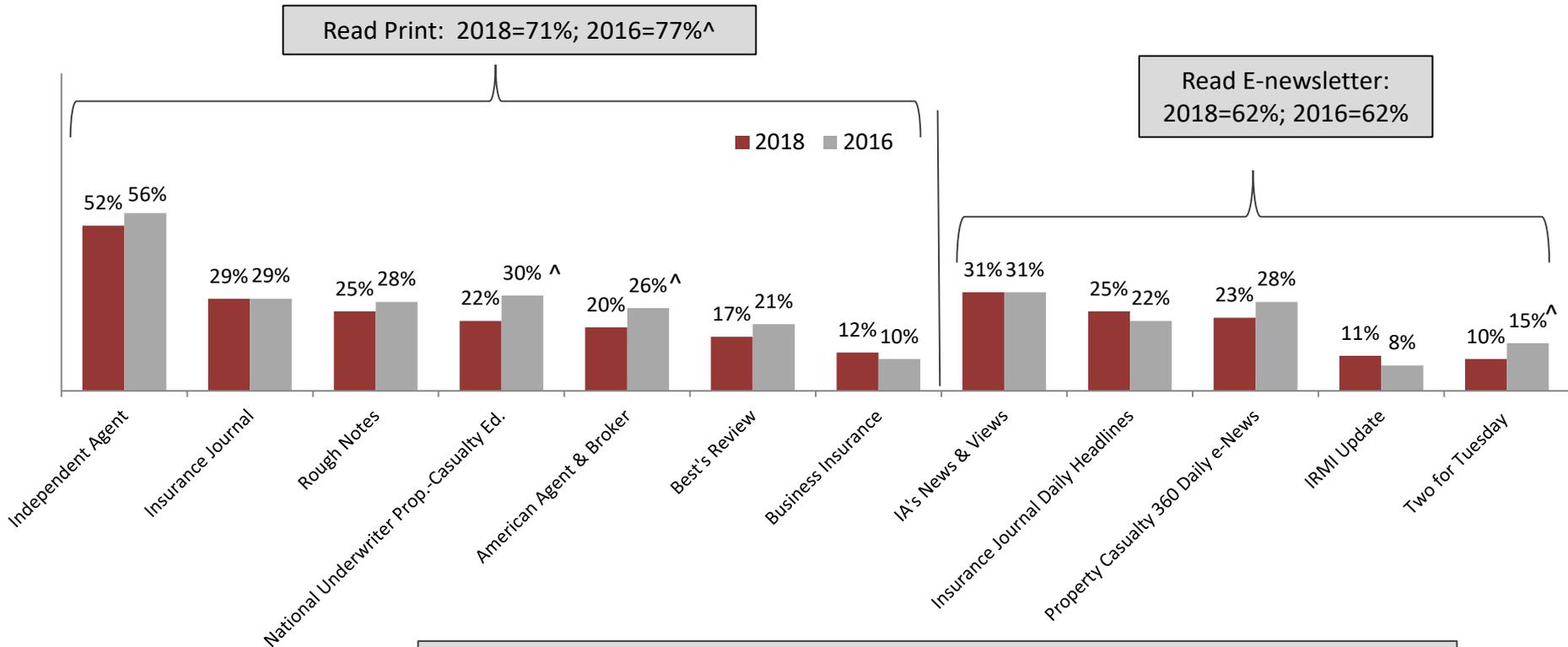
Ties to the Industry



Independent Agent remains the most common information source. IA's News & Views is the most commonly read e-newsletter.

- Although print remains the dominant source, it has declined from 2016.
- Larger agencies are more likely to use most of the information sources, both print and electronic.

Information Sources Read Regularly – All Agencies
(mentioned by at least 10%)



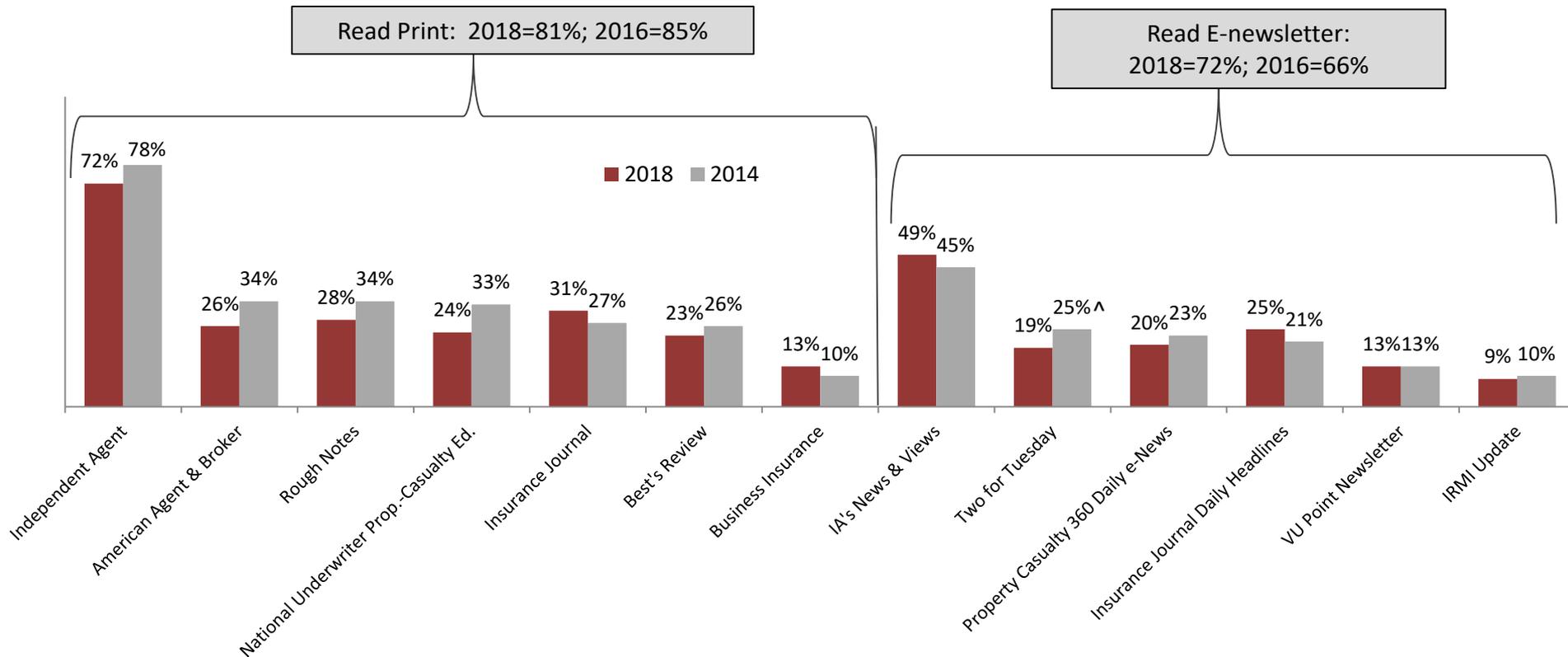
Average # of Sources Read on Regular Basis = 3.9 [2016=4.0]
The survey included a total of 9 print publications and 8 online publications.

^ indicates significant difference 2016 – 2018

QJ1, Weighted n=604.

Among IIABA members, *Independent Agent's* readership continues to be twice that of any other publication.

Information Sources Read Regularly – Agencies From IIABA Member List
(mentioned by at least 10%)

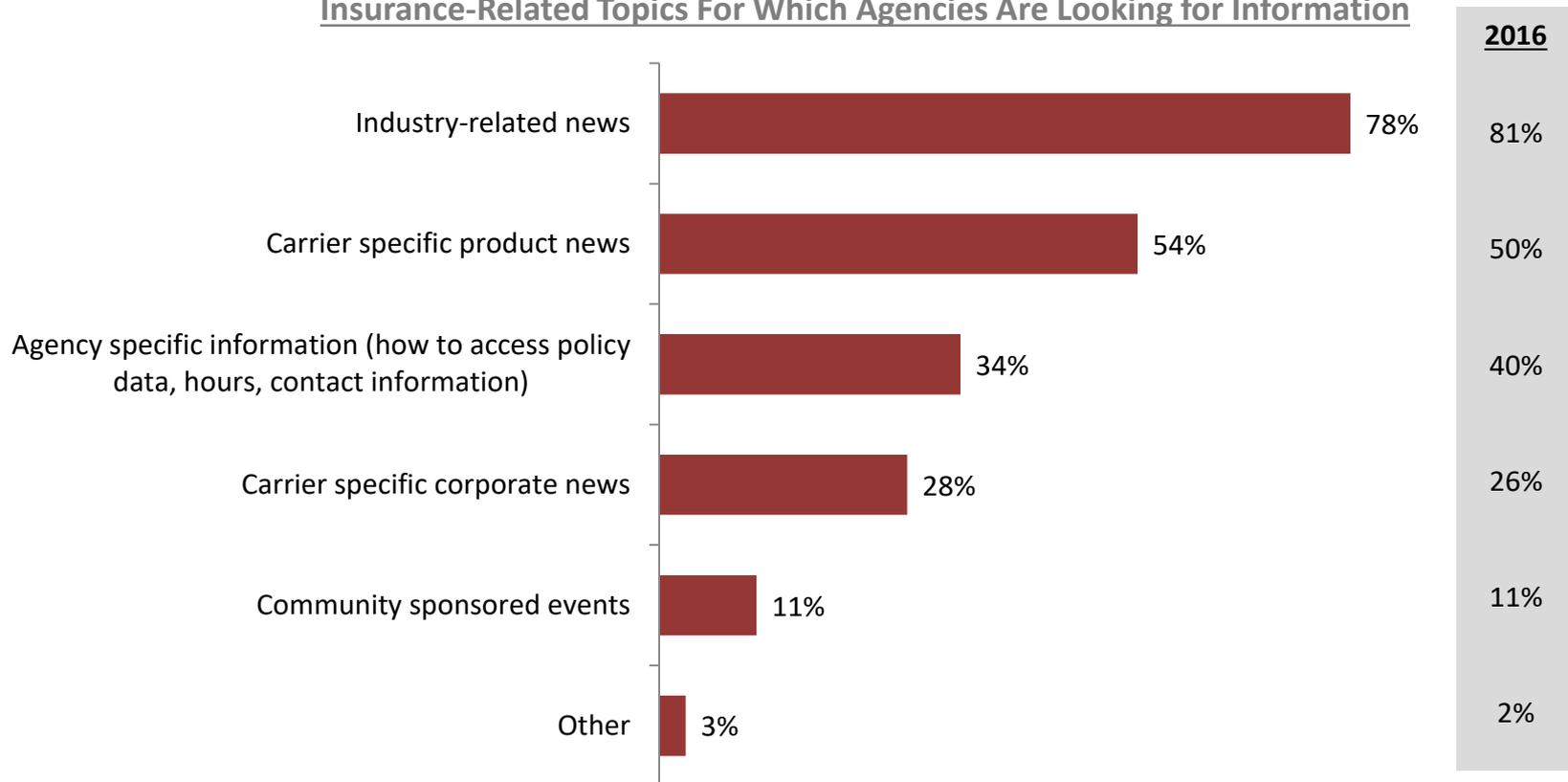


^ indicates significant difference 2016 – 2018
QJ1, Weighted n=205.

Agencies are most often looking for industry-related news, followed by carrier-specific product news.

- Jumbo agencies are looking for industry-related news (94%); Medium-Large agencies would like agency-specific information (49%).

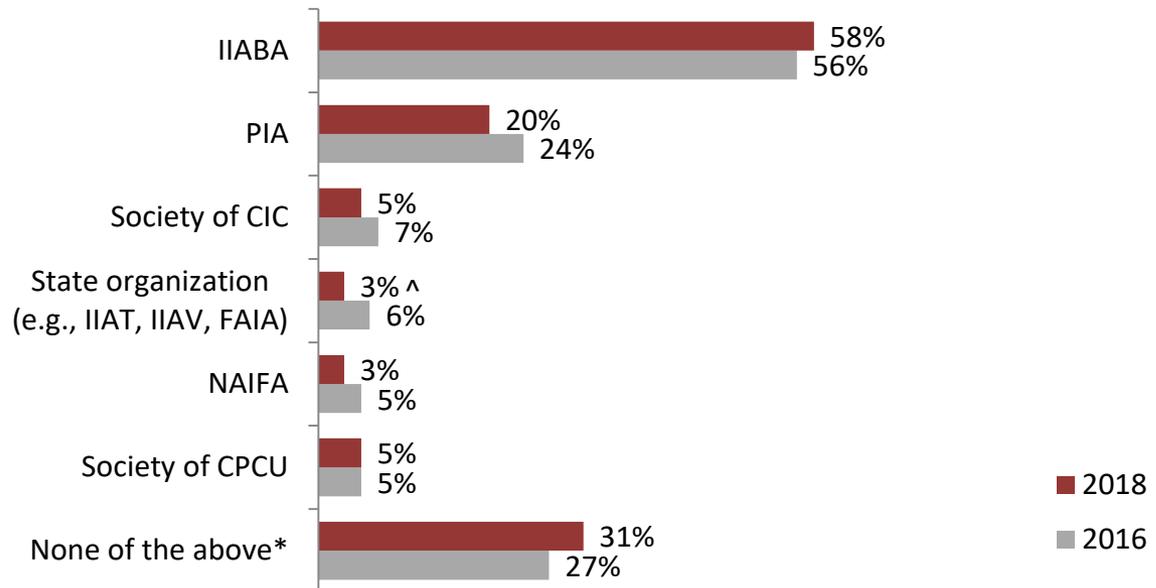
Insurance-Related Topics For Which Agencies Are Looking for Information



Other than IIABA and, to a lesser extent, PIA, professional organizations continue to have relatively low membership among independent agents. One-third are not members of any organization.

- The average number of memberships has decreased since 2016.
- Larger agencies are more likely to be members of professional organizations, particularly IIABA, PIA, and CPCU. On average, those at Jumbo agencies are members of 2.1 organizations, compared to just 1.3 for Small agencies.

Professional Organization Memberships – All Agencies (mentioned by at least 3%)



Average Number of Memberships: 2018=1.4; 2016=1.6^

* The list shown to respondents included nine additional organizations, none of which had membership above 4%.

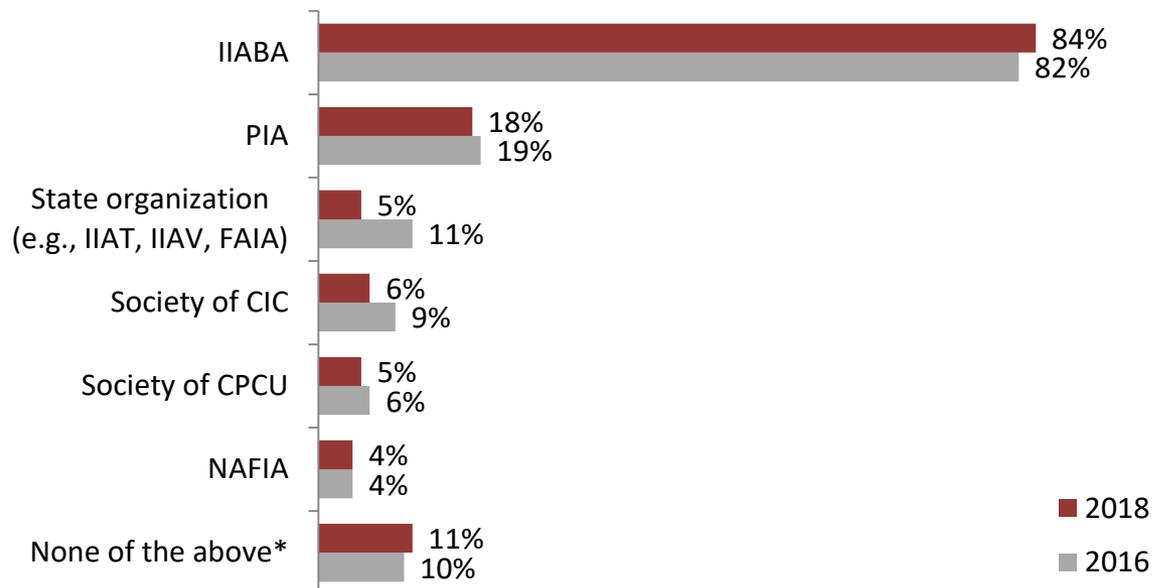
^ indicates significant difference 2016 – 2018

QJ2, Weighted n=602.

Among agencies from the list provided by IIABA, self-reported membership in IIABA has not changed significantly over the last five waves of the study.

➤ Membership in other organizations is also stable since 2016.

Professional Organization Memberships – Agencies From IIABA Member List
(mentioned by at least 5%)



* The list shown to respondents included nine additional organizations, none of which had membership above 4%.
QJ2, Weighted n=209.

Three in four agencies are aware of TrustedChoice.com, but only about half of those participate. Awareness of Diversity Task Force has grown significantly since 2016, but remains low.

Awareness and Use* of IIABA Initiatives

	2018	2016
<u>Trusted Choice.com (formerly Project CAP)</u>		
% Aware	73%	74%
Of those aware, % who use	46%	50%
<u>Young Agents</u>		
% Aware	56%	59%
Of those aware, % who use	19%	13%
<u>Best Practices Program</u>		
% Aware	48%	48%
Of those aware, % who use	26%	24%
<u>Virtual University</u>		
% Aware	45%	46%
Of those aware, % who use	46%	50%
<u>Agents Council for Technology (ACT)</u>		
% Aware	31%	30%
Of those aware, % who use	11%	16%
<u>InVEST</u>		
% Aware	31%	26%
Of those aware, % who use	12%	14%
<u>Diversity Task Force</u>		
% Aware	16%	10%^
Of those aware, % who use	6%	3%

- More than half of agencies are aware of the Young Agents program, but few of those agencies participate in it.
- Trusted Choice.com and Virtual University have the highest usage rate among agencies aware of the offerings.

* "Use" = "currently participate in or use study findings from any of these programs."
QJ4, Weighted n=580. Bases for those using vary based on those aware.

Small agencies tend to be less aware of or involved in these programs.

Awareness and Use* of IIABA Initiatives

	Total	Small	Med-Small	Medium	Med-Large	Large	Jumbo
<u>Trusted Choice.com (formerly Project CAP)</u>							
% Aware	73%	59%	71%	84%	96%	84%	75%
Of those aware, % who use	46%	30%	39%	56%	66%	67%	44%
<u>Young Agents</u>							
% Aware	56%	40%	54%	68%	79%	72%	65%
Of those aware, % who use	19%	2%	15%	21%	30%	46%	39%
<u>Best Practices Program</u>							
% Aware	48%	32%	42%	63%	74%	65%	44%
Of those aware, % who use	26%	6%	30%	29%	30%	44%	52%
<u>Virtual University</u>							
% Aware	45%	26%	50%	55%	74%	64%	50%
Of those aware, % who use	46%	36%	32%	60%	50%	54%	58%
<u>Agents Council for Technology (ACT)</u>							
% Aware	31%	20%	21%	41%	54%	57%	29%
Of those aware, % who use	11%	0%	3%	16%	14%	22%	29%
<u>InVEST</u>							
% Aware	31%	18%	29%	41%	52%	51%	35%
Of those aware, % who use	12%	0%	10%	18%	11%	14%	18%
<u>Diversity Task Force</u>							
% Aware	16%	7%	12%	20%	34%	37%	21%
Of those aware, % who use	6%	0%	6%	8%	9%	3%	20%

* "Use" = "currently participate in or use study findings from any of these programs."

QJ4, Weighted n=580. Bases for those using vary based on those aware.

Nine in ten IIABA members are aware of TrustedChoice.com. Awareness of InVEST and the Diversity Task Force, and use of Young Agents has increased since 2016.

Awareness and Use* of IIABA Initiatives – Agencies From IIABA Member List

	2018	2016
<u>Trusted Choice.com (formerly Project CAP)</u>		
% Aware	90%	89%
Of those aware, % who use	59%	59%
<u>Young Agents</u>		
% Aware	73%	74%
Of those aware, % who use	21%	11%^
<u>Virtual University</u>		
% Aware	66%	63%
Of those aware, % who use	50%	56%
<u>Best Practices Program</u>		
% Aware	59%	59%
Of those aware, % who use	31%	24%
<u>Agents Council for Technology (ACT)</u>		
% Aware	43%	40%
Of those aware, % who use	14%	22%
<u>InVEST</u>		
% Aware	47%	35%^
Of those aware, % who use	15%	15%
<u>Diversity Task Force</u>		
% Aware	24%	13%^
Of those aware, % who use	5%	5%

* "Use" = "currently participate in or use study findings from any of these programs."

QJ4, Weighted n=195. Bases for those using vary based on those aware.

Appendix A

Supplementary Data



Table A-1
Changes in Total Revenue by Agency Size

Change in Total Revenue
(2016 to 2017 and 2014 to 2015)

	2018 Study (Changes 2016 to 2017)					2016 Study (Changes 2014 to 2015)				
	Increase		Stayed the Same	Decrease		Increase		Stayed the Same	Decrease	
	Yes	AVG %		Yes	AVG %	Yes	AVG %		Yes	AVG %
Small	69%	42%	17%	13%	23%	70%	38%	16%	13%	22%
Med-Small	77%	23%	11%	13%	9%	71%	21%	10%	19%	14%
Medium	79%	15%	11%	11%	11%	78%	19%	11%	11%	9%
Med-Large	80%	16%	8%	12%	6%	86%	11%	6%	8%	9%
Large	85%	11%	9%	7%	9%	83%	12%	9%	8%	8%
Jumbo	88%	14%	4%	7%	4%	83%	15%	7%	10%	6%



Table A-1
Changes in Personal Lines Revenue by Agency Size

Change in Personal Lines Revenue
(2016 to 2017 and 2014 to 2015)

	2018 Study (Changes 2016 to 2017)					2016 Study (Changes 2014 to 2015)				
	Increase		Stayed the Same	Decrease		Increase		Stayed the Same	Decrease	
	Yes	AVG %		Yes	AVG %	Yes	AVG %		Yes	AVG %
Small	69%	39%	17%	14%	21%	70%	33%	16%	14%	18%
Med-Small	77%	19%	11%	12%	9%	69%	18%	12%	19%	13%
Medium	77%	13%	12%	11%	11%	69%	16%	14%	17%	8%
Med-Large	72%	13%	15%	13%	6%	74%	8%	13%	14%	7%
Large	73%	10%	15%	12%	7%	71%	9%	15%	14%	7%
Jumbo	81%	10%	13%	6%	10%	69%	10%	17%	14%	5%

Table A-1
Changes in Commercial Lines Revenue by Agency Size

Change in Commercial Lines Revenue
(2016 to 2017 and 2014 to 2015)

	2018 Study (Changes 2016 to 2017)					2016 Study (Changes 2014 to 2015)				
	Increase		Stayed the Same	Decrease		Increase		Stayed the Same	Decrease	
	Yes	AVG %		Yes	AVG %	Yes	AVG %		Yes	AVG %
Small	65%	33%	22%	13%	22%	65%	25%	21%	14%	19%
Med-Small	69%	19%	14%	17%	9%	65%	16%	14%	21%	14%
Medium	69%	12%	17%	14%	9%	71%	15%	15%	14%	8%
Med-Large	76%	13%	13%	11%	6%	80%	10%	10%	10%	6%
Large	79%	11%	11%	10%	6%	81%	11%	10%	9%	8%
Jumbo	88%	12%	3%	9%	4%	84%	15%	8%	8%	7%

Respondent Profile

	Total	Small	Medium-Small	Medium	Medium-Large	Large	Jumbo
Company Position							
Principal/President/CEO/COO/other senior management	85%	85%	91%	85%	86%	73%	41%
Producer	9%	12%	6%	8%	8%	12%	22%
Account Manager	1%	1%	1%	1%	2%	5%	9%
Customer Service Representative	1%	1%	0%	1%	0%	1%	5%
Customer Service Manager	1%	<1%	1%	1%	2%	1%	7%
Marketing Director	1%	<1%	<1%	1%	1%	5%	9%
Other	2%	1%	1%	3%	1%	3%	7%



Respondent Profile (cont'd)

	Total	Small	Medium-Small	Medium	Medium-Large	Large	Jumbo
Number of Years in Property and Casualty Business							
<i>Less than 10 years (Net)</i>	17%	28%	13%	7%	11%	7%	7%
Less than 5 years	8%	14%	4%	4%	4%	3%	3%
5 - 9 years	9%	13%	9%	4%	8%	4%	5%
<i>10 - 19 years (Net)</i>	23%	28%	23%	17%	17%	22%	26%
10 - 14 years	10%	13%	9%	7%	10%	10%	13%
15 - 19 years	13%	14%	14%	10%	7%	13%	13%
<i>20 or more years</i>	60%	45%	64%	76%	72%	71%	67%
Number of Years Agency Principal or Senior Manager							
<i>5 or less (Net)</i>	25%	41%	18%	14%	17%	14%	15%
Less than 1 year	4%	8%	2%	2%	2%	1%	2%
1-2 years	10%	17%	6%	5%	5%	3%	2%
3-5 years	11%	17%	10%	7%	11%	11%	10%
6-10 years	14%	18%	12%	11%	16%	14%	12%
11-20 years	24%	17%	30%	23%	24%	24%	37%
<i>More than 20 years</i>	37%	24%	40%	52%	43%	48%	37%

Respondent Profile (cont'd)

	Total	Small	Medium-Small	Medium	Medium-Large	Large	Jumbo
Number of Carrier Panels, Councils, or Advisory Groups Participated In							
None	64%	82%	68%	55%	37%	44%	38%
1 or more (Net)	36%	19%	32%	45%	63%	57%	62%
1	14%	6%	18%	18%	23%	15%	15%
2 or more	22%	12%	15%	27%	40%	42%	47%
Mean	0.7	0.5	0.6	0.9	1.3	1.5	1.6
Gender							
Male	72%	66%	75%	76%	79%	72%	65%
Female	28%	34%	25%	24%	21%	28%	35%

QK5, Weighted n=1014

QK3, Weighted n=1209

Appendix B

Additional Details on Methods



Estimating the Total Number of Independent Agencies and Survey Weighting

In the past, to determine the proportion of these independent P&C agencies that fall into various revenue size categories, we reverted to D&B proportions (then believed to be the only source for break-outs by revenue). However, several inconsistencies in the way D&B classifies and reports agencies led to concerns about the accuracy of the universe estimation. Several steps were taken to account for this: agencies were searched in Google with resulting information used to determine whether they are independent agencies, and agencies were called if necessary.

For 2018, efforts were made to identify a more comprehensive, insurance-focused resource to use for the universe sizing. Several AUS Steering Committee members were aware of and/or have business relationships with MarketStance, an insurance data company owned by Verisk. MarketStance has a comprehensive, continually updated database of independent agencies: the Agent/Broker Insight database.

The Agent / Broker Insight database is a comprehensive source of US insurance Agencies and brokerages. Agency and broker records are validated and enhanced through a series of analyses and processes that incorporate many data sources including insurance, state department, third party vendor, professional association, survey and MarketStance information. Insurers leverage Agent/Broker Insight to identify opportunities in appointed agency territories, direct communication with their distribution channels, identify potential agency relationships, and track agency productivity.

The committee agreed that the MarketStance database would be used to obtain counts by revenue size. Counts were provided at the agency level for all agencies with P&C business (health/life only agencies were excluded). The universe counts used for the weighting are shown on the next page.

Because the resources used to determine the universe have changed, the distribution has also changed. ***However, we believe this to be a function of a more accurate resource in 2018, rather than a substantial shift in the marketplace.***

Survey data are weighted to make the survey results representative of the entire population.

First, we developed weights for the ten revenue categories we asked about in the survey. As shown in the chart on the next page, weights were obtained by dividing the estimated percentage of all independent agencies in each category by the number of survey responses for that category, and then multiplying this by the number of total survey responses. These ten categories will be used to weight the survey data, to maximize the precision of the weighting.

Those who did not provide revenue information in the survey are assigned a weight of 0.

Estimating the Total Number of Independent Agencies

A	B	C	D	E
Agency Size Category - Revenue in Million \$s	P&C Agencies in MarketStance Database	Percentage of Universe	Counts from 2018 Survey*	Percentage of 2018 Sample
<= .1	10107	0.28	194	13.2
.1 - .149	2430	0.07	84	5.7
.15 - .249	1585	0.04	133	9.1
.25 - .499	7585	0.21	219	14.9
.5 - 1.249	8168	0.23	278	19
1.25 - 2.499	2815	0.08	181	12.4
2.5 - 4.999	1757	0.05	143	9.8
5 - 9.999	1118	0.03	104	7.1
10 - 24.999	513	0.01	57	3.9
25+ (Net)	217	0.01		
25 - 49.999	129		72	4.9
50 - 99.999	50			
100+	38			
	36295	1.00	1465	100
*Among those answering				