BEST PRACTICES STUDY

STEP UP STEP AHEAD

2022

CONDUCTED BY

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Best Practices Study

About the *Study:* The History

Created in 1993 through a joint initiative between Reagan Consulting and the Independent Insurance Agents & Brokers of America (the Big "I"), the *Best Practices Study* (BPS) is designed to deliver critical financial and operational industry benchmarks to member agencies. For 29 years, this comprehensive annual publication has helped agencies optimize their performance and has built its reputation as one of the industry's most consistently effective, reliable, and valuable information resources.

The Process

Every three years, the Big "I" and Reagan Consulting ask insurance companies, state association affiliates, and other industry organizations to nominate agencies they consider to be among the best in the industry for each of the BPS's revenue categories. Nominated agencies are then invited to participate and must complete an in-depth survey detailing their financial and operational year-end results. Results are then scored and ranked objectively to determine which agencies earn the *Best Practices* agency designation.

With 2022 marking the beginning of a new three-year study cycle (2022-2024), over 2,600 independent agencies throughout the U.S. were nominated to participate in the annual *Best Practices Study*. Although participation took extensive time and effort, 282 of the nominated agencies qualified and were designated as Best Practices agencies. These top-performing agencies' results serve as the foundation for the 2022 *Best Practices Study*. Benchmarks for these 2022 agencies will be updated annually in 2023 and 2024.

Inclusion in the *Best Practices Study* is a prestigious recognition of superior performance. Agencies who believe they have the qualities of a Best Practices agency and wish to be nominated for the next cycle (2025-2027) can have their state association or an insurance carrier nominate them or can self-nominate.

The *2022 Best Practices Study*

The *2022 Best Practices Study* is composed of three primary sections:

1) **Critical Issues Facing Agencies in 2022** — Trends reshaping the industry, producer migration, and remaining private

2) **Executive Summaries** — Key benchmarks and perspectives summarized for each of the six revenue categories

3) **Cross Category Comparison** — The complete array of Best Practices benchmarks for all six revenue categories, arranged in a side-by-side format that allows for quick metric comparisons

For More Information

If you have questions about the information published in the *2022 Best Practices Study* or if you would like to nominate your agency to participate in the next study cycle, please contact Reagan Consulting at 404-233-5545.

Visit the Best Practices Gateway for access to the annual *Best Practices Study* at: www.reaganconsulting.com/research/best-practices.

Other resources and tools to help agencies improve their performance and enhance the value of their business are also available via the Big "I" website: www.independentagent.com.

If you would like to purchase the *Study*, contact the Big "I" Education Department by calling 800-221-7917 or online at www.independentagent.com/best-practices.

Critical Issues Facing Agencies in 2022

Trends Reshaping the Industry

Producer Migration

Remaining Private

2022

Best Practices Study

INTRODUCTION

In this 29th year of the *Best Practices Study*, the rapid rate of change we have come to expect in the industry continues, and the insurance landscape continues to evolve in ways unimaginable just a few years ago.

As we emerge from the darkest days of the COVID-19 pandemic, we remain grateful for the remarkable resilience demonstrated by our industry – in 2021, independent agencies thrived and set records in terms of both organic growth and profitability.

And yet, it is becoming clear that some things may never be quite the same. Will we ever see agency personnel on-site and in-office like we did pre-COVID? Will Zoom and virtual technologies continue to render much of our travel and face-to-face interaction unnecessary? Will the trend of employees viewing themselves as free agents rather than long-term team members continue?

Even as the pandemic ushered in potentially permanent changes to the insurance landscape, many issues the industry faced pre-pandemic remain: an aging producer and support staff population, recruiting and development challenges, and a lack of agency perpetuation planning, to name a few.

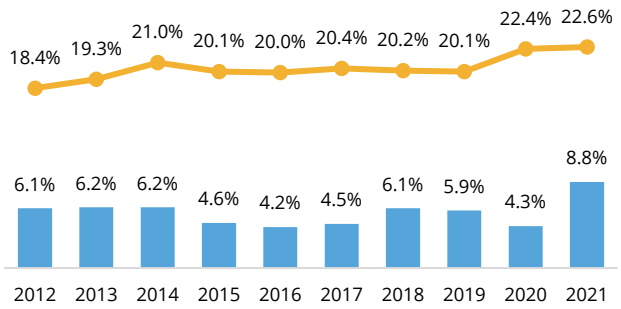
Such challenges did not go away during the pandemic and the pandemic forced agency leaders to focus on the more urgent COVID-19 matters at the expense of other essential issues.

Recognizing that the worst of the pandemic is behind us, this year's *Best Practices Study* will call attention to post-COVID trends reshaping the industry, as well as other issues critical to the independent agent & broker ecosystem – producer migration and remaining private.

TRENDS RESHAPING THE INDUSTRY

2021 was the best year in memory for insurance agents and brokers, with record organic growth of 8.8%. While premium increases and new business activity continued to play a large role, the U.S. economic rebound, which posted the highest GDP growth rate since 1984, was likely the primary driver of the dramatic increase in year-over-year organic growth rates. Broker EBITDA margins also reached record levels.

Organic Growth & Profitability



Source: Reagan Consulting Growth & Profitability Study, Q4 results

Despite these record results, many agency owners are anxious about the future. They look around at an industry that is changing more rapidly than they've ever experienced, and wonder what things will look like 5-10 years from now.

In our interactions with Best Practices agencies nationwide, Reagan Consulting identified four trends that top agencies are keeping a close eye on:

1. Mergers and acquisitions and their impact on the landscape

2. Free agency and the increased mobility of employees

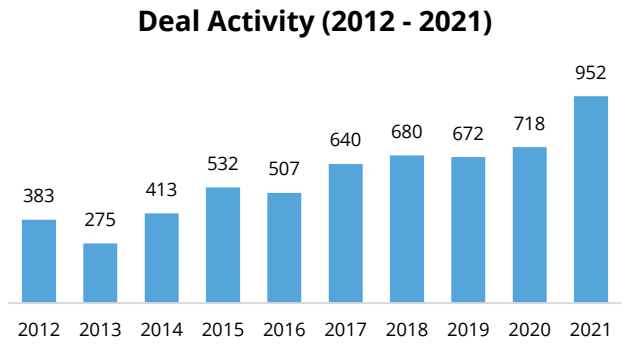
3. The impact of remote work and its longer-term impact on employee development and agency culture

4. The rise of InsurTech as a disruptor of the status quo

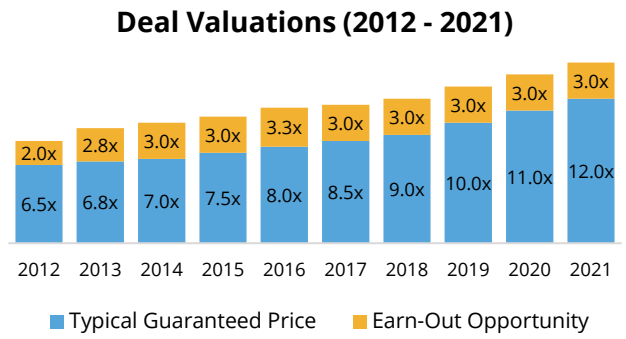
M&A has been the dominant story in the insurance brokerage industry for the past decade. A new record for deal activity has been set in seven of the past ten years. In 2021, there were 952 reported transactions – a number that eclipsed the record set in

2020 by 33%. For perspective, this is the rough equivalent of a major league slugger belting nearly 100 home runs in a season.

This massive increase in deal activity has been driven, in part, by a demand-driven increase in agency valuations over the past decade. In 2012, the typical $3-$7 million revenue agency would have sold for a guaranteed multiple of EBITDA of approximately 6.5X. This figure steadily increased over the past decade and hit double digits for the first time in 2021. The charts below illustrate deal activity and valuation trends over the past decade.



Source: S&P Global Market Intelligence



Source: Reagan Consulting Analysis; Quality $3-$10M agencies

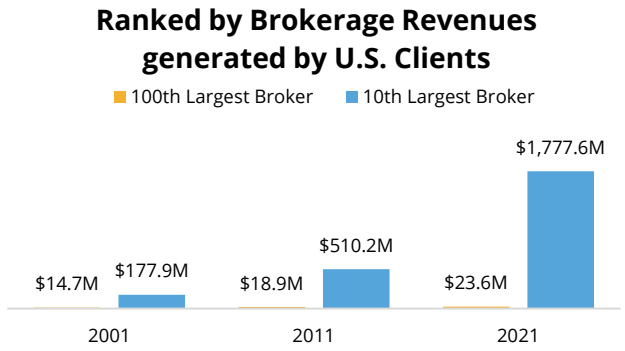
What is the impact of this for Best Practices firms? It is generally a mixed bag. Most agency principals view a competitor's sale as an opportunity rather than a threat. In their experience, a rival that sells out frequently loses some of its competitive fire during and/or after a sale event, leaving clients and employees vulnerable to movement to other brokers.

However, agency owners are also left wondering whether this intensive M&A era will ultimately result in a landscape populated by a new kind of giant super-broker.

A review of the *Business Insurance* Top 100 list over the past two decades shows how fundamentally the landscape has already changed.

In 2001, the 100th largest broker on the *BI* Top 100 list was $14.7 million in revenue. The 10th largest broker was $177.9 million. A decade later, the 100th largest firm was slightly larger than in 2001 – at $18.9 million in revenue. But the 10th largest broker had nearly tripled in size to $510.2 million.

Fast forward to 2021. The 100th largest broker grew modestly again, while the 10th largest broker more than tripled again. In just twenty years, the 10th largest firm grew 10-fold.



Source: Business Insurance Magazine

Best Practices firms naturally wonder what this trend will mean to the future of the industry. Will the largest brokers create a more robust competitive advantage that leverages their size and scale? Will smaller independent brokers still be able to compete?

The rise of free agency is another trend brokers are monitoring. By "free agency," we mean the mobility of talent and increasing frequency by which employees move from firm to firm. This phenomenon is certainly not unique to insurance distribution. College sports provides a dramatic example. In the fall of 2018, the NCAA "transfer portal" was launched as a tool to enable college athletes to find a new home. By 2021, over 10% of all college football players had entered the transfer portal, according to the NCAA, thereby forever altering the landscape of collegiate athletics.

While there is no "transfer portal" for agents and brokers, there appears to be a growing trend of agency employees moving from one agency to another. The trend steadily increased as competitive pressure in our industry grew over the past decade. Rising valuations have also been a key driver of this migration. The trend was further accelerated in 2020 by the COVID pandemic when employers discovered how effectively employees could work remotely.

Agency owners are trying to adapt to this new employee movement by providing their existing staff additional incentives to stay while increasing their efforts to recruit employees away from rival firms.

The Producer Migration section of the *Study* will address producer mobility challenges in more detail.

A third key trend is the impact of remote work on employee development and culture. In recent years, many Best Practices agencies have worked hard to build a reputation as a "Best Place to Work." To do so, they've invested heavily in creating a dynamic environment attractive to high performers. This "environment" is comprised of a wide variety of elements – physical workspace, tools and resources, investments in employee training, and the fostering of a fun, familial culture.

Many agency leaders believe these hard-won benefits are slipping away now that employees have grown accustomed to regularly working from home. But in today's ultra-tight labor market, they feel their hands are tied. They want to demand that employees return to the office, but know that doing so might cause some of their best people to leave for a competitor offering a 100% remote work opportunity.

Finally, the fourth major trend on the minds of Best Practices Agency leaders is the continuing advance of insurance-related technology ("InsureTech"). InsureTech includes (i) technology-enabled tools that brokers can use to their advantage, (ii) carriers using big data to insure risk and connect to the consumer in different ways and (iii) direct competitors to brokers that sell personal, commercial, and life and health insurance online.

2021 marked a string of InsureTech IPOs and SPAC mergers and acquisitions, including Hippo Holdings Inc., Metromile, and CCC Intelligent Solutions, with several others announcing their intent to go public. While the uptick in public market activity appears promising, InsureTechs that have not proven their ability to scale and achieve profitability have experienced negative results in the public markets. This trend is expected to continue as rate-driven headwinds mount for growth companies, potentially leading to an increasing number of InsureTechs seeking a full or partial sale as an alternative to going public.

Competition among InsureTechs in all stages remains fierce as ample investment capital is available, and each company is eagerly working to be viewed as the next industry disruptor.

Agents and brokers that stay informed, take action, and leverage InsureTech to adapt can benefit from this technology revolution. Eliminating manual processes and embracing automation wherever possible will strengthen brokers' relationships and enhance their broker/client operational efficiencies.

The InsureTech landscape is summarized below.

- **Broker-assisting Technology Tools.** Products that agents and brokers can incorporate into their current offering include social media assistance, website refinement, client portals, benefits comparison tools, construction risk management and more. Digital technology can enhance an agent's ability to strengthen relationships with existing customers and attract prospects.

- **Big Data.** Companies leveraging data to change or conduct their own underwriting pose a seemingly futuristic, yet existential, threat. There are companies today working to aggregate data in ways that may disintermediate the independent broker. Most notably, many national and global agents have invested in developing internal systems that leverage data to increase their ability to compete with local brokers. Visibility into an agency's book of business is becoming a critical

business differentiator. However, most players in this space have yet to prove their capabilities.

- **Disruptive Technology Marketers.** There has been a notable uptick of companies selling insurance over the internet, aiming to provide a more efficient, user-friendly experience than traditional brokers. Near-term threats include firms selling personal or small commercial insurance. Mid-term threats include firms competing for commercial lines and group health accounts. Currently, these firms are focused on small accounts, but larger accounts will likely be targeted as their capabilities improve.

There is little question that the landscape for agents and brokers is changing in profound ways. But with this changing landscape will come abundant opportunities. Over the past 20 years, brokers have been one of the highest-performing asset classes in the global economy. Both publicly traded and privately held insurance brokers (represented below by the Reagan Value Index) have vastly outperformed the S&P 500. For agents and brokers that adopt Best Practices, grow consistently and manage an effective bottom line, financial returns should remain strong. Brokers that remain vigilant in observing and adapting to the key trends noted above should have an incredibly bright future.

PRODUCER MIGRATION

The conversation around producers leaving one firm for another has become increasingly louder. Our industry has been captivated by the movement of talent. It isn't a new story, of course. Producers have been moving from one firm to another for generations. But the level of activity and the structure around this movement feels new. In fact, it has even spawned a new term: the lift-out. A lift-out is the intentional recruiting of a producer from one firm into a new firm with the promise of enhanced economics, generally in the form of book bonuses or equity incentives.

Interestingly, this lift-out phenomenon in insurance brokerage is occurring simultaneously with the transfer portal and Name, Image, and Likeness (NIL) dynamics in college athletics. Both are underpinned by the same two drivers – an increased value on the individual rather than the institution and a reduction in the friction in moving from one organization to the next. College athletes find that the transfer portal allows them to switch schools almost at will and that the NIL rules can even incentivize them to do so.

The same is true with producers. Macroeconomic events and industry trends have conspired to make it easier – and more lucrative – for producers to switch teams. And our industry is still coming to grips with precisely what that means.

The increased activity and increased rewards for producer mobility stems from increased marketplace valuations. The well-documented surge in valuation multiples for insurance agents and brokers makes producers' books of business more valuable as well.

Valuation multiples – expressed in terms of EBITDA – in M&A transactions for $5-$10 million brokers doubled over the last 20 years, while profit margins increased by approximately 46%. As a result, the value of a top producers' book of business grew from roughly 1.1x revenue to 3.2x revenue – a jump of over 190%.

Metric	2002 BPS	2022 BPS
Average Revenue	$7,414,320	$7,198,846
Pro Forma EBITDA	1,371,649	1,943,688
Pro Forma EBITDA %	18.5%	27.0%
Valuation Multiple of EBITDA	6.0x	12.0x
Valuation	$8,229,895	$23,324,261
Average Book of Business per Top 25% Producer (CL)	$628,479	$988,207
Value per Top 25% Producer	$697,612	$3,201,791

The competitiveness of the M&A marketplace has made it difficult – and expensive – to acquire agencies. Buyers have long leaned on acquisitions of smaller agencies as a great arbitrage opportunity. Smaller agencies traded at smaller multiples, but buyers received credit for deals in their own valuations at their much higher multiples. But as multiples for smaller agencies climbed – narrowing or, in some cases

eliminating the arbitrage opportunity – producer lift-outs became the last real arbitrage frontier.

The margins on a producer lift-out are generally 40% or 50%. When larger firms can lift out producers for a total economic cost of perhaps 3.0 x revenue, these deals translate to perhaps 6.0 x – 8.0 x EBITDA – a far cry from where agency valuations currently stand.

And while valuations provided the economic incentive, COVID and specialization smoothed the path for producers looking to switch employers. The video-conferencing, work-from-home era ushered in by the pandemic made it clear that remote work is possible (and even desirable in some cases) and broke down geographic barriers to employment. Agents and brokers can now recruit wherever they'd like, freeing them up to cast a broader net in search of key talent. This means producers have more choices as they seek potential employers.

At the same time, our industry has been moving down the path of specialization, particularly in the case of larger producers. The specialized knowledge base, relationships, and experience that make niche-focused producers most effective at writing new business and servicing clients also make them more marketable. Specialized producers are much more effective at starting from scratch with a new broker, leveraging their industry presence and know-how to drive new business.

All of these factors – the ease of movement, the economic and valuation opportunity, the freedom to work from wherever – have upped the ante in the war for talent. And they have given rise to vital questions about the long-term effects of these strategies: Is our industry shifting value from agencies to producers? How do agencies compete for talent without violating the restrictive covenants that protect agency values?

But while these long-term questions will take time to sort out, there are equally important near-term practical implications for agents and brokers. The most pressing of these is the need for equity incentives. More than ever, having established and distributed producer equity plans is key to competing for talent. Best Practices firms with powerful producer equity accumulation opportunities are best positioned to both attract new producers and prevent their current producers from being lifted out. Producers tied in with equity are much less likely to switch squads and are more likely to be long-term contributors.

As Best Practices firms continue to wage the battle for talent, examining their equity offerings is a great place to start. Those without strong equity opportunities can shore up their talent retention, in part, by ensuring that equity and wealth accumulation opportunities are at market levels or stronger and that these opportunities have been communicated to those eligible.

And while we've focused on producer lift-outs in this discussion, Best Practices firms are wise to think about their key account executives and leadership personnel. We have seen key contributors at these levels also become subject to poaching from large competitors. Often it isn't as equity-driven as the producer lift-out scene, but the basic message is the same; retaining and attracting key talent is a lynchpin of success, and Best Practices firms should use all means necessary to get that right.

REMAINING PRIVATE

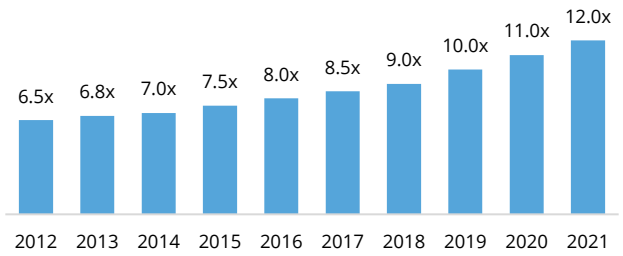
Most, if not all, agency owners are forced to at least think about the same question: should we sell the business to a third party, or should we remain private? Several factors trigger this question, but the number one driver is valuation. The difference between internal values and external values has always existed, but that gap has grown much larger in recent years. Guaranteed multiples are up 50% over the last five years.

Not only are multiples up, but selling to a third-party buyer also often results in higher profit margins for an agency, as discretionary expenses are eliminated, and compensation is rightsized. Combine these two factors and premiums in a third-party sale can exceed 150% of internal valuations. That will cause anyone to stop and think. Other competitive trends shaping our industry, discussed earlier, also contribute to the temptation to

test the third-party waters, but valuation is the top-of-mind factor for most agency owners.

	Internal	Third-Party
Revenue	$5,000,000	$5,000,000
EBITDA	$1,000,000	$1,500,000
Margin	*20%*	*30%*
Guarantee	$9,000,000	$18,000,000
Guarantee Multiple	9.0x	12.0x
Earn-Out	-	$4,500,000
Earn-Out Multiple	0.0x	3.0x
Total Proceeds	$9,000,000	$22,500,000
Premium:	**150%**	

Typical Guaranteed EBITDA Multiples



Source: Reagan Consulting Analysis; Quality $3-$10M agencies

Even with these valuation realities, most agencies are focused on remaining private. And why shouldn't they? The future of the industry has never been brighter. The same killer economics available to third-party buyers are available to an agency's current owners. For the vast majority of agency owners who are committed to independence, what are the Best Practices that will allow them to do so?

To gain insight into this, Reagan Consulting conducted a survey of 45 independent agent and broker CEOs with average revenues of more than $20M. Reagan conducted follow-up conversations with several CEOs to add additional color. Our primary question was this: "What are the five key elements to prospering as a privately held brokerage firm in today's market?" The responses surprised us. It may be that the economics associated with third-party valuations may not be the whole story when it comes to why so many are selling.

Superior, or even competitive, economic returns did not make the list. Clearly, for firms committed to remaining private, providing opportunities for employees and the unique culture provided by an independent agency were the most important factors.

Elements to Prospering as a Privately-Held Firm

Further, Reagan Consulting authored *The Private Ownership Study* in 2010. Following extensive research of some of the most successful privately-held firms, Reagan identified four pillars critical for remaining independent. They were 1) healthy operations, 2) reasonable sellers, 3) able buyers, and 4) an effective transfer mechanism.

Capital structure (a proxy for economic concerns) was next to last in the survey. Has something changed materially in the market since the *Private Ownership Study* was published? We don't think so, but more of that later. Let's focus our attention now on the three primary elements to remaining private: People, Culture and Leadership.

People

In reviewing the survey results and the critical factors identified (people, culture, and leadership), one thing became clear - IT IS ALL ABOUT THE PEOPLE! Without the right people, everything else is irrelevant. Said another way, the CEOs surveyed believe that an agency's *strategic human capital structure* is the most important factor in remaining privately held. When people hear "Strategic human capital structure," many think of HR (payroll, benefits, rules and regulations). That is not what is being described here.

A strategic human capital structure is making HR strategic in recruiting, training, developing and retaining the most important asset to any agent or broker – its people. But what does this mean from a practical perspective?

Five practical initiatives can be implemented to elevate a firm's focus on people. Depending on the size of the firm, a full-time resource might not be available to support each of these initiatives, but agencies that want to prosper and remain privately held should incorporate these elements in some form or fashion in their operations.

1) **Recognize that people are your #1 strategic priority.** Simply put, recruiting, training, developing, and retaining the best people should take precedence over all other initiatives.

2) **Make a Chief People Officer (HR Leader) a strategic member of your leadership team**. This is not someone that manages benefits and payroll, but a key player charged with leading and being held accountable for executing your people strategy. This person should wake up every morning thinking strategically about how the firm can attract more talent and develop its existing talent to grow.

3) **Make HR a part of daily operations.** This is not burdening operations with policies and procedures but working with operational and sales leaders to solve problems and grow the business.

4) **Consider a full-time Talent Acquisition Officer / Recruiter(s).** Given the importance of talent recruitment and development, many firms (especially larger ones) have added dedicated personnel to accomplish the task rather than outsourcing it.

5) **Initiate learning and development programs.** These programs are necessary to ensure new employees receive the required training and, perhaps more importantly, to create opportunities for existing team members to expand their skill sets and take on more responsibility.

Culture

Culture was the second most frequently cited key to prospering and remaining private. What does it mean to have a dynamic culture likely to that support it? Here are four ways to evaluate and address your culture.

- **Staff can articulate your current culture.** If asked, how would your staff define your culture? Even if they can, is it what you think it is or want it to be?

- **Your people are your top priority.** Do your people feel like they come first? Are people your number one strategic priority?

- **Team culture versus individual fiefdoms.** Is your firm a team environment and environment where everyone is pulling in the same direction and looking after one another?

- **Independence is a hallmark.** Being fiercely independent is more than a catchy term that is thrown around. People must see your commitment to independence in your actions. Maybe your ownership team needs to affirm that commitment each year.

Leadership

Lastly, leadership drives a focus on people and a robust culture that is committed to independence. Bookstores are filled with books on how to be a more effective leader. From a high level, most leadership

concepts are often intuitive, but consistent execution is challenging. Can you paint a vision of a firm that makes people its number one strategic priority and maintains a culture of teamwork and independence? If your employees buy into the vision, are they willing to follow you and help you achieve it? There is no substitution for effective leadership, and rarely does a firm prosper without it.

We would be remiss if we did not acknowledge a few other surprises in our CEO survey and the *Private Ownership Study*.

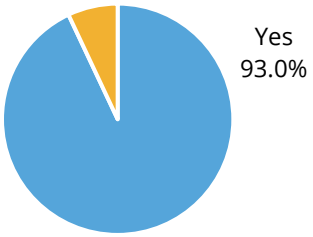
Technology may the second most discussed topic in the industry next to the M&A activity, yet it was ranked seventh out of ten as an element critical to remaining privately held.

In addition, capital structure, the focus of *The Private Ownership Study,* ranked ninth out of ten. Why the low rankings?

There was a question in our *Private Ownership Study* survey that may offer some insight into the role of technology and capital structure in remaining private.

We asked the participants, "With unlimited capital and the right people, can you forever prosper as a privately held firm?" Ninety-three percent of the respondents said, "yes." Clearly, most leaders feel that, with adequate capital and the right people, any technological challenges can be overcome.

With unlimited capital and the right people, can you forever prosper as a privately-held firm?



Source: Reagan's Private Ownership Study

M&A activity is not slowing, and neither are the other competitive pressures in the industry. As a result, the challenges of prospering and remaining an independent agent or broker show no signs of abating. However, we believe that there is a bright future for independent agents and brokers. Even at the high M&A multiples, the long-term financial benefits of a prospering, privately held firm, outpace the financial benefits received from an M&A transaction.

Conclusion

The industry's remarkable performance during the pandemic was yet another confirmation of the importance and relevance of the independent insurance agent & broker ecosystem. Almost three decades of adherence to a Best Practices mentality of continuous improvement undoubtedly helped the industry weather the storm. Rather than resting on their laurels, Best Practices firms must re-double their efforts to tackle the industry's issues and prepare for whatever the future holds.

Key Metrics by Agency Revenue Category

<$1.25M

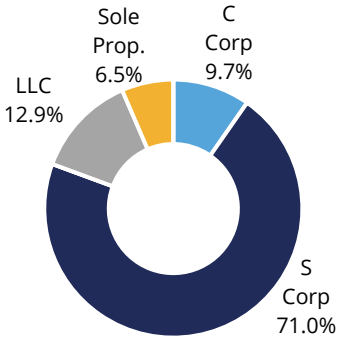
Agencies under $1.25 million in revenue

Profile

Average Revenues

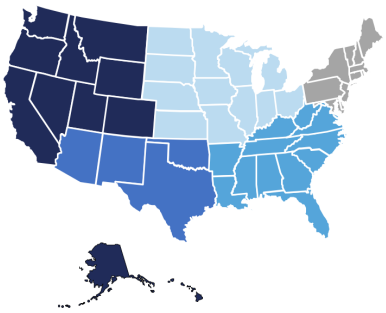
$781,136

Corporate Structure



Regional Distribution

Northeast	12.9%
Midwest	19.4%
West	16.1%
Southeast	45.2%
Southwest	6.5%



Weighted Average Shareholder Age (WASA)

54.8

Average Number of Shareholders

1.5

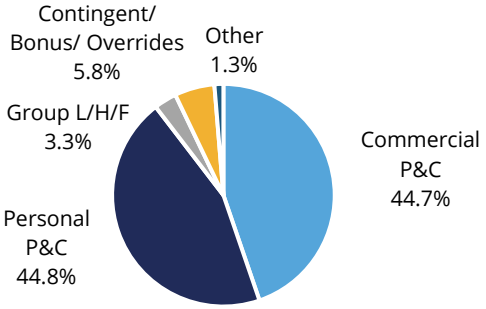
Average Number of Agency Locations

1.2

Revenue and Growth

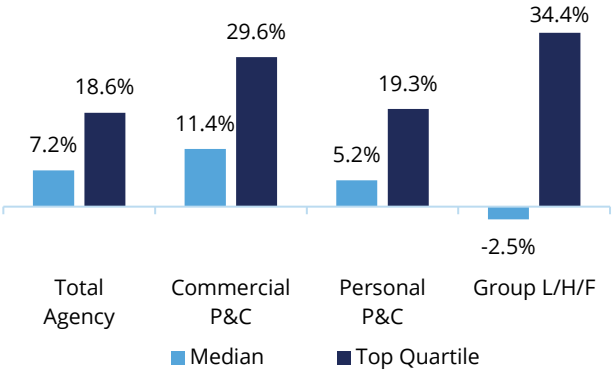
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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

Account Stratification

Commercial P&C

< $5K	61.4%
$5K to $10K	15.4%
$10K to $25K	11.4%
$25K to $50K	6.4%
> $50K	5.5%

Group L/H/F

Under 50 lives	88.2%
From 50-100 lives	11.8%
Over 100 lives	0.0%

Notes

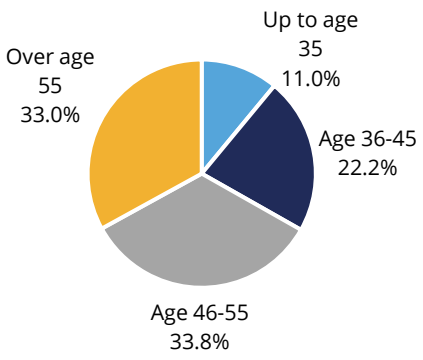
- At only 3.3% of gross revenue, Group L/H/F business continues to be a relatively untapped revenue source for this Best Practices revenue category.
- Agencies under $1.25M in revenue posted the lowest organic growth rate of all Best Practices revenue groups in this year's *Study* (7.2%).

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$33,315	$257,281
Personal P&C	$25,446	$211,046
Life/Health/Financial	*	*
Multi-Line	$34,351	$227,345

Book of Business by Age



Effective NUPP

NUPP **0.6%**

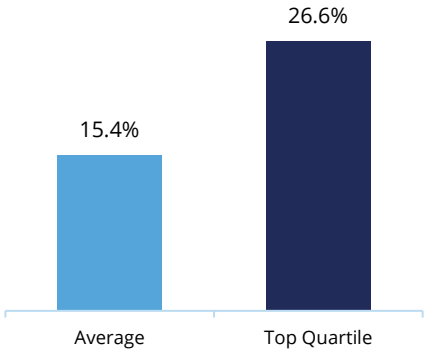
Producer Success Rate **65.9%**

Effective NUPP **0.4%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- Over 66% of this group's book of business is controlled by older producers (>45), the highest concentration among all revenue categories. Getting younger will be a key priority for these agencies.
- For the second straight year, this group scored lowest in NUPP and Effective NUPP, an indication that producer recruitment, hiring, and development continue to lag in these smaller agencies.

Sales Velocity

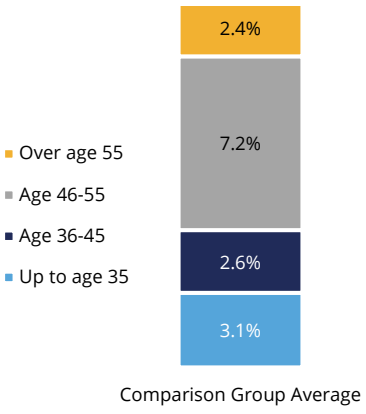
Sales Velocity



Notes & Definitions

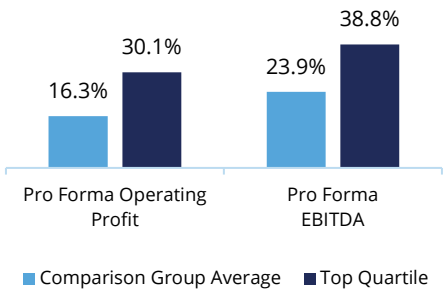
- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

Age Banding of Sales Velocity



Profitability/Productivity

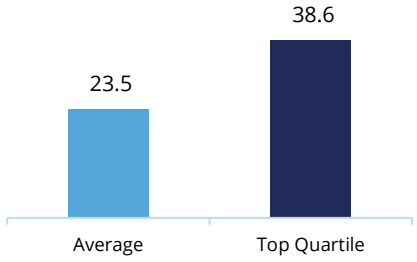
Profitability



Employee Productivity

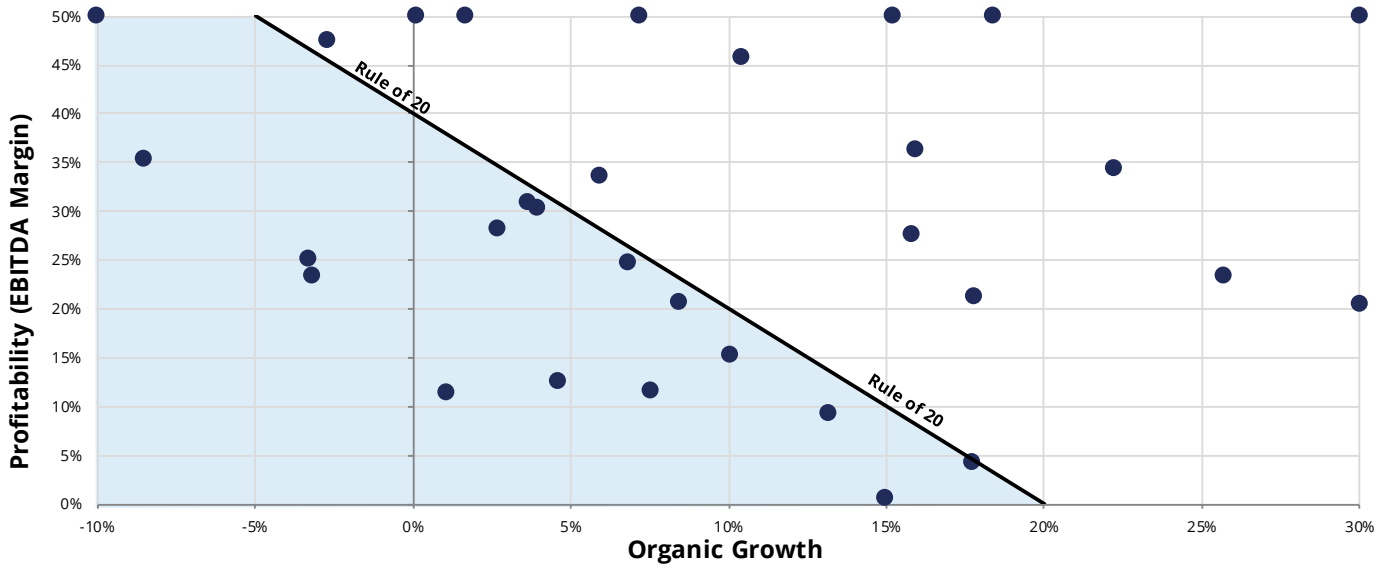
Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	6.4	
Revenue per Employee	$134,607	$200,084
Compensation per Employee	$62,825	$29,940
Spread per Employee	$71,783	$136,507

Rule of 20 Score



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

Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 30% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

Key Metrics by Agency Revenue Category

$1.25-2.5M

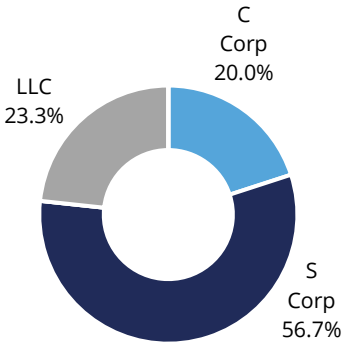
Agencies between $1.25 and $2.5 million in revenue

Profile

Average Revenues

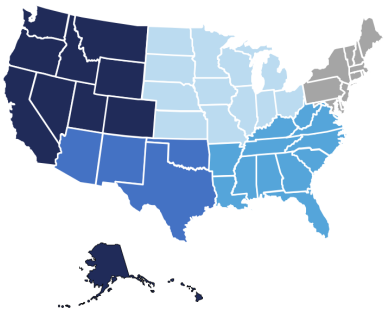
$1,845,007

Corporate Structure



Regional Distribution

Northeast	30.0%
Midwest	30.0%
West	3.3%
Southeast	26.7%
Southwest	10.0%



Weighted Average Shareholder Age (WASA)

50.8

Average Number of Shareholders

2.0

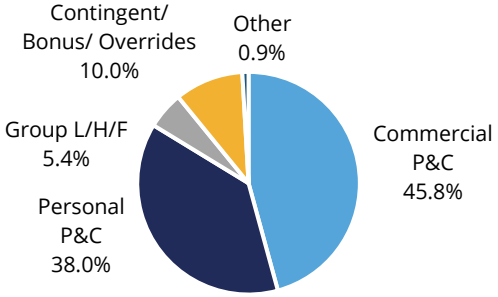
Average Number of Agency Locations

2.3

Revenue and Growth

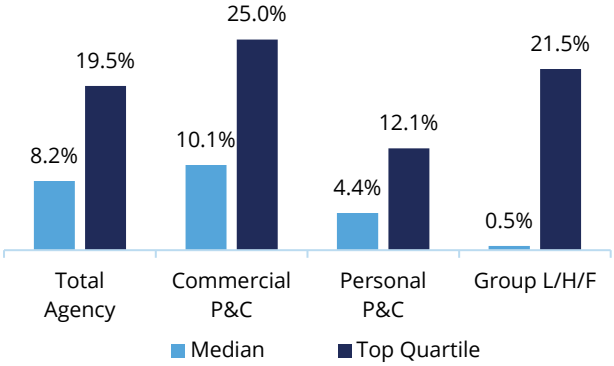
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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

Account Stratification

Commercial P&C

< $5K	55.6%
$5K to $10K	14.7%
$10K to $25K	12.7%
$25K to $50K	8.8%
> $50K	8.3%

Group L/H/F

Under 50 lives	84.0%
From 50-100 lives	8.3%
Over 100 lives	7.7%

Notes

- This is the smallest revenue size group for which commercial P&C commissions and fees exceed that of personal lines.
- A majority of both CL and EB books are comprised of small accounts (under $5K for CL and <50 lives for EB).

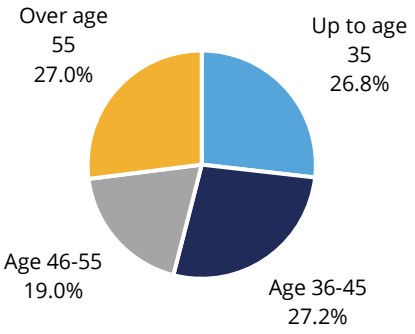
$1.25-2.5M

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$31,228	$181,662
Personal P&C	$43,506	$231,815
Life/Health/Financial	$120,318	$312,333
Multi-Line	$62,390	$280,098

Book of Business by Age



Effective NUPP

NUPP **1.1%**

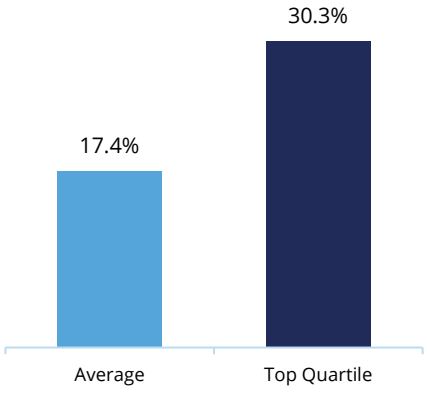
Producer Success Rate **58.1%**

Effective NUPP **0.6%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- This revenue category posted the highest Sales Velocity in this year's *Best Practices Study* (17.4%).
- This revenue category's L/H/F new business per producer results ($120,318) were the second highest in this year's *Best Practices Study*, trailing only the $25M+ revenue group.

Sales Velocity

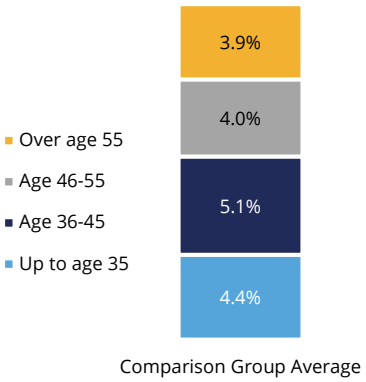
Sales Velocity



Notes & Definitions

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

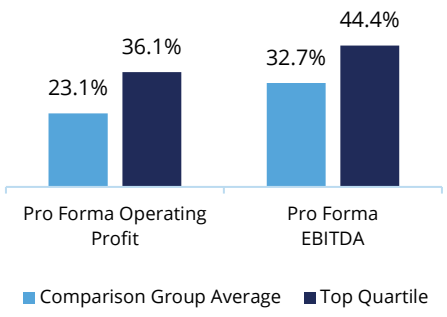
Age Banding of Sales Velocity



$1.25-2.5M

Profitability/Productivity

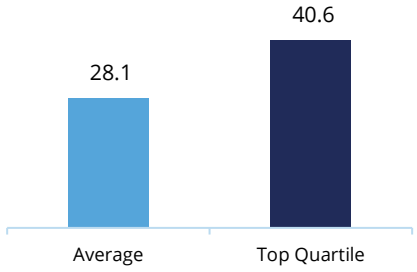
Profitability



Employee Productivity

Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	12.9	
Revenue per Employee	$161,153	$229,835
Compensation per Employee	$72,758	$51,144
Spread per Employee	$88,395	$151,839

Rule of 20 Score



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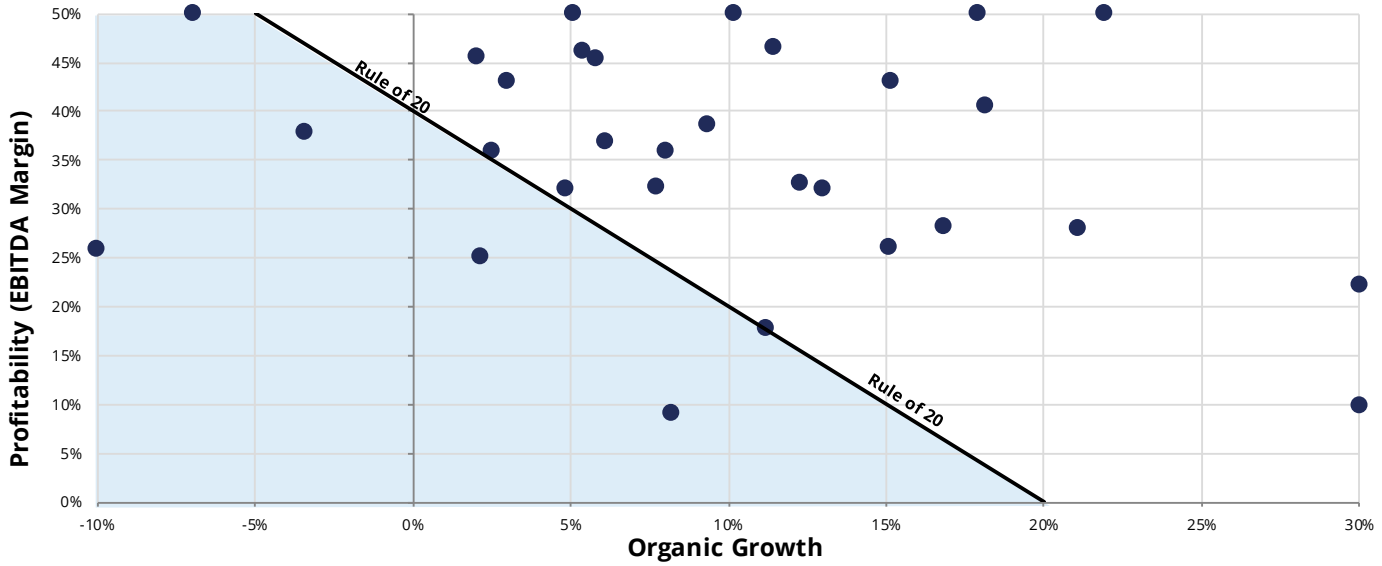
- The graph below provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 30% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

Key Metrics by Agency Revenue Category

$2.5-5M

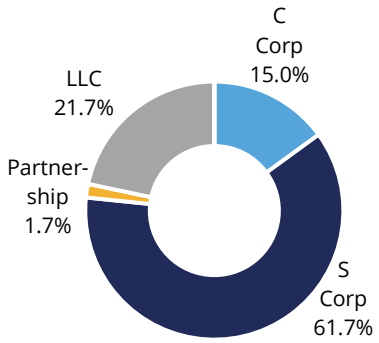
Agencies between $2.5 and $5 million in revenue

Profile

Average Revenues

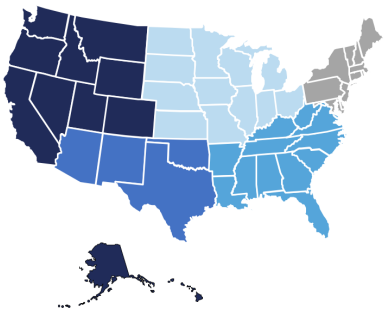
$3,608,575

Corporate Structure



Regional Distribution

Northeast	9.8%
Midwest	27.9%
West	8.2%
Southeast	37.7%
Southwest	16.4%



Weighted Average Shareholder Age (WASA)

54.1

Average Number of Shareholders

3.3

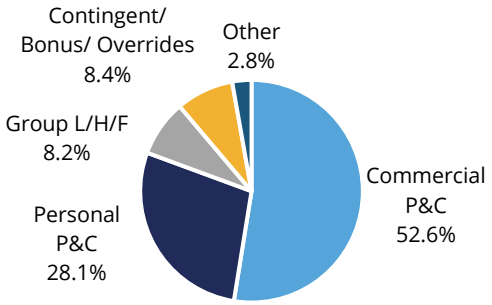
Average Number of Agency Locations

2.4

Revenue and Growth

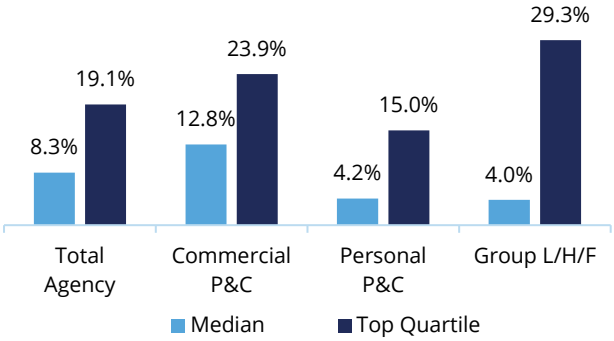
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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

Account Stratification

Commercial P&C

< $5K	41.6%
$5K to $10K	14.3%
$10K to $25K	17.8%
$25K to $50K	11.5%
> $50K	14.8%

Group L/H/F

Under 50 lives	64.5%
From 50-100 lives	16.2%
Over 100 lives	19.3%

Notes

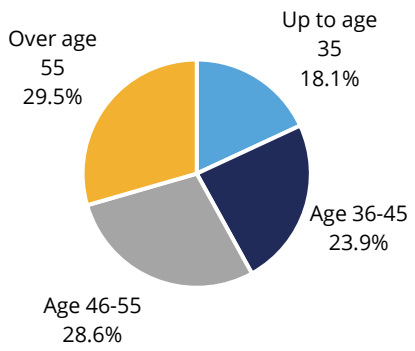
- BPS firms with $2.5–$5M in revenue generate 89% of their gross revenues from property & casualty commissions and contingencies.
- Agencies in this revenue category posted median organic growth of 8.3% - outperforming the two smaller revenue categories but lagging the three larger revenue categories.

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$75,066	$538,267
Personal P&C	$34,552	$213,824
Life/Health/Financial	$86,218	$261,218
Multi-Line	$54,769	$457,169

Book of Business by Age



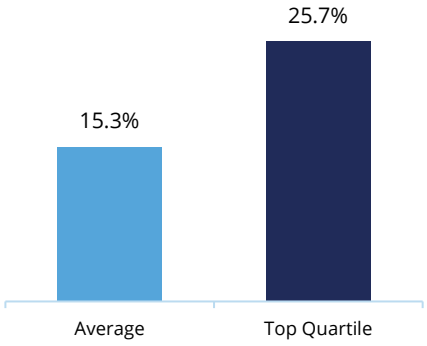
Effective NUPP

NUPP	Producer Success Rate	Effective NUPP
0.9%	**64.0%**	**0.6%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- This revenue category had the second highest proportion of its book of business produced by producers aged 35 or younger (18.1%).
- Driven in part by strong performance of younger producers, this revenue category had the second lowest NUPP (0.9%) and Effective NUPP (0.6%). Only the smallest revenue category invested less in unvalidated producers.

Sales Velocity

Sales Velocity



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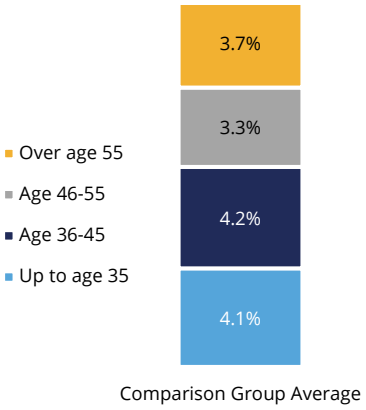
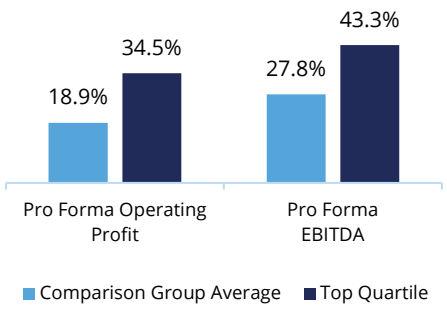
Age Banding of Sales Velocity



$2.5-5M

Profitability/Productivity

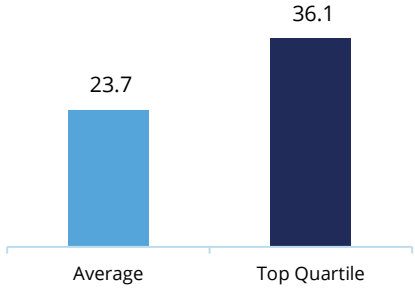
Profitability



Employee Productivity

Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	21.9	
Revenue per Employee	$176,214	$235,687
Compensation per Employee	$96,182	$63,134
Spread per Employee	$80,032	$127,075

Rule of 20 Score



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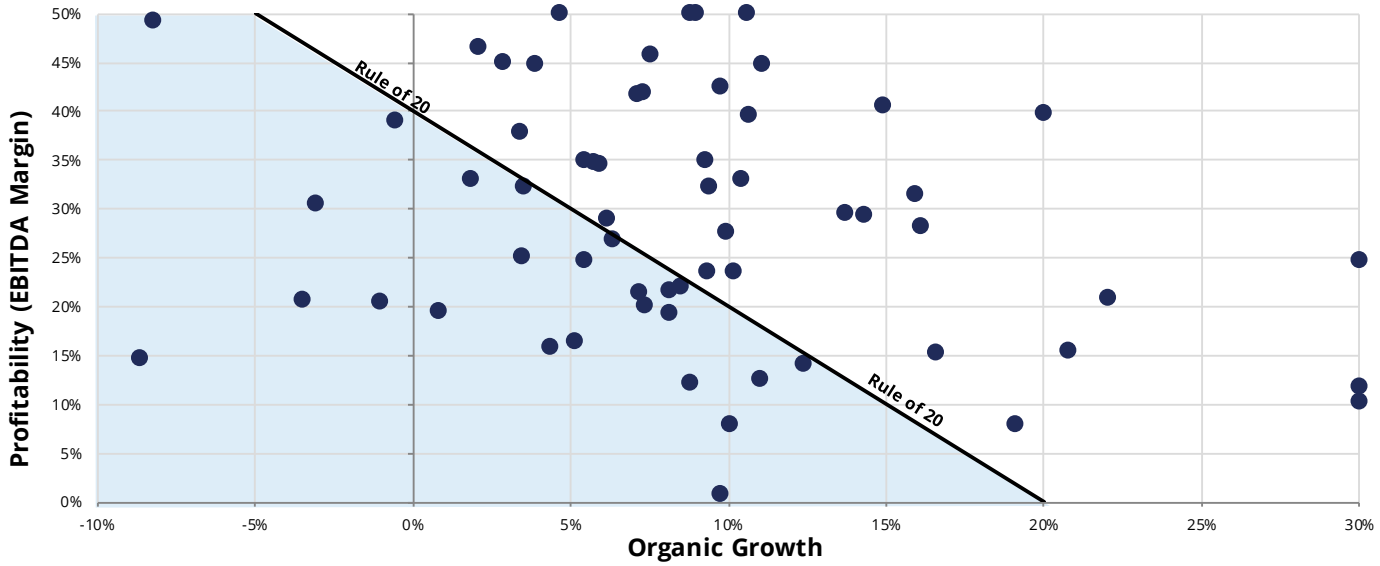


Note: Firms identified as outliers have been set to have a maximum growth of 30% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

Key Metrics by Agency Revenue Category

$5-10M

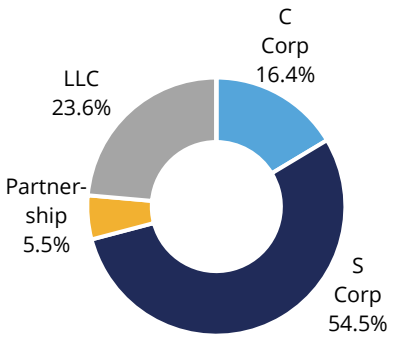
Agencies between $5 and $10 million in revenue

Profile

Average Revenues

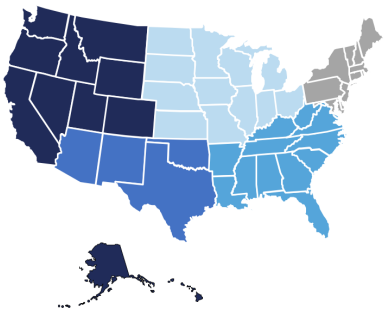
$7,198,846

Corporate Structure



Regional Distribution

Northeast	18.2%
Midwest	16.4%
West	14.5%
Southeast	32.7%
Southwest	18.2%



Weighted Average Shareholder Age (WASA)

51.0

Average Number of Shareholders

3.6

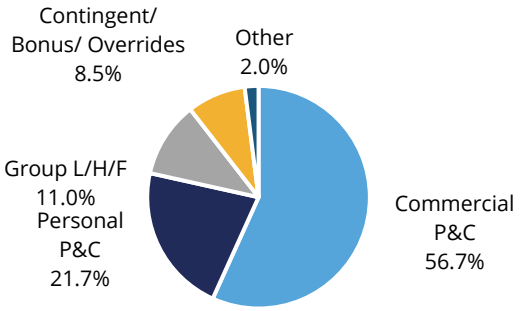
Average Number of Agency Locations

2.4

Revenue and Growth

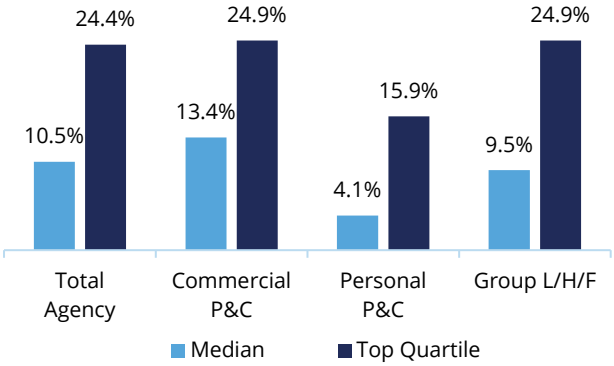
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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

Account Stratification

Commercial P&C

< $5K	34.3%
$5K to $10K	13.6%
$10K to $25K	18.0%
$25K to $50K	13.4%
> $50K	20.8%

Group L/H/F

Under 50 lives	52.6%
From 50-100 lives	18.4%
Over 100 lives	28.9%

Notes

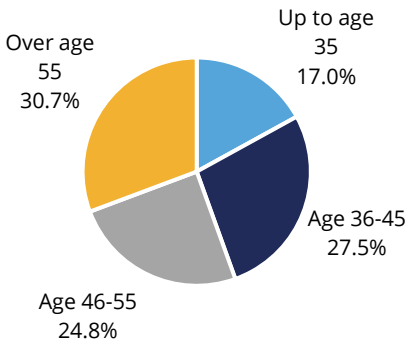
- Commercial P&C accounted for a similar proportion of gross revenues (56.7%) for $5–10M revenue firms as for firms with $10–25M (57.6%) and Over $25M (58.1%) in revenue.
- Agencies with $5–10M in revenues posted the strongest median organic growth rate (10.5%) of any size category.

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$86,235	$575,260
Personal P&C	$58,407	$294,946
Life/Health/Financial	$74,315	$482,569
Multi-Line	$56,530	$478,804

Book of Business by Age



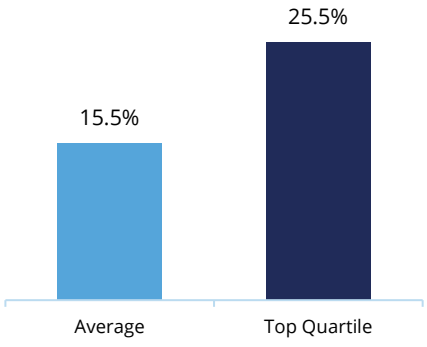
Effective NUPP

NUPP	Producer Success Rate	Effective NUPP
1.2%	**54.2%**	**0.7%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- This revenue category had the second highest proportion of its book of business produced by producers aged 45 or younger (44.5%), trailing only the $1.25–2.5M category (54.0%).
- $5–10M revenue firms posted the third lowest producer success rate, surpassing only the two larger revenue categories.

Sales Velocity

Sales Velocity



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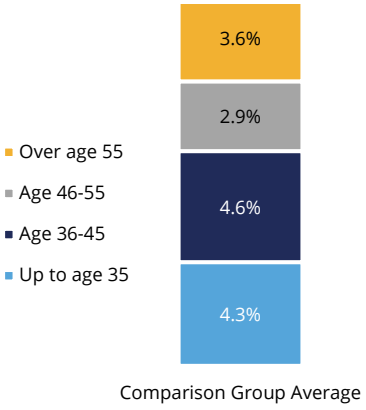
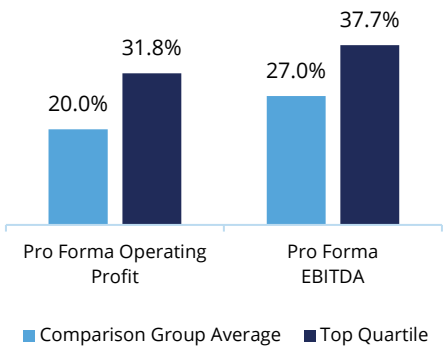
Age Banding of Sales Velocity



Profitability/Productivity

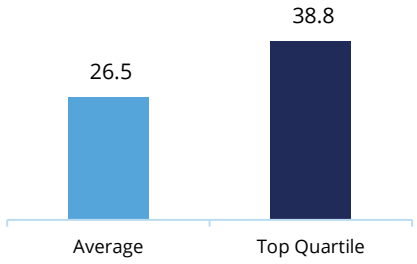
Profitability



Employee Productivity

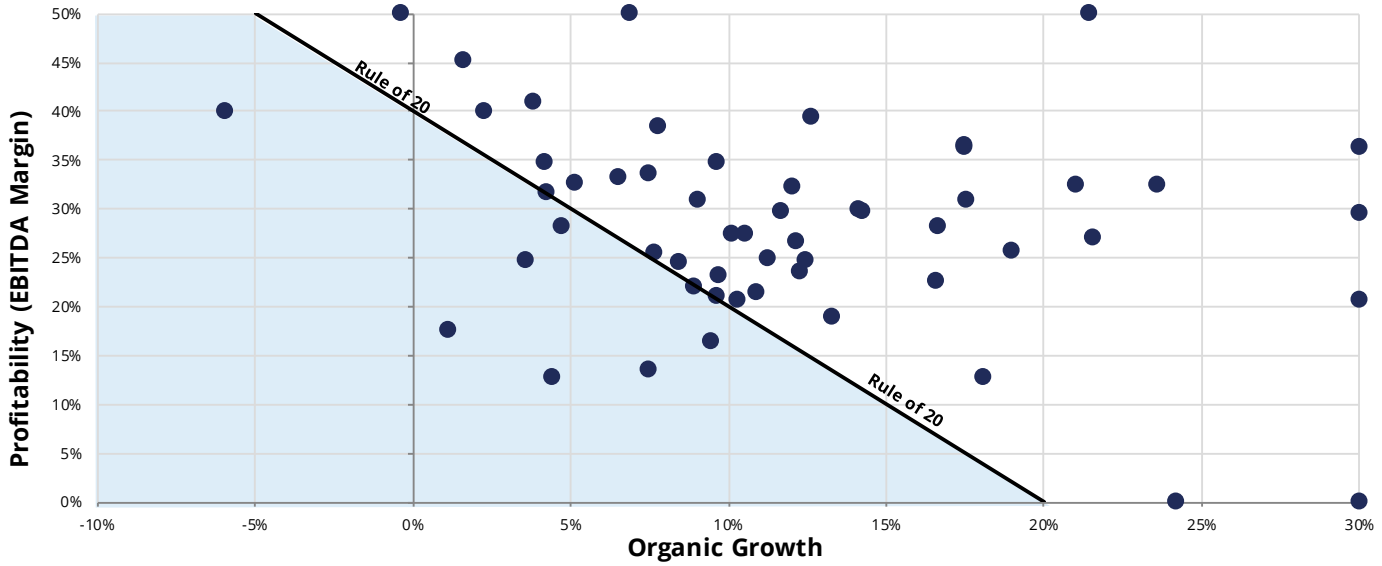
Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	38.9	
Revenue per Employee	$195,961	$265,579
Compensation per Employee	$111,528	$80,642
Spread per Employee	$84,432	$129,988

Rule of 20 Score



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

Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 30% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

Key Metrics by Agency Revenue Category

$10-25M

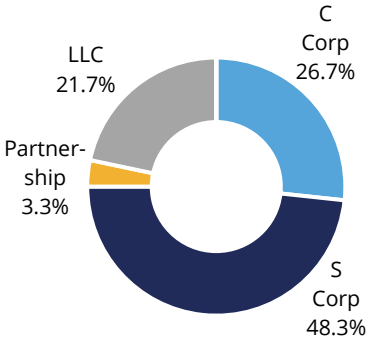
Agencies between $10 and $25 million in revenue

Profile

Average Revenues

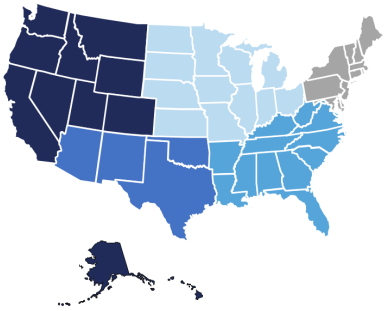
$15,844,262

Corporate Structure



Regional Distribution

Northeast	23.3%
Midwest	11.7%
West	16.7%
Southeast	33.3%
Southwest	15.0%



Weighted Average Shareholder Age (WASA)

55.0

Average Number of Shareholders

6.2

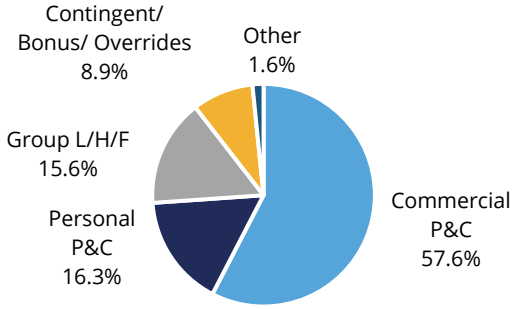
Average Number of Agency Locations

4.8

Revenue and Growth

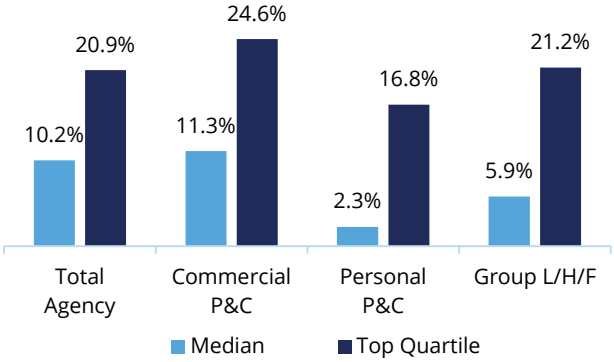
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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

Account Stratification

Commercial P&C

< $5K	25.1%
$5K to $10K	11.3%
$10K to $25K	17.9%
$25K to $50K	15.1%
> $50K	30.6%

Group L/H/F

Under 50 lives	41.7%
From 50-100 lives	20.6%
Over 100 lives	37.7%

Notes

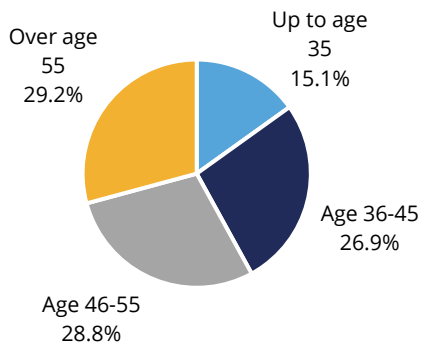
- This category increased its organic growth from 4.0% last year to over 10% this year, supported by an increase in revenue from fast-growing commercial lines business (57.6% this year versus 52.8% last year).
- $10-$25M firms delivered the 2nd highest organic growth rate of any size category with 10.2%. This double-digit growth rate was achieved despite a personal lines growth rate of 2.3%, which was approximately 1.8% below the next lowest personal lines organic growth rate.

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$105,005	$773,998
Personal P&C	$51,371	$285,201
Life/Health/Financial	$97,996	$737,383
Multi-Line	$82,340	$673,337

Book of Business by Age



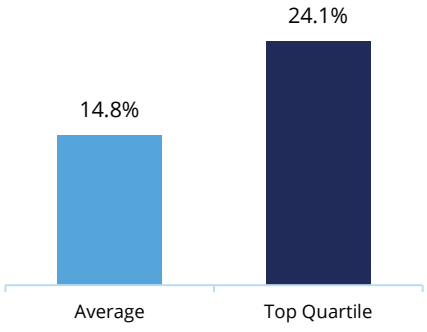
Effective NUPP

NUPP	Producer Success Rate	Effective NUPP
1.2%	**53.8%**	**0.9%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- Effective NUPP rose from 0.7% last year to 0.9% this year, giving $10-$25 million the highest effective producer investment of any BPS size category.
- Even with the relatively strong producer investment, this size category produced the lowest sales velocity of any size category at 14.8%, trailing performing category ($1.25-$2.5 million) by 2.6%.

Sales Velocity

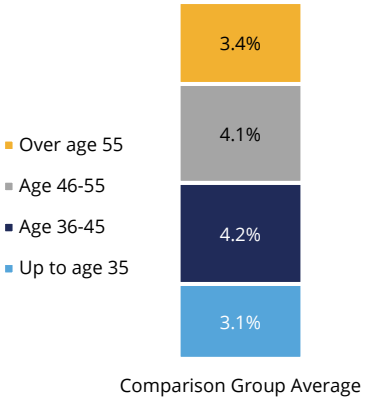
Sales Velocity



Notes & Definitions

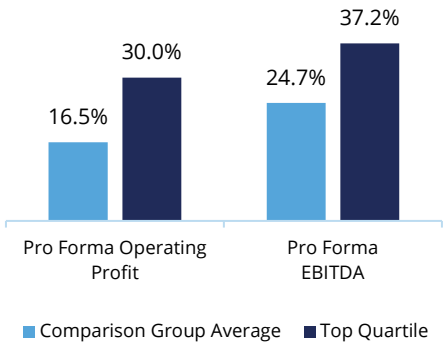
- Sales Velocity is a critical metric in determining organic growth. It is defined as this year's written new business *divided by* last year's commissions and fees.
- Age Banding of Sales Velocity can help a firm assess where new business and growth are coming from and prepare for perpetuation.

Age Banding of Sales Velocity



Profitability/Productivity

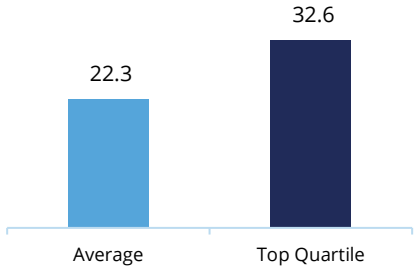
Profitability



Employee Productivity

Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	76.8	
Revenue per Employee	$215,103	$280,870
Compensation per Employee	$103,814	$89,502
Spread per Employee	$84,289	$121,068

Rule of 20 Score



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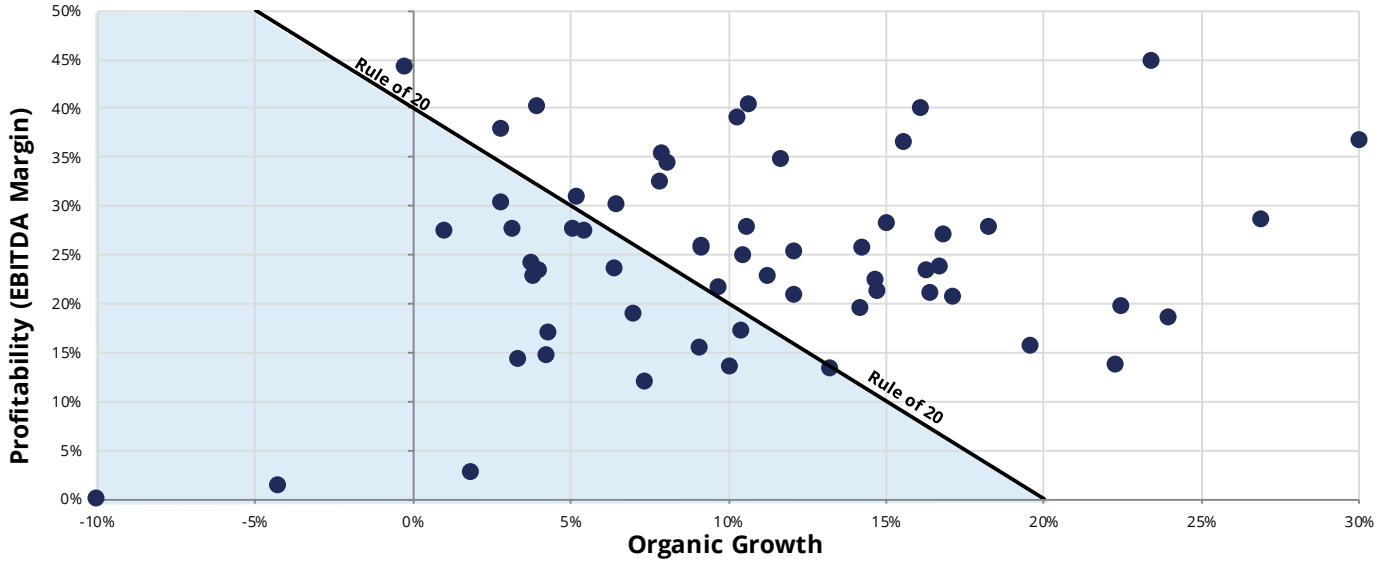
- The graph below provides a look at the Rule of 20 results for agencies in this revenue category. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20.

Organic Growth & Profitability Scatter Plot



Note: Firms identified as outliers have been set to have a maximum growth of 30% or a maximum profitability of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.

Key Metrics by Agency Revenue Category

>$25M

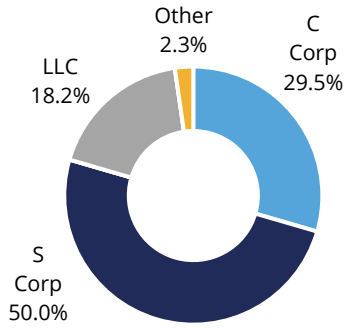
Agencies over $25 million in revenue

Profile

Average Revenues

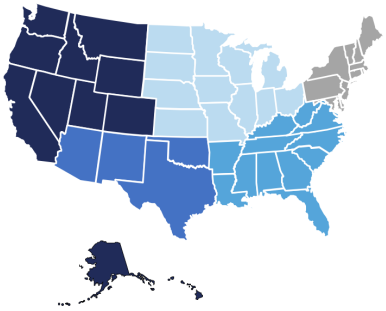
$78,877,265

Corporate Structure



Regional Distribution

Northeast	22.2%
Midwest	35.6%
West	15.6%
Southeast	17.8%
Southwest	8.9%



Weighted Average Shareholder Age (WASA)

52.5

Average Number of Shareholders

28.8

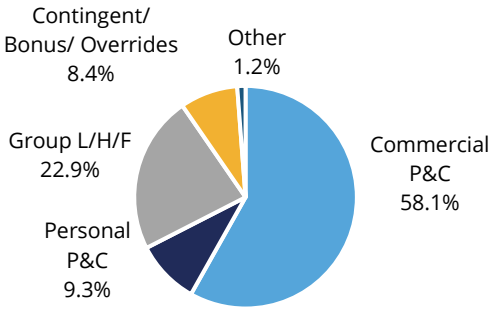
Average Number of Agency Locations

13.8

Revenue and Growth

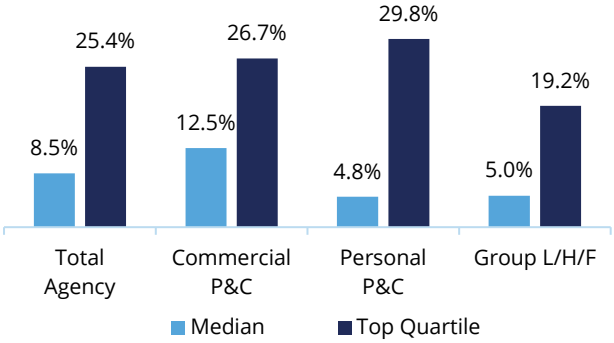
Revenue Distribution

(as a % of Gross Revenue)



Organic Growth in Net Commissions & Fees

(excluding contingents, bonuses & overrides)



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Account Stratification

Commercial P&C

< $5K	16.0%
$5K to $10K	8.0%
$10K to $25K	15.4%
$25K to $50K	14.0%
> $50K	46.6%

Group L/H/F

Under 50 lives	28.1%
From 50-100 lives	16.5%
Over 100 lives	55.4%

Notes

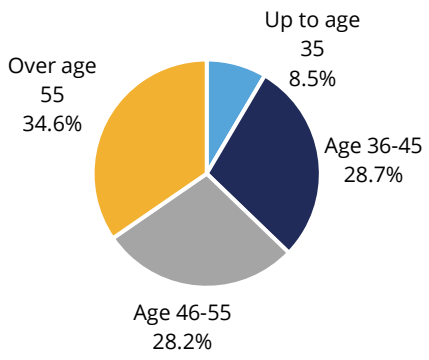
- Firms over $25M have a much greater concentration of life & health business than other size categories, generating 23.0% of revenue from L/H/F commissions & fees. This is over 7% higher than any other category.
- The higher concentration of benefits revenue, though, may also explain why the >$25M firms generated a middle-of-the-pack organic growth result at 8.5%, ranking 3rd across size categories. Benefits organic growth (5.0%) was well below commercial lines (12.5%).

Production

Book of Business per Producer
(commissions and fees)

	New Business	*Average Book*
Commercial P&C	$146,050	$1,359,074
Personal P&C	$91,603	$415,954
Life/Health/Financial	$158,364	$1,230,294
Multi-Line	$82,574	$1,143,501

Book of Business by Age



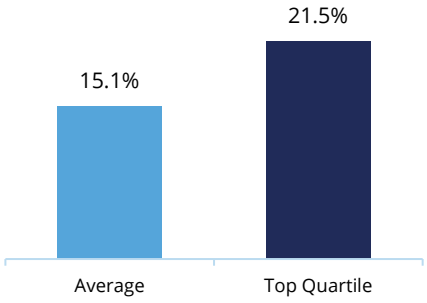
Effective NUPP

NUPP	Producer Success Rate	Effective NUPP
1.5%	**50.4%**	**0.8%**

- Effective NUPP, which is the product of an agency's investment in unvalidated producers (NUPP) and success rate in hiring producers (Producer Success Rate), is expressed as a percentage of net revenue. It is the best overall measure of an agency's effectiveness in recruiting and developing sales talent.
- Firms over $25M have the oldest producers (WAPA of 50.4), but also the producers with the largest average book size. Commercial lines producers average book serviced is $1,359,074, over $500,000 more than any other size category.
- This size category reported the second-lowest sales velocity at 15.1% and the lowest top-quartile sales velocity. Firms over $25M also struggle with sales velocity contributions from younger producers versus other categories – the 2.0% sales velocity from producers under 35 is the lowest of all size categories and the only result under 3.0%.

Sales Velocity

Sales Velocity



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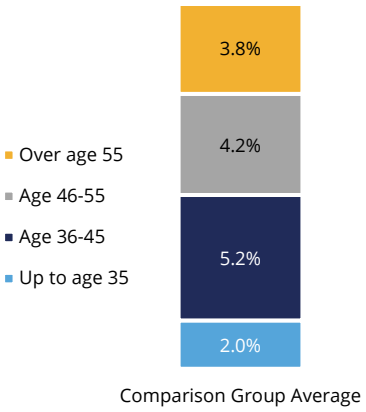
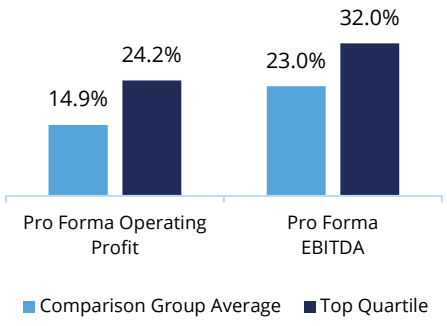


Profitability/Productivity

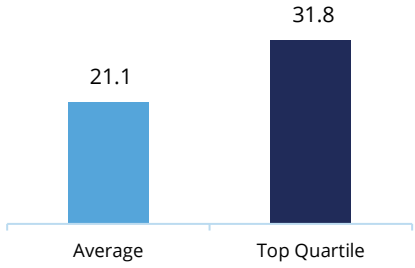
Profitability



Employee Productivity

Pro Forma Metrics:	*Average*	*Top Quartile*
Number of Employees	286.6	
Revenue per Employee	$256,811	$360,214
Compensation per Employee	$161,882	$125,152
Spread per Employee	$94,929	$149,138

Rule of 20 Score



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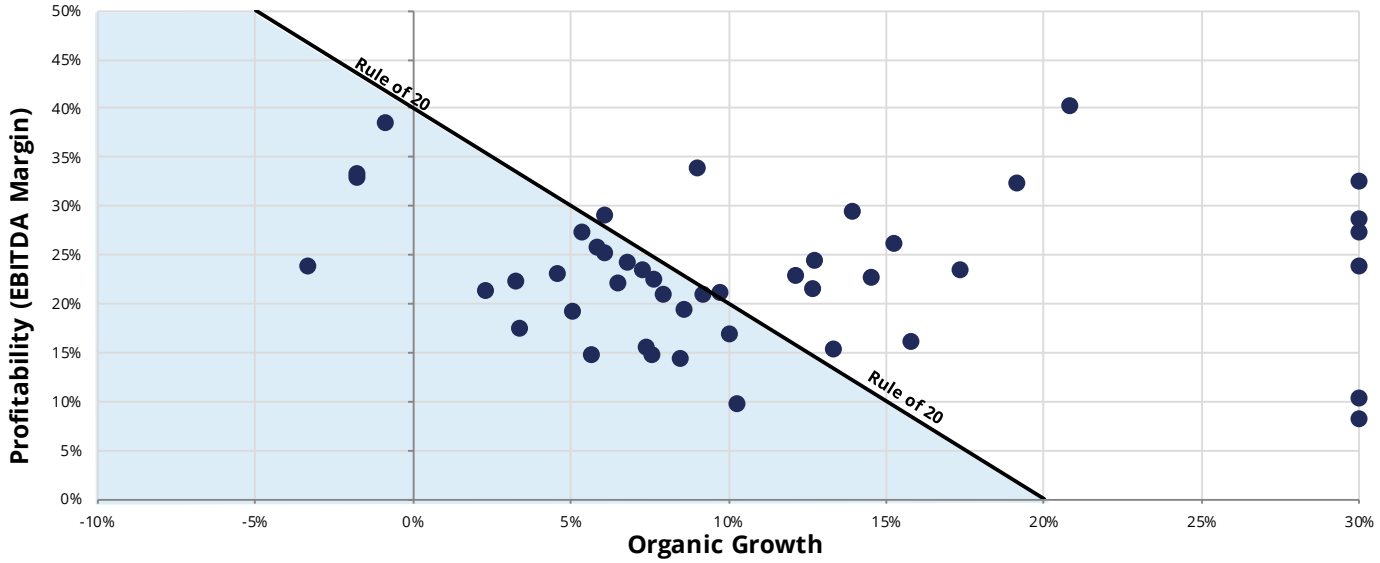

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>$25M

Cross Category Comparison

Detailed Data for All Revenue Categories

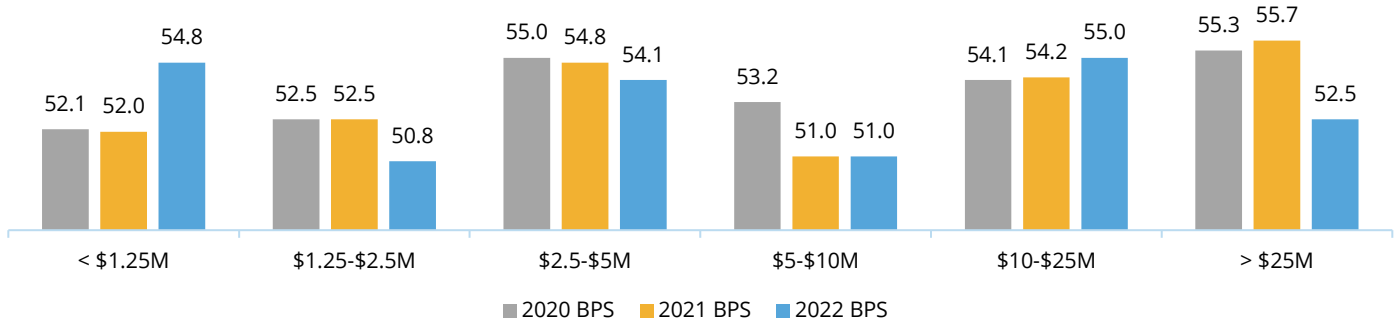
2022

Best Practices Study

Profile

	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Average Revenues	**$781,136**	**$1,845,007**	**$3,608,575**	**$7,198,846**	**$15,844,262**	**$78,877,265**
2021 BPS Average Revenues	*$908,048*	*$1,815,885*	*$3,687,292*	*$7,289,517*	*$15,857,832*	*$62,554,525*
Regional Distribution						
Northeast	12.9%	30.0%	9.8%	18.2%	23.3%	22.2%
Midwest	19.4%	30.0%	27.9%	16.4%	11.7%	35.6%
West	16.1%	3.3%	8.2%	14.5%	16.7%	15.6%
Southeast	45.2%	26.7%	37.7%	32.7%	33.3%	17.8%
Southwest	6.5%	10.0%	16.4%	18.2%	15.0%	8.9%
Corporate Structure						
C Corp	9.7%	20.0%	15.0%	16.4%	26.7%	29.5%
S Corp	71.0%	56.7%	61.7%	54.5%	48.3%	50.0%
Partnership	0.0%	0.0%	1.7%	5.5%	3.3%	0.0%
LLC	12.9%	23.3%	21.7%	23.6%	21.7%	18.2%
Sole Proprietorship	6.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	2.3%
Population Density:						
Less than 50,000	45.2%	50.0%	36.7%	32.7%	26.7%	13.6%
50,000 - 250,000	25.8%	33.3%	35.0%	25.5%	23.3%	18.2%
250,000 - 1,000,000	12.9%	6.7%	8.3%	16.4%	20.0%	36.4%
More than 1,000,000	16.1%	10.0%	20.0%	25.5%	30.0%	31.8%
Average Number of Agency Locations	1.2	2.3	2.4	2.4	4.8	13.8
Number of Shareholders:						
Low	1.0	1.0	1.0	1.0	1.0	1.0
Average	1.5	2.0	3.3	3.6	6.2	28.8
High	3.0	9.0	25.0	11.0	25.0	239.0
Profile of Largest Shareholder:						
Average Age of Largest Shareholder:						
Low	36.0	31.0	39.0	35.0	41.0	32.0
Average	57.5	54.0	59.9	60.2	62.8	61.7
High	82.0	77.0	79.0	84.0	84.0	83.0
Average Ownership of Largest SH:						
Low	40.0%	11.2%	25.0%	17.0%	12.5%	1.9%
Average	85.5%	76.9%	65.3%	59.2%	56.4%	38.1%
High	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
What percentage of firms have an ESOP?	0.0%	0.0%	0.0%	3.9%	2.0%	28.2%
WASA	54.8	50.8	54.1	51.0	55.0	52.5

WASA: Weighted Average Shareholder Age



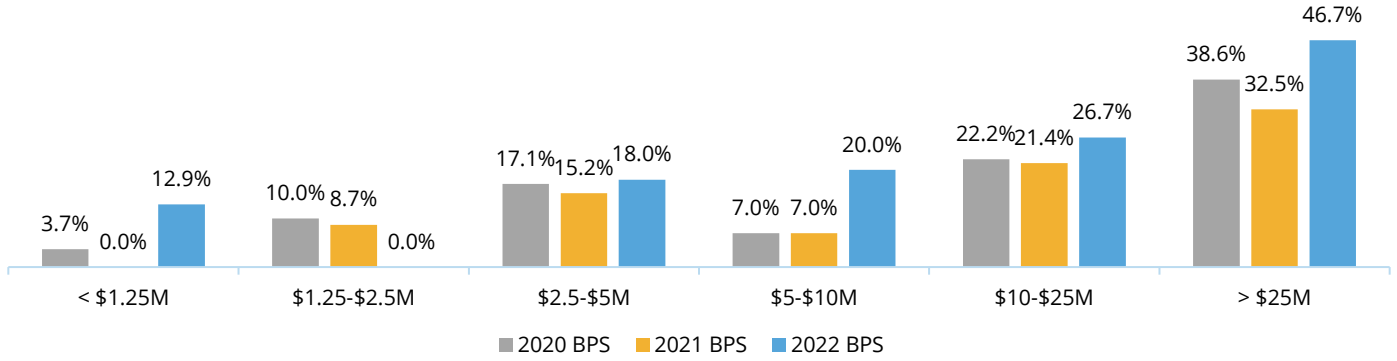
Revenue Overview

	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Revenue by Source (as % of Gross Revenues):						
Property & Casualty:						
Commercial Commissions & Fees	43.7%	45.5%	50.0%	54.6%	55.5%	55.2%
Bonds/Surety	1.0%	0.3%	2.5%	2.1%	2.1%	2.9%
Personal Commissions & Fees	44.8%	38.0%	28.1%	21.7%	16.3%	9.3%
Contingent/Bonus	5.6%	10.0%	8.1%	8.2%	8.1%	6.9%
Total P&C	**95.2%**	**93.8%**	**88.8%**	**86.7%**	**82.0%**	**74.3%**
Life & Health/Financial:						
Group Medical Comm & Fees	1.5%	2.2%	5.5%	8.1%	11.0%	15.1%
All Other Group Comm & Fees	0.2%	0.1%	1.1%	2.0%	3.6%	6.3%
Individual L/H/F Comm & Fees	1.6%	3.1%	1.6%	0.9%	1.0%	1.6%
Bonus/Overrides	0.2%	0.0%	0.3%	0.3%	0.8%	1.5%
Total L&H/Financial	**3.5%**	**5.3%**	**8.5%**	**11.3%**	**16.4%**	**24.5%**
Investment	0.5%	0.2%	0.6%	0.6%	0.7%	0.6%
Miscellaneous	0.8%	0.7%	2.2%	1.4%	0.9%	0.6%
Gross Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Brokerage Comm Expense	0.4%	0.5%	1.0%	1.1%	1.2%	1.6%
Net Revenues	**99.6%**	**99.5%**	**99.0%**	**98.9%**	**98.8%**	**98.4%**
All Other Group L/H/F Revenue:						
Life	30.1%	17.1%	25.8%	18.3%	18.8%	17.8%
Disability	25.8%	22.9%	16.9%	14.5%	15.9%	17.7%
Dental & Vision	19.2%	36.1%	39.0%	36.3%	30.2%	30.0%
Retirement/Pension	0.0%	3.2%	0.2%	1.4%	6.1%	5.2%
Worksite/Voluntary/Supplement	0.0%	10.1%	5.1%	12.7%	8.9%	13.5%
Long Term Care	0.0%	4.6%	0.6%	2.1%	0.7%	1.6%
Employee Benefits TPA	0.0%	1.6%	3.7%	0.5%	3.5%	1.2%
All Other	25.0%	4.4%	8.8%	14.1%	15.7%	13.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

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

Acquisitions

% of Agencies Making Acquisitions in Last Fiscal Year

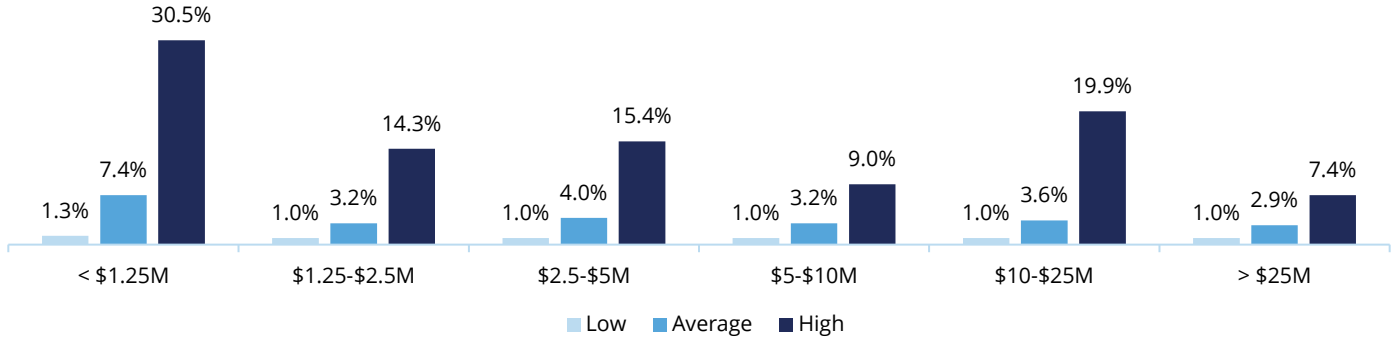


	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
% of Agencies Making Acquisitions in the Last Fiscal Year:	12.9%	0.0%	18.0%	20.0%	26.7%	46.7%
Average Annualized Commissions Acquired:	$147,018	*	$779,274	$1,178,041	$1,124,167	$14,880,682

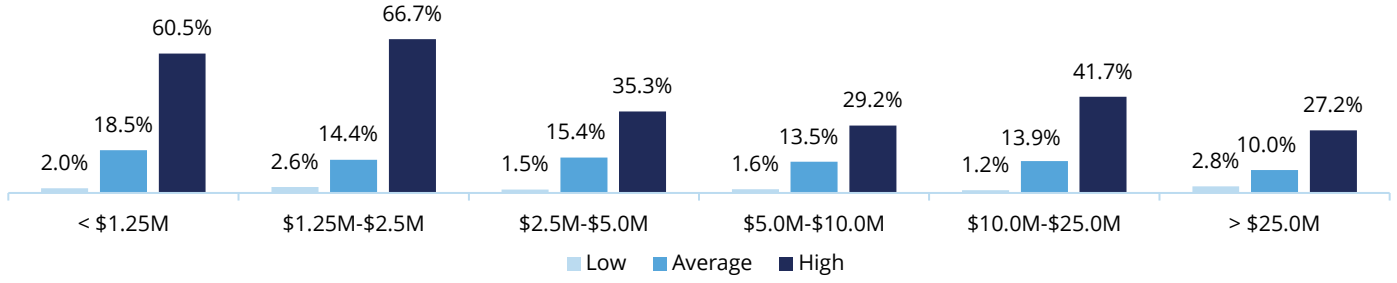
**Insufficient Data*

Account Information

Largest Single Accounts (% of Net Revenues)



Ten Largest Accounts (% of Net Revenues)

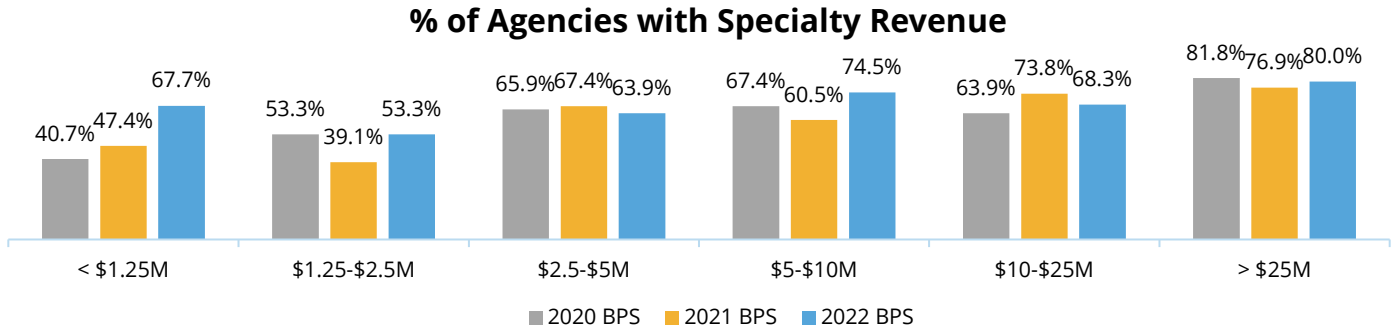


Account Stratification

	AGENCIES WITH REVENUES OF:					
Account Size:	**<$1.25M**	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Commercial P&C						
**as measured by commissions and fees*						
Greater than $50,000						
% of Book	5.5%	8.3%	14.8%	20.8%	30.6%	46.6%
# of Accounts	0.3	0.9	4.8	9.2	32.9	148.3
Total Revenue	$39,682	$72,979	$415,943	$874,822	$3,620,063	$25,138,090
Revenue per Account	$121,294	$70,335	$87,212	$92,128	$108,294	$136,828
Between $25,000 and $50,000						
% of Book	6.4%	8.8%	11.5%	13.4%	15.1%	14.0%
# of Accounts	1.2	2.4	8.5	17.9	52.2	148.3
Total Revenue	$35,317	$77,689	$274,721	$608,289	$1,803,148	$5,194,355
Revenue per Account	$30,821	$33,357	$33,461	$33,520	$34,558	$34,843
Between $10,000 & $25,000						
% of Book	11.4%	12.7%	17.8%	18.0%	17.9%	15.4%
# of Accounts	3.8	8.3	29.7	54.8	156.0	329.4
Total Revenue	$50,153	$116,817	$428,795	$834,305	$2,273,118	$5,157,022
Revenue per Account	$14,197	$14,246	$14,819	$15,278	$15,117	$15,594
Between $5,000 & $10,000						
% of Book	15.4%	14.7%	14.3%	13.6%	11.3%	8.0%
# of Accounts	9.8	21.7	45.4	87.2	174.2	363.9
Total Revenue	$63,096	$143,118	$312,713	$600,750	$1,260,952	$2,584,455
Revenue per Account	$6,849	$6,658	$7,013	$6,978	$7,136	$7,162
Less than $5,000						
% of Book	61.4%	55.6%	41.6%	34.3%	25.1%	16.0%
# of Accounts	620.4	1,171.0	1,122.2	1,750.6	3,319.3	6,128.7
Total Revenue	$281,061	$583,443	$1,048,700	$1,415,678	$2,358,378	$4,849,555
Revenue per Account	$644	$785	$1,004	$956	$905	$950
Group L/H/F						
**as measured by number of lives*						
Over 100 Lives						
% of Book	0.0%	7.7%	19.3%	28.9%	37.7%	55.4%
# of Accounts	0.0	0.1	4.0	20.4	23.4	139.8
Total Revenue	$0	$15,978	$85,932	$402,073	$1,111,925	$10,232,366
Revenue per Account	$0	$15,179	$21,413	$33,745	$58,909	$70,414
50-100 Lives						
% of Book	11.8%	8.3%	16.2%	18.4%	20.6%	16.5%
# of Accounts	0.3	0.4	5.3	10.7	28.0	93.5
Total Revenue	$4,806	$8,240	$68,572	$184,786	$448,186	$2,136,421
Revenue per Account	$4,056	$3,843	$9,610	$14,906	$22,271	$24,773
Under 50 Lives						
% of Book	88.2%	84.0%	64.5%	52.6%	41.7%	28.1%
# of Accounts	17.3	30.1	67.3	119.3	238.5	664.3
Total Revenue	$23,441	$50,760	$209,476	$392,714	$819,294	$4,040,245
Revenue per Account	$2,010	$1,788	$2,723	$8,151	$5,557	$11,685

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

Specialization



	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
% of Agencies with Specialty Rev	67.7%	53.3%	63.9%	74.5%	68.3%	80.0%
Average Total Specialty Revenue[1]	$211,199	$510,136	$1,246,154	$3,207,459	$6,716,701	$35,565,946
Average % Net Revenue[1]	27.3%	26.0%	33.9%	45.0%	42.6%	41.2%
[1] Only for those firms who reported speciality revenues						
Specialty Revenues:						
% of Comparison Group with this Specialty:						
Agriculture	6.5%	16.7%	24.6%	23.6%	20.0%	24.4%
Construction	51.6%	20.0%	44.3%	54.5%	48.3%	64.4%
Energy	6.5%	0.0%	14.8%	18.2%	11.7%	22.2%
Government/Municipality	9.7%	16.7%	19.7%	34.5%	25.0%	35.6%
Healthcare	19.4%	0.0%	24.6%	36.4%	25.0%	46.7%
Hospitality	25.8%	6.7%	14.8%	27.3%	23.3%	26.7%
Manufacturing	12.9%	6.7%	18.0%	36.4%	28.3%	46.7%
Management / D&O	29.0%	10.0%	14.8%	20.0%	15.0%	13.3%
Non-profits	19.4%	10.0%	14.8%	29.1%	23.3%	22.2%
Real Estate	25.8%	10.0%	21.3%	32.7%	36.7%	44.4%
Schools/Education	6.5%	13.3%	16.4%	34.5%	21.7%	33.3%
Transportation	25.8%	6.7%	13.1%	14.5%	15.0%	13.3%
Technology	19.4%	3.3%	18.0%	38.2%	33.3%	42.2%
Other	9.7%	20.0%	21.3%	50.9%	33.3%	51.1%
For firms that specialize in this, what % of NR is from this specialty?						
Agriculture	13.1%	18.3%	7.6%	1.5%	2.5%	1.9%
Construction	15.2%	8.2%	17.0%	16.8%	18.4%	12.1%
Energy	10.1%	0.0%	10.7%	1.5%	3.5%	2.5%
Government/Municipality	6.3%	7.4%	4.8%	6.5%	6.8%	3.4%
Healthcare	1.8%	0.0%	3.9%	9.7%	3.9%	5.6%
Hospitality	6.2%	4.3%	2.2%	3.5%	4.1%	1.6%
Manufacturing	1.6%	17.4%	5.0%	4.2%	6.8%	9.9%
Management / D&O	1.7%	5.6%	1.5%	2.0%	2.2%	10.8%
Non-profits	1.5%	2.0%	3.7%	8.0%	4.3%	4.5%
Real Estate	5.0%	4.8%	8.6%	5.8%	9.3%	9.2%
Schools/Education	13.1%	18.3%	7.6%	1.5%	2.5%	1.9%
Transportation	4.5%	1.6%	4.0%	1.4%	1.8%	2.8%
Technology	3.1%	14.7%	4.5%	5.3%	8.1%	5.2%
Other	24.0%	14.3%	14.2%	15.0%	16.1%	9.2%

Revenue Growth

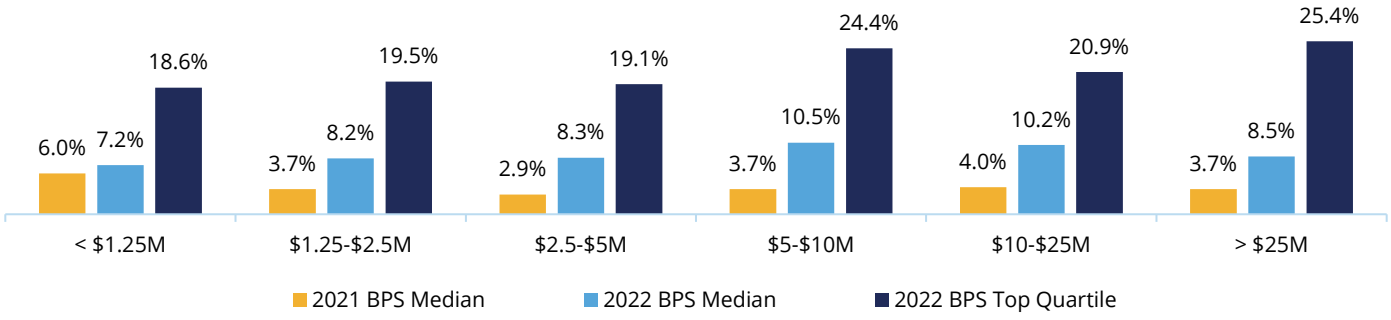
MEDIAN	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Revenue Growth by Source:						
TOTAL COMMISSIONS & FEES						
Renewal Business	93.1%	94.4%	94.2%	97.9%	96.1%	95.4%
New Business	13.4%	14.8%	14.3%	13.1%	13.7%	14.3%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Growth	8.5%	8.2%	9.5%	12.0%	10.2%	9.2%
Organic Growth	7.2%	8.2%	8.2%	10.6%	10.0%	8.8%
Brokerage Commission Expense	7.5%	-8.3%	5.2%	16.7%	-8.0%	14.0%
Net Commissions and Fees						
Total Growth	7.5%	8.2%	9.1%	11.7%	10.4%	8.5%
Organic Growth	***7.2%***	***8.2%***	***8.3%***	***10.5%***	***10.2%***	***8.5%***
2021 BPS Organic Growth	*6.0%*	*3.7%*	*2.9%*	*3.7%*	*4.0%*	*3.7%*
P&C Contingent Income	-6.0%	-1.0%	-5.0%	4.4%	-5.7%	7.8%
L/H/F Bonus Income	-11.1%	*	-23.8%	-7.5%	-4.4%	4.6%
Investment Income	6.9%	5.2%	2.7%	-6.9%	6.2%	-22.1%
Miscellaneous Income	0.0%	0.0%	-19.0%	-29.7%	-0.8%	0.0%
NET REVENUE TOTAL GROWTH	10.0%	8.3%	5.9%	8.7%	9.9%	10.6%
NET REVENUE ORGANIC GROWTH	*9.5%*	*8.6%*	*5.9%*	*8.6%*	*9.7%*	*10.8%*

TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Renewal Business	105.4%	110.4%	121.4%	106.0%	103.0%	103.9%
New Business	26.6%	29.8%	25.7%	24.9%	23.0%	24.3%
Acquired Business	5.7%	5.6%	7.2%	5.2%	3.5%	8.2%
Total Growth	62.1%	34.9%	47.4%	25.7%	20.7%	38.8%
Organic Growth	18.7%	19.6%	19.2%	24.8%	20.2%	25.2%
Brokerage Commission Expense	22.2%	54.6%	29.1%	54.1%	14.8%	52.4%
Net Commissions and Fees						
Total Growth	21.3%	20.7%	24.2%	24.1%	21.4%	23.5%
Organic Growth	***18.6%***	***19.5%***	***19.1%***	***24.4%***	***20.9%***	***25.4%***
2021 BPS Organic Growth	*18.8%*	*17.2%*	*15.0%*	*15.4%*	*10.5%*	*12.7%*
P&C Contingent Income	37.2%	33.6%	32.9%	33.5%	32.2%	36.0%
L/H/F Bonus Income	-11.1%	*	-18.0%	22.5%	19.9%	31.9%
Investment Income	18.1%	21.9%	29.9%	25.3%	31.9%	19.0%
Miscellaneous Income	84.5%	54.3%	73.3%	26.8%	155.2%	202.2%
NET REVENUE TOTAL GROWTH	20.5%	20.5%	22.6%	25.8%	23.0%	24.9%
NET REVENUE ORGANIC GROWTH	*18.1%*	*21.2%*	*18.3%*	*26.4%*	*22.3%*	*26.7%*

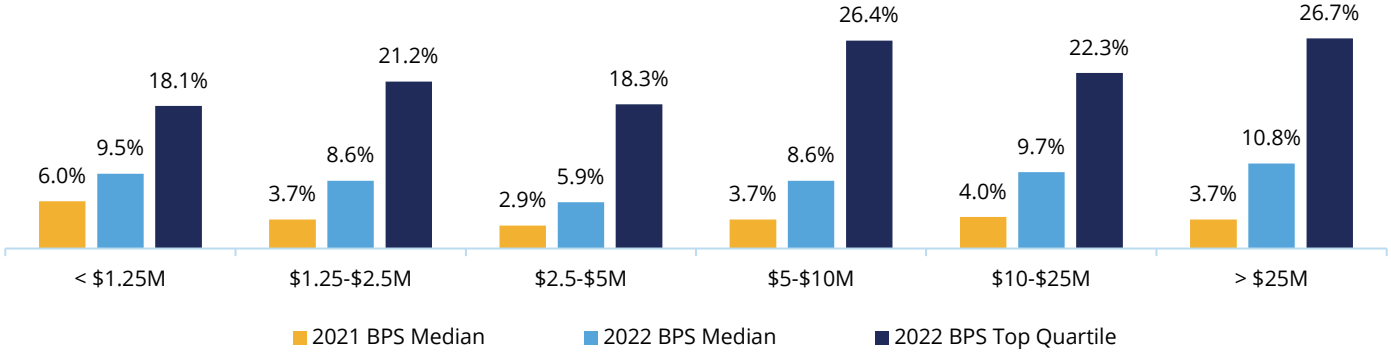
**Insufficient Data*

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

Net Commissions & Fees Organic Growth



Net Revenue Organic Growth



Median Organic Growth in Net Commissions & Fees by Line of Business

(excluding contingents, bonuses & overrides)

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

Revenue Growth by Line of Business

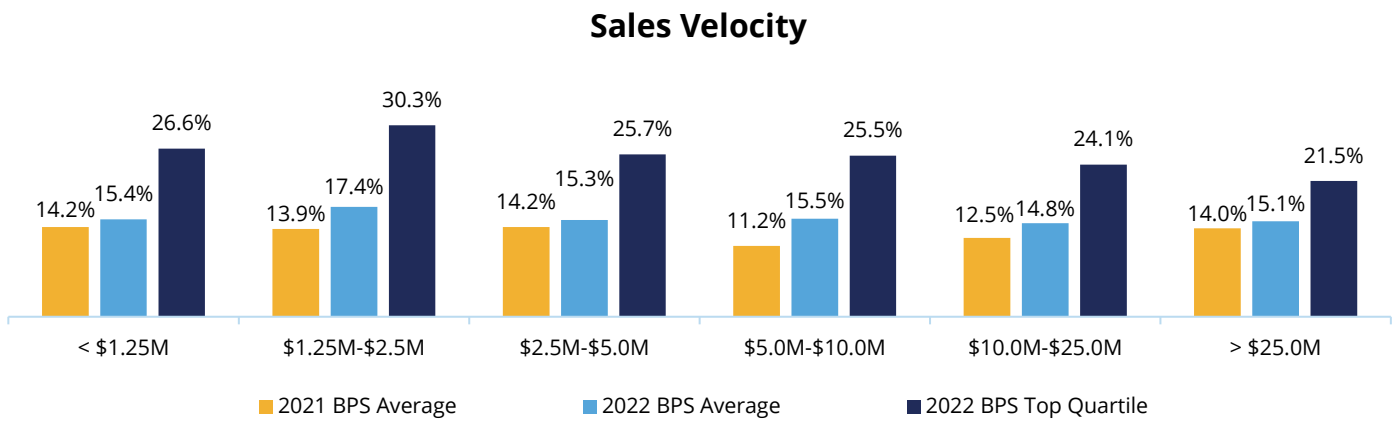
MEDIAN	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
REVENUE GROWTH BY LINE OF BUSINESS:						
Commercial P&C						
Renewal Business	96.2%	97.1%	97.3%	100.3%	98.2%	97.5%
New Business	12.2%	13.3%	13.5%	12.8%	12.8%	13.8%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	9.3%	10.3%	13.2%	13.6%	12.4%	12.1%
ORGANIC GROWTH	9.3%	10.3%	11.7%	13.6%	11.3%	12.1%
Bonds/Surety						
Renewal Business	79.1%	32.0%	28.4%	32.0%	33.8%	53.3%
New Business	0.0%	6.8%	33.1%	25.0%	48.4%	21.9%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	8.7%	6.1%	1.5%	3.9%	10.7%	3.8%
ORGANIC GROWTH	8.7%	6.1%	1.5%	3.6%	10.7%	3.8%
Personal P&C						
Renewal Business	92.7%	94.0%	92.7%	92.3%	92.5%	93.5%
New Business	12.2%	11.8%	9.7%	10.0%	10.2%	11.5%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	6.7%	4.4%	5.2%	5.1%	3.1%	6.0%
ORGANIC GROWTH	5.2%	4.4%	4.2%	4.1%	2.3%	4.8%
Group Medical						
Renewal Business	0.0%	84.7%	84.6%	90.7%	92.8%	92.9%
New Business	0.0%	0.0%	2.8%	8.7%	7.4%	10.1%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	-4.2%	-2.6%	1.4%	5.3%	5.3%	6.3%
ORGANIC GROWTH	-4.2%	-2.6%	1.4%	5.3%	5.3%	5.5%
All Other Group						
Renewal Business	0.0%	0.0%	0.0%	0.0%	74.4%	86.4%
New Business	0.0%	0.0%	0.0%	0.0%	4.9%	9.0%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	-3.3%	-3.7%	2.0%	2.4%	0.0%	3.5%
ORGANIC GROWTH	-3.3%	-3.7%	3.7%	5.1%	0.0%	3.8%
Individual L/H/F						
Renewal Business	3.7%	18.7%	43.7%	35.5%	30.6%	49.1%
New Business	17.3%	21.9%	41.6%	15.2%	17.9%	21.2%
Acquired Business	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL GROWTH	0.6%	-0.9%	7.0%	4.8%	-5.8%	2.6%
ORGANIC GROWTH	0.6%	-0.9%	7.0%	4.8%	-5.8%	2.6%

**Insufficient Data*

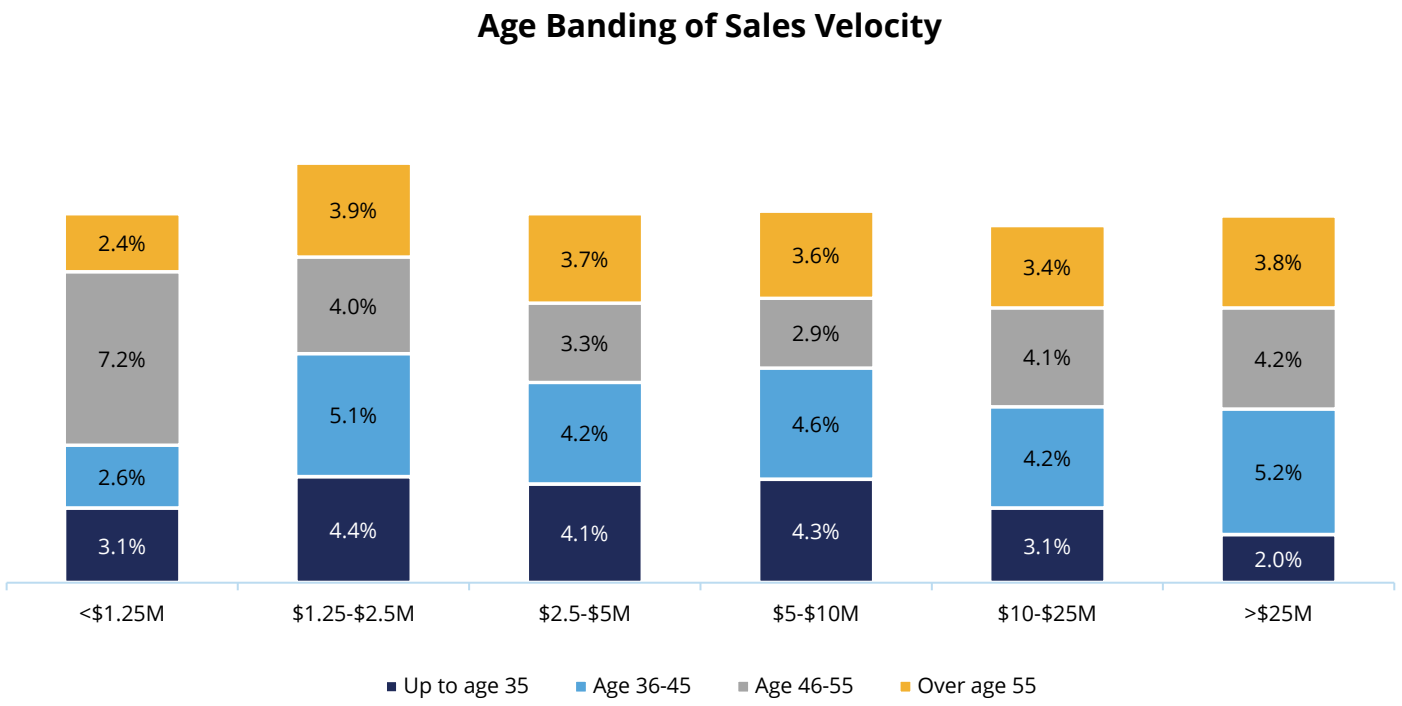
TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
REVENUE GROWTH BY LINE OF BUSINESS:						
Commercial P&C						
Renewal Business	125.7%	112.2%	126.3%	113.3%	106.3%	107.6%
New Business	86.0%	29.9%	31.6%	42.8%	26.2%	35.4%
Acquired Business	1.8%	6.1%	5.5%	6.7%	2.8%	8.7%
TOTAL GROWTH	29.9%	26.1%	27.6%	26.0%	24.2%	26.6%
ORGANIC GROWTH	27.9%	24.9%	24.2%	25.5%	24.0%	28.0%
Bonds/Surety						
Renewal Business	166.6%	119.0%	139.4%	113.2%	117.6%	116.0%
New Business	221.2%	80.3%	106.9%	133.1%	152.8%	114.0%
Acquired Business	0.0%	0.3%	0.8%	3.6%	0.8%	25.9%
TOTAL GROWTH	55.4%	57.7%	50.9%	51.4%	62.1%	41.0%
ORGANIC GROWTH	55.4%	57.7%	49.8%	51.4%	61.9%	38.2%
Personal P&C						
Renewal Business	106.1%	122.4%	121.7%	103.7%	103.1%	112.9%
New Business	58.0%	33.8%	26.9%	29.6%	24.0%	17.7%
Acquired Business	8.8%	5.0%	12.0%	6.9%	6.6%	8.8%
TOTAL GROWTH	20.7%	12.1%	21.8%	23.0%	19.5%	28.3%
ORGANIC GROWTH	19.3%	12.1%	15.0%	15.9%	16.8%	29.8%
Group Medical						
Renewal Business	225.5%	140.3%	109.7%	246.1%	108.8%	106.4%
New Business	24.9%	36.0%	56.5%	62.9%	24.6%	18.0%
Acquired Business	0.0%	0.0%	2.5%	1.4%	4.5%	15.2%
TOTAL GROWTH	32.0%	21.5%	22.4%	23.7%	23.2%	23.6%
ORGANIC GROWTH	32.0%	21.5%	22.4%	23.8%	23.2%	22.6%
All Other Group						
Renewal Business	26.7%	47.2%	113.5%	165.0%	115.4%	104.3%
New Business	0.0%	3.6%	30.9%	89.4%	24.0%	19.8%
Acquired Business	0.0%	0.0%	2.2%	0.0%	0.1%	3.1%
TOTAL GROWTH	33.3%	48.6%	27.5%	27.5%	23.6%	15.4%
ORGANIC GROWTH	33.3%	48.6%	32.0%	30.6%	23.5%	19.4%
Individual L/H/F						
Renewal Business	96.9%	129.5%	110.0%	93.6%	103.0%	120.1%
New Business	115.9%	152.0%	189.0%	106.4%	151.1%	91.0%
Acquired Business	0.0%	0.0%	5.0%	0.4%	0.6%	1.8%
TOTAL GROWTH	22.5%	24.7%	29.4%	35.2%	22.7%	21.4%
ORGANIC GROWTH	22.5%	24.7%	29.4%	35.2%	22.3%	20.3%

**Insufficient Data*

Sales Velocity



- Sales Velocity is an excellent measure of an agency's success in writing new business. It is calculated by dividing new commission and fee income written by prior year commission and fee income.
- The Age Banding of Sales Velocity takes it a step further by showing Sales Velocity contributions by different producer age groupings (35 and under, 36-45, 46-55, over 55).



Pro Forma Expenses

(expressed as a percentage of pro forma net revenues)

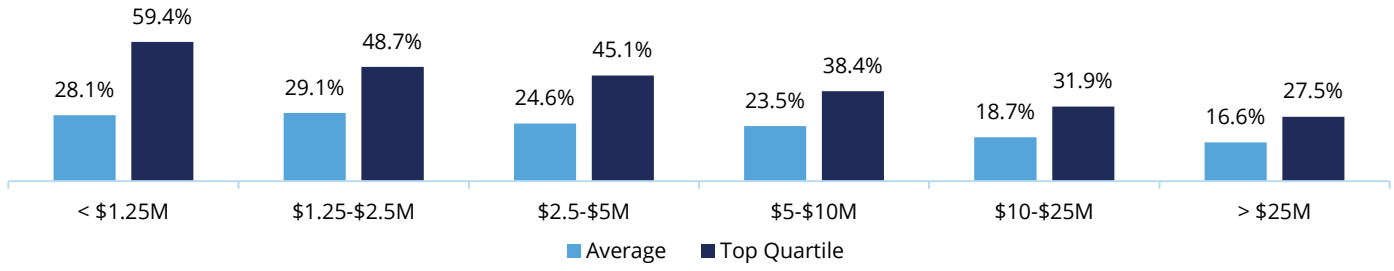
	AGENCIES WITH REVENUES OF:					
Compensation	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Payroll						
Employees	36.8%	37.2%	45.0%	47.2%	49.6%	52.6%
"Non-employees" (1099 Prods/outsourced)	2.7%	2.2%	1.7%	2.6%	3.6%	2.7%
Total Payroll	**39.5%**	**39.4%**	**46.6%**	**49.8%**	**53.2%**	**55.3%**
Benefits						
Payroll Taxes	3.8%	3.4%	3.5%	3.1%	3.0%	2.9%
Retirement	0.9%	1.7%	1.8%	1.6%	1.4%	1.9%
Insurance	3.4%	2.9%	3.3%	3.3%	3.3%	3.3%
Other	0.5%	0.1%	0.1%	0.2%	0.2%	0.2%
Total Benefits	**8.7%**	**8.2%**	**8.7%**	**8.1%**	**7.9%**	**8.4%**
Total Compensation	**48.2%**	**47.5%**	**55.4%**	**57.9%**	**61.0%**	**63.6%**
Selling						
Travel and Ent./Conventions	0.9%	0.5%	0.8%	0.6%	0.8%	1.0%
Automobile Expense	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
Advertising/Promotions	1.8%	1.6%	1.2%	0.9%	0.8%	0.9%
Total Selling	**3.3%**	**2.7%**	**2.5%**	**2.0%**	**2.1%**	**2.2%**
Operating						
Occupancy Expenses[1]	4.8%	3.8%	3.7%	3.7%	3.5%	3.2%
Office Equipment Expenses	0.3%	0.4%	0.4%	0.3%	0.4%	0.2%
IT Expenses	3.5%	3.0%	2.6%	2.6%	2.7%	2.5%
Telephone	0.9%	0.5%	0.5%	0.5%	0.4%	0.4%
Postage	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%
Supplies/Printing	0.9%	0.6%	0.7%	0.5%	0.4%	0.2%
Dues/Subscriptions/Contributions	1.0%	0.8%	0.8%	0.7%	0.8%	0.5%
Taxes/Licenses	0.4%	0.3%	0.4%	0.3%	0.3%	0.3%
Insurance	1.6%	1.3%	1.3%	1.1%	1.2%	1.0%
Professional Fees	0.7%	0.7%	0.8%	0.8%	1.0%	1.0%
Bad Debts	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Outside Services	0.4%	0.3%	0.5%	0.5%	1.0%	1.1%
Education/Training	0.6%	0.3%	0.3%	0.2%	0.2%	0.2%
Miscellaneous	0.5%	0.6%	0.3%	0.4%	0.1%	0.4%
Total Operating	**16.0%**	**12.7%**	**12.7%**	**11.8%**	**12.2%**	**11.1%**
Administrative						
Depreciation	0.7%	1.8%	0.8%	0.5%	0.5%	0.9%
Amortization of Intangibles	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Officer Life	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Administrative	**0.7%**	**1.8%**	**0.8%**	**0.5%**	**0.5%**	**0.9%**
TOTAL EXPENSES (PRO FORMA)	68.1%	64.7%	71.3%	72.2%	75.9%	77.9%
PRO FORMA PRE-TAX PROFIT/LOSS	31.9%	35.3%	28.7%	27.8%	24.1%	22.1%
PRO FORMA EBITDA[2]	23.9%	32.7%	27.8%	27.0%	24.7%	23.0%

[1] For firms that own their building and reported a much lower than peer expense load, we have normalized their occupancy expense.

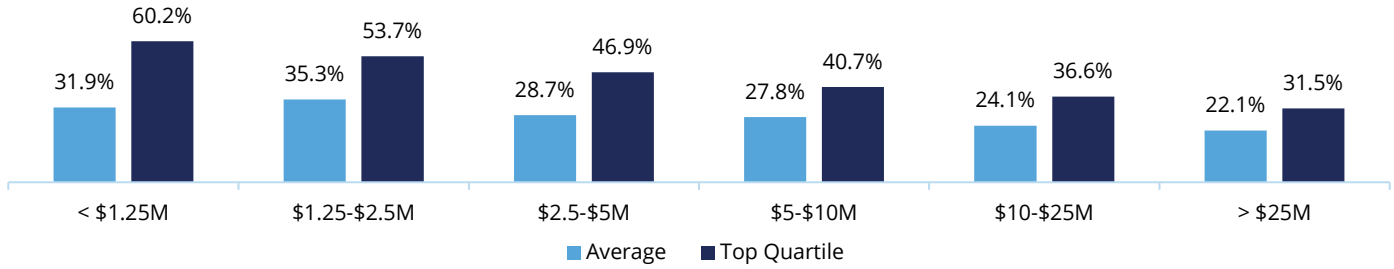
[2] Pro Forma EBITDA reflects normalized income and expenses after discretionary owner expenses are eliminated. Also excludes all administrative expenses.

Profitability

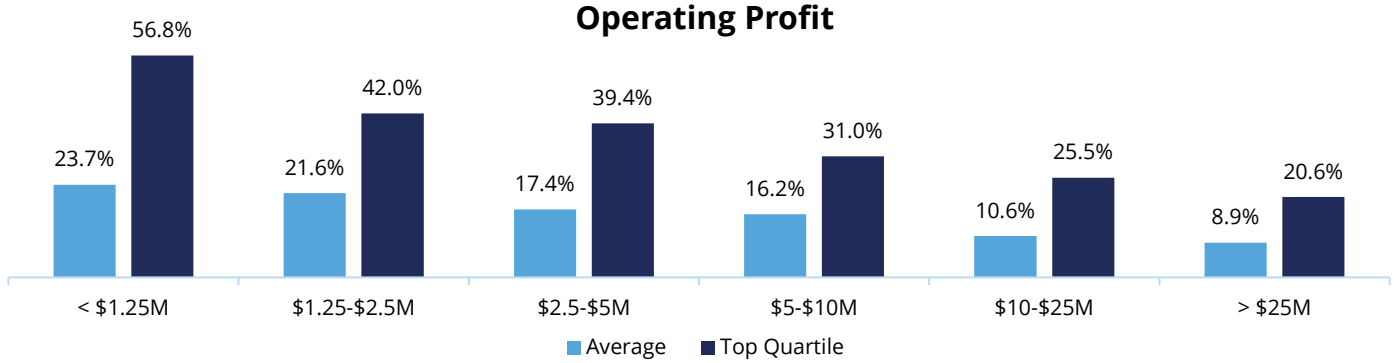
Pre-Tax Profit



Pro Forma Pre-Tax Profit

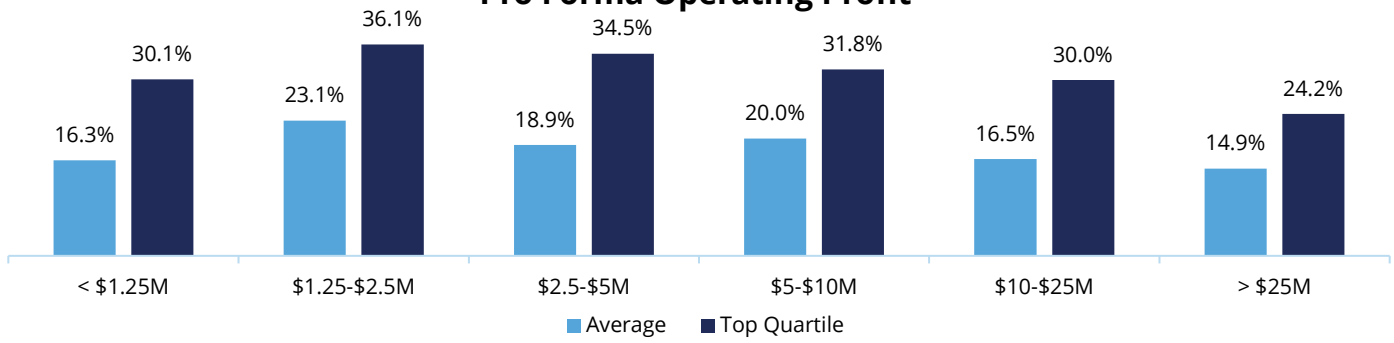


Operating Profit

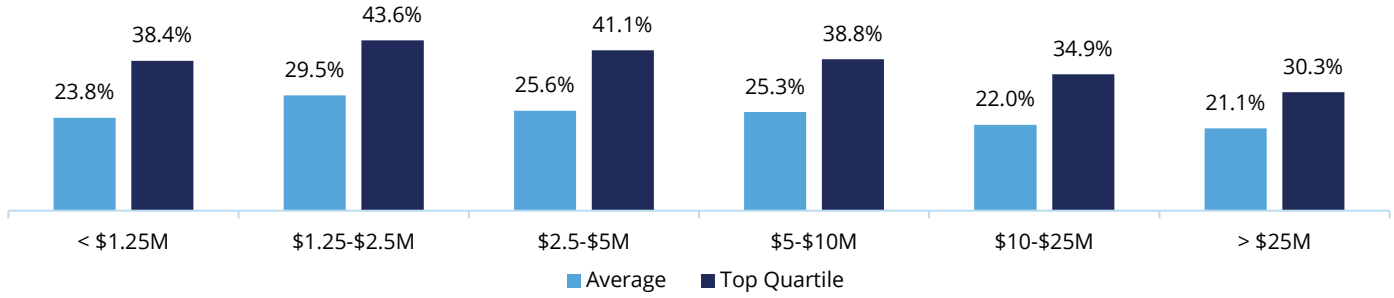


***Note**: Operating Profit is pre-tax profit less contingent income and less bonus/override income.*

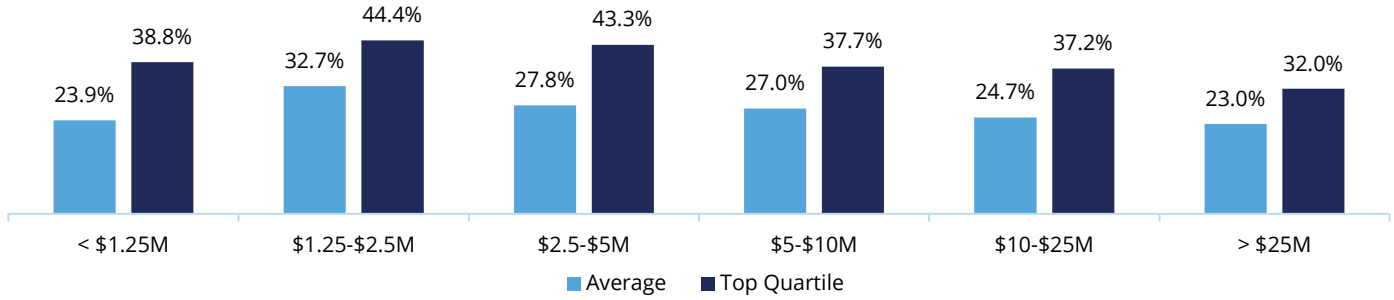
Pro Forma Operating Profit



EBITDA



Pro Forma EBITDA



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

AVERAGE	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Pre-Tax Profit	28.1%	29.1%	24.6%	23.5%	18.7%	16.6%
Pro Forma Pre-Tax Profit	31.9%	35.3%	28.7%	27.8%	24.1%	22.1%
Operating Profit[1]	23.7%	21.6%	17.4%	16.2%	10.6%	8.9%
Pro Forma Operating Profit	16.3%	23.1%	18.9%	20.0%	16.5%	14.9%
EBITDA	23.8%	29.5%	25.6%	25.3%	22.0%	21.1%
Pro Forma EBITDA[2]	23.9%	32.7%	27.8%	27.0%	24.7%	23.0%

TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Pre-Tax Profit	59.4%	48.7%	45.1%	38.4%	31.9%	27.5%
Pro Forma Pre-Tax Profit	60.2%	53.7%	46.9%	40.7%	36.6%	31.5%
Operating Profit[1]	56.8%	42.0%	39.4%	31.0%	25.5%	20.6%
Pro Forma Operating Profit	30.1%	36.1%	34.5%	31.8%	30.0%	24.2%
EBITDA	38.4%	43.6%	41.1%	38.8%	34.9%	30.3%
Pro Forma EBITDA[2]	38.8%	44.4%	43.3%	37.7%	37.2%	32.0%

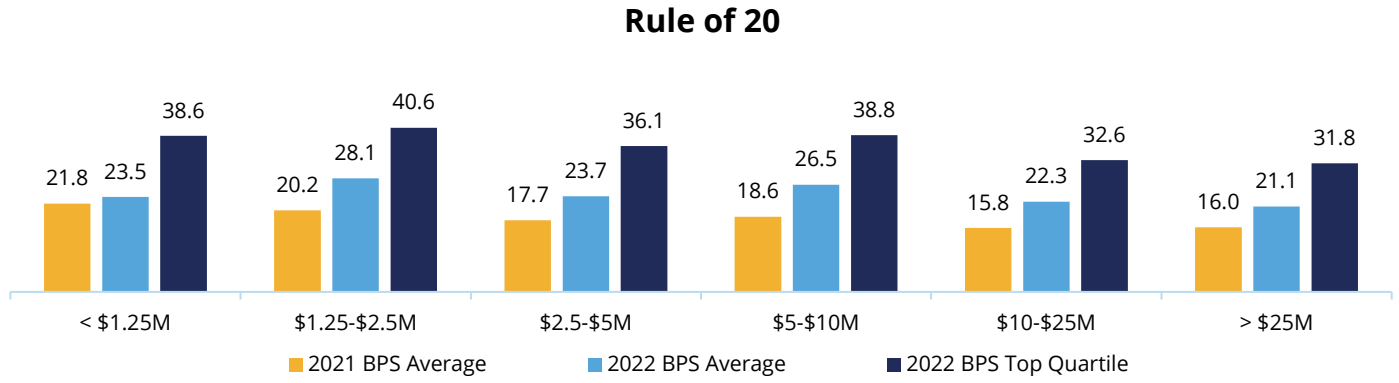
[1] Operating profit is pre-tax profit less contingent income and less bonus/override income.

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

Rule of 20

The Rule of 20:	AGENCIES WITH REVENUES OF: <$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Low	6.7	1.5	-1.3	9.9	-14.3	8.6
Average	23.5	28.1	23.7	26.5	22.3	21.1
High	49.3	52.7	48.8	53.9	45.8	50.1
Top Quartile	38.6	40.6	36.1	38.8	32.6	31.8

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



Financial Stability

AVERAGE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Current Ratio	1.07:1	1.77:1	2.01:1	2.09:1	1.83:1	1.60:1
Trust Ratio	1.42:1	2.33:1	3.00:1	2.28:1	2.51:1	2.10:1
Tangible Net Worth (% of Net Rev)	12.0%	10.7%	11.3%	11.3%	15.1%	11.0%
Receivables-to-Payables Ratio	36.0%	41.4%	39.2%	45.0%	44.0%	54.7%
Accounts Receivables:						
% Receivables Aged 61-90 Days	46.3%	32.6%	20.0%	12.0%	9.4%	9.3%
% Receivables Aged Past 90 Days	10.5%	3.3%	-3.2%	-7.7%	13.8%	8.1%
% of P&C Revenues - Agency Billed	24.5%	15.6%	22.6%	32.9%	34.5%	50.5%
% of P&C Revenues - Direct Billed	75.5%	84.4%	77.4%	67.1%	65.5%	49.5%

TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Current Ratio	2.69:1	3.81:1	3.69:1	3.76:1	3.02:1	2.60:1
Trust Ratio	2.30:1	3.52:1	4.53:1	3.58:1	4.25:1	3.34:1
Tangible Net Worth (% of Net Rev)	30.7%	30.9%	28.2%	29.1%	31.1%	29.6%
Receivables-to-Payables Ratio	10.3%	9.6%	-13.4%	4.7%	11.3%	19.8%
Accounts Receivables:						
% Receivables Aged 61-90 Days	0.3%	0.3%	-5.1%	-5.3%	-1.0%	-0.2%
% Receivables Aged Past 90 Days	0.7%	0.0%	-79.8%	-89.7%	-5.4%	-6.3%

AVERAGE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Debt Metrics:						
% of All Loans by Source Type:						
Community Bank	40.0%	56.5%	44.4%	49.2%	43.6%	32.7%
Industry Lender	12.0%	4.3%	11.1%	11.9%	6.4%	0.9%
Private Equity Lender	4.0%	8.7%	3.7%	15.3%	0.0%	8.0%
Shareholder	12.0%	21.7%	37.0%	6.8%	35.1%	42.5%
Other	32.0%	8.7%	3.7%	16.9%	14.9%	15.9%
% of Firms that have Identified Debt	51.6%	53.3%	54.1%	48.2%	41.7%	53.3%
Of those firms that have debt:						
Average Total Debt	$358,482	$811,434	$1,136,498	$2,741,745	$3,892,955	$18,143,438
Total Leverage[1]	1.7x	2.1x	1.0x	1.4x	1.1x	1.4x
Average Effective Interest Rate	5.5%	4.3%	3.9%	4.5%	4.0%	3.8%
Average Term (Years to Maturity)	7.4	8.7	6.3	6.8	6.4	5.9

[1] *Total Debt/Pro Forma EBITDA*

Technology

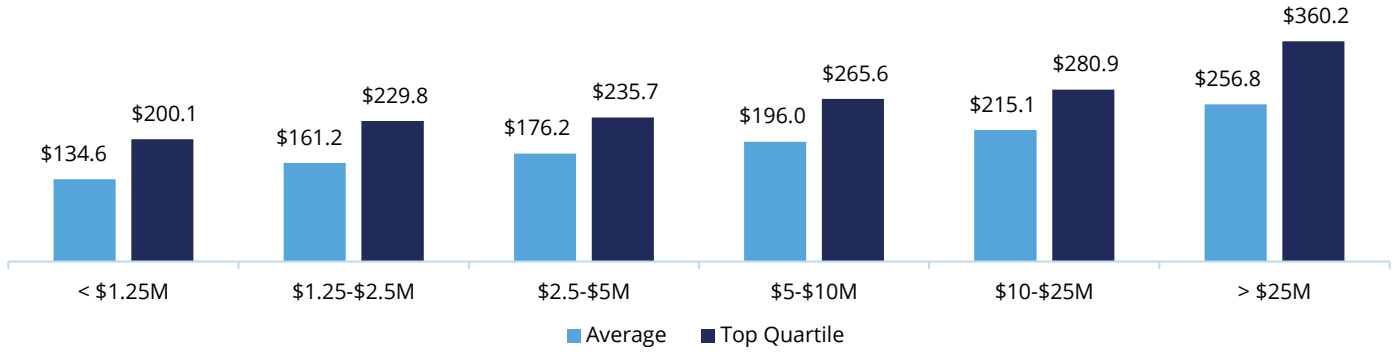
	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Number of IT Employees	0.1	0.2	0.2	0.5	1.2	6.5
(includes regularly outsourced IT support staff)						
IT Payroll as % of Pro Forma Net Rev	0.0%	0.0%	0.3%	0.2%	0.5%	0.7%
IT Expense as % of Pro Forma Net Rev	3.5%	3.0%	2.6%	2.6%	2.7%	2.5%
(excl. comp, hardware depreciation & software amortization)						
Top Agency Mgmt Systems Used in Home Office:						
AMS360	13.3%	30.0%	34.4%	31.5%	23.3%	22.2%
EPIC	26.7%	43.3%	45.9%	59.3%	65.0%	62.2%
Sagitta					8.3%	15.6%
SIS - Partner XE	10.0%	6.7%				
TAM		6.7%	8.2%	3.7%		
HawkSoft	10.0%			3.7%		
Nexsure			1.6%		1.7%	
Xanatek - IMS			1.6%			
Other	10.0%	6.7%		1.9%	1.7%	
Technology Utilization:						
Electronic Communications Used:						
Texting with Clients	80.6%	70.0%	73.8%	78.2%	80.0%	64.4%
Use of Tablets/Smartphones	71.0%	83.3%	73.8%	90.9%	90.0%	88.9%
Agency eSignature Solutions	90.3%	93.3%	93.4%	98.2%	95.0%	93.3%
Carrier eSignature Solutions	90.3%	86.7%	72.1%	69.1%	73.3%	71.1%
Activity Notifications from Carrier	83.9%	76.7%	78.7%	80.0%	78.3%	75.6%
Paperless or e-documents ("eDocs")	93.5%	100.0%	90.2%	96.4%	93.3%	95.6%
Marketing:						
Website	96.8%	100.0%	96.7%	96.4%	98.3%	97.8%
Mobile Adaptable Website	83.9%	80.0%	65.6%	70.9%	86.7%	84.4%
Social Media						
Facebook	80.6%	93.3%	86.9%	90.9%	85.0%	80.0%
Twitter	38.7%	33.3%	34.4%	41.8%	61.7%	75.6%
LinkedIn	48.4%	73.3%	77.0%	87.3%	96.7%	91.1%
Instagram	32.3%	53.3%	37.7%	52.7%	55.0%	53.3%
Customer Portal	32.3%	40.0%	47.5%	61.8%	83.3%	64.4%
Digital Content - Blogs, Webinars	41.9%	60.0%	49.2%	45.5%	83.3%	91.1%
Processing Technologies:						
Paperless or e-documents ("eDocs")	93.5%	96.7%	93.4%	98.2%	95.0%	97.8%
Secure/Encrypted email	58.1%	70.0%	78.7%	78.2%	85.0%	93.3%
Electronic Funds Transfer (EFT)	90.3%	86.7%	86.9%	94.5%	90.0%	95.6%
Online Application	67.7%	73.3%	67.2%	69.1%	65.0%	77.8%
Online Chat Assistance	29.0%	26.7%	34.4%	23.6%	20.0%	26.7%
Virtual Chat Agent *(via machine learning)*	16.1%	0.0%	8.2%	9.1%	6.7%	15.6%
Mobile App (manage accounts)	48.4%	46.7%	39.3%	43.6%	48.3%	44.4%
Integrated Leads Processing	12.9%	13.3%	23.0%	23.6%	23.3%	26.7%
Rating Technologies:						
Use Comp Rater for PL	45.2%	80.0%	70.5%	67.3%	78.3%	82.2%
Use Comp Rater for CL	9.7%	26.7%	21.3%	29.1%	33.3%	28.9%
Use 'Bridging' from within AMS (PL)	32.3%	40.0%	47.5%	40.0%	50.0%	44.4%
Use 'Bridging' from within AMS (CL)	16.1%	33.3%	37.7%	30.9%	41.7%	40.0%
Use Carrier Agent Portal for PL	61.3%	66.7%	62.3%	56.4%	71.7%	75.6%
Use Carrier Agent Portal for CL	67.7%	66.7%	63.9%	60.0%	71.7%	68.9%
Offer Consumer Rating via Website	9.7%	10.0%	9.8%	5.5%	15.0%	17.8%

Productivity

	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Total Number of FTE Employees:	6.4	12.9	21.9	38.9	76.8	286.6
AVERAGE						
2022 BPS Pro Forma Rev per Employee	$134,607	$161,153	$176,214	$195,961	$215,103	$256,811
2021 BPS Pro Forma Rev per Employee	*$132,939*	*$169,889*	*$188,826*	*$189,667*	*$206,547*	*$230,893*
Pro Forma Compensation per EE	$62,825	$72,758	$96,182	$111,528	$103,814	$161,882
Pro Forma Spread per Employee	$71,783	$88,395	$80,032	$84,432	$84,289	$94,929

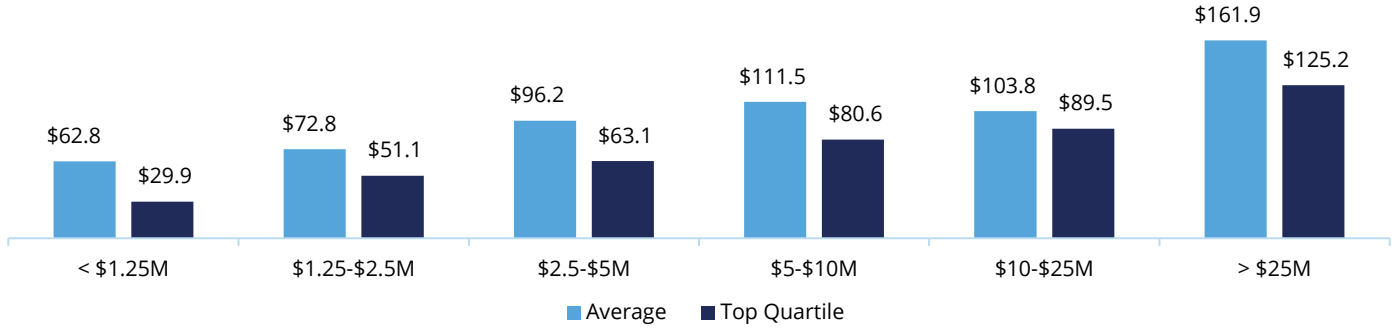
TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Pro Forma Revenue per Employee	$200,084	$229,835	$235,687	$265,579	$280,870	$360,214
Pro Forma Compensation per EE	$29,940	$51,144	$63,134	$80,642	$89,502	$125,152
Pro Forma Spread per Employee	$136,507	$151,839	$127,075	$129,988	$121,068	$149,138

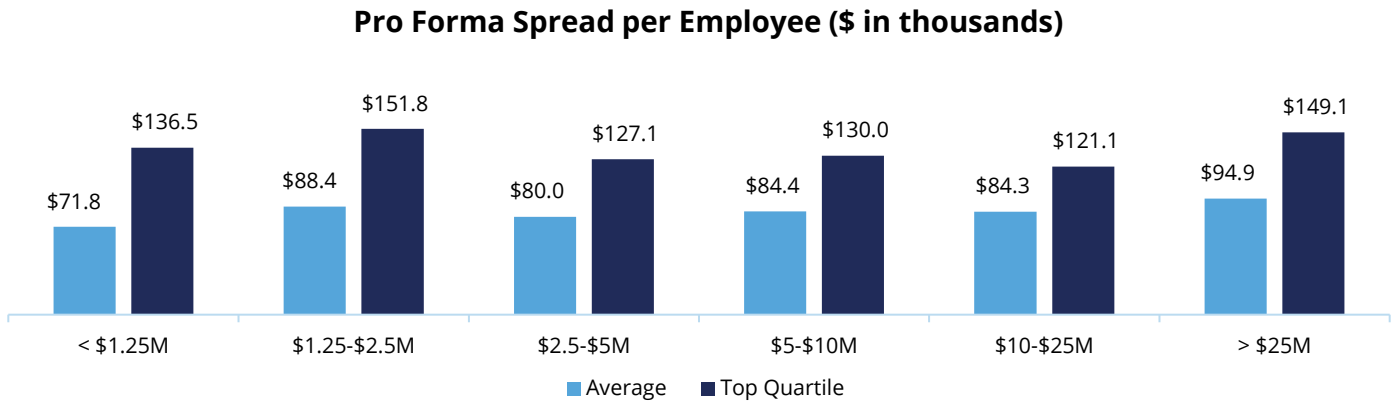
Pro Forma Revenue per Employee ($ in thousands)



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

Pro Forma Compensation per Employee ($ in thousands)





Staffing

	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
HUMAN RESOURCES						
% Agencies w/HR Employees	41.9%	46.7%	39.3%	58.2%	71.7%	66.7%
For those with HR Employees:						
Number of HR Employees	0.2	0.4	0.5	0.7	1.3	3.8
HR Payroll as % of Net Rev	2.5%	2.0%	1.0%	0.8%	0.7%	0.5%
ACCOUNTING						
% Agencies w/Accounting Employees	64.5%	73.3%	80.3%	100.0%	98.3%	97.8%
For those with Accounting Employees:						
Number of Accounting Employees	0.4	0.8	0.9	1.5	3.0	9.2
Accounting Payroll as % of Net Rev	3.2%	2.3%	1.6%	1.5%	1.5%	1.1%
MARKETING						
% Agencies w/Marketing Employees	32.3%	46.7%	50.8%	63.6%	78.3%	91.1%
For those with Marketing Employees:						
Number of Marketing Employees	0.4	0.8	1.0	2.2	2.7	9.9
Marketing Payroll as % of Net Rev	2.3%	3.0%	1.6%	1.9%	1.3%	1.1%

	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
SERVICE & SALES SUPPORT STAFF						
PROPERTY & CASUALTY						
% Agencies with Commercial P&C Staff	80.6%	96.7%	82.0%	98.2%	100.0%	95.6%
In Agencies that have CPC Staff:						
Number of CPC Employees	1.4	2.8	5.6	10.4	22.6	96.8
Avg CPC Revenue per Staff	$358,968	$356,698	$390,212	$458,925	$421,979	$495,832
Payroll as a % of CPC Revenue	22.1%	24.8%	16.9%	17.6%	19.3%	17.1%
% Agencies with Personal P&C Staff	74.2%	96.7%	77.0%	85.5%	95.0%	95.6%
In Agencies that have PPC Staff:						
Number of PPC Employees	1.8	3.1	5.2	7.5	11.9	17.0
Avg PPC Revenue per Staff	$274,906	$259,197	$219,059	$254,027	$250,999	$272,313
Payroll as a % of PPC Revenue	23.7%	22.6%	24.7%	22.6%	25.4%	25.0%
% Agencies with CL Claims Staff	25.8%	16.7%	18.0%	58.2%	81.7%	93.3%
In Agencies that have CL Claims Staff:						
Number of CL Claims Employees	0.3	0.7	0.6	1.3	1.8	7.5
Avg CL Claims Revenue per Staff	$1,607,896	$1,648,706	$4,759,748	$5,658,944	$6,612,111	$9,606,664
Payroll as a % of CL Claims Revenue	5.0%	2.9%	1.0%	1.5%	1.5%	1.9%
% Agencies with PL Claims Staff	29.0%	16.7%	18.0%	43.6%	31.7%	31.1%
In Agencies that have PL Claims Staff:						
Number of PL Claims Employees	0.3	0.6	0.5	0.7	1.1	1.1
Avg PL Claims Revenue per Staff	$1,240,193	$1,723,442	$2,640,110	$3,262,812	$4,031,091	$16,090,236
Payroll as a % of PL Claims Revenue	5.6%	3.6%	5.4%	3.0%	2.0%	1.6%
% Agencies with P&C Value Added Staff	*	*	9.8%	23.6%	33.3%	77.8%
In Agencies that have P&C VAS Staff:						
Number of P&C VAS Employees	*	*	0.9	2.1	2.3	9.8
Avg P&C Revenue per Staff	*	*	$5,504,997	$5,060,404	$7,819,361	$10,779,726
Payroll as a % of P&C Revenue	*	*	1.4%	1.5%	1.7%	1.8%
LIFE & HEALTH / FINANCIAL						
% Agencies with L/H/F Staff:	35.5%	33.3%	45.9%	63.6%	86.7%	88.9%
In Agencies that have L/H/F Staff:						
Number of L/H/F Employees	0.5	0.8	1.7	3.8	7.0	37.3
Avg L/H/F Revenue per Staff	$272,519	$222,457	$287,891	$439,665	$418,956	$484,957
Payroll as a % of L/H/F Revenue	29.2%	25.0%	23.8%	17.8%	18.0%	18.6%
% Agencies with L/H/F Value Added:	*	*	*	*	23.3%	51.1%
In Agencies that have L/H/F Staff:						
Number of L/H/F Employees	*	*	*	*	1.5	7.0
Avg L/H/F Revenue per Staff	*	*	*	*	$3,469,680	$4,647,368
Payroll as a % of L/H/F Revenue	*	*	*	*	2.6%	3.5%

**Insufficient Data*

MEDIAN	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
COMMERCIAL LINES						
BOTTOM QUARTILE:						
Account Executive (AE)	$35,433	$49,594	$50,106	$56,230	$69,751	$77,418
Customer Service Rep (CSR)	$25,895	$36,320	$35,561	$45,178	$46,745	$53,313
Processor/Asst CSR	*	$21,667	$28,915	$29,232	$35,858	$36,349
Marketing	*	$16,297	$22,050	$34,397	$48,247	$52,034
Claims	*	$19,250	*	$27,596	$45,702	$58,108
AVERAGE PAY:						
Account Executive (AE)	$59,000	$60,000	$71,698	$77,500	$98,416	$119,773
Customer Service Rep (CSR)	$46,950	$49,410	$55,750	$57,000	$65,500	$69,425
Processor/Asst CSR	*	$35,000	$43,031	$43,120	$47,318	$49,329
Marketing	*	$46,226	$53,000	$81,643	$75,988	$82,936
Claims	*	$27,500	$36,000	$51,449	$67,500	$82,696
TOP QUARTILE:						
Account Executive (AE)	$104,146	$149,620	$134,663	$128,922	$168,278	$189,947
Customer Service Rep (CSR)	$66,400	$65,267	$75,084	$74,281	$84,125	$90,540
Processor/Asst CSR	*	$41,992	$54,353	$54,443	$61,345	$63,530
Marketing	*	$68,750	$83,546	$105,616	$139,893	$129,615
Claims	*	$42,808	$50,000	$69,847	$114,791	$116,621
PERSONAL LINES						
BOTTOM QUARTILE:						
Account Executive (AE)	$26,936	$39,576	$38,712	$40,184	$57,264	$57,594
Customer Service Rep (CSR)	$22,042	$36,228	$33,263	$35,900	$43,327	$44,952
Processor/Asst CSR	*	$20,000	$24,532	$25,099	$34,989	$30,263
Marketing	*	*	*	$17,714	$34,758	$36,405
Claims	*	$13,500	*	$22,848	$31,029	$28,823
AVERAGE PAY:						
Account Executive (AE)	$47,097	$50,000	$56,000	$58,000	$73,800	$80,553
Customer Service Rep (CSR)	$41,600	$45,000	$46,847	$44,487	$53,698	$55,427
Processor/Asst CSR	$20,000	$28,350	$35,000	$36,000	$41,054	$45,502
Marketing	*	$62,500	$45,000	$55,000	$55,000	$43,276
Claims	*	$26,250	$25,000	$33,775	$49,500	$52,993
TOP QUARTILE:						
Account Executive (AE)	$90,241	$73,080	$80,640	$123,842	$90,241	$138,242
Customer Service Rep (CSR)	$53,133	$57,802	$60,257	$60,571	$68,637	$80,498
Processor/Asst CSR	*	$39,597	$43,880	$49,242	$50,851	$63,308
Marketing	*	*	$46,532	$64,350	$63,250	$65,715
Claims	*	$35,000	$48,663	$56,452	$81,382	$95,289
GROUP LIFE & HEALTH/FINANCIAL						
BOTTOM QUARTILE:						
Account Executive (AE)	*	*	$40,612	$43,638	$46,526	$78,178
Customer Service Rep (CSR)	*	*	$25,567	$36,389	$47,386	$56,806
Processor/Asst CSR	*	*	$19,765	$21,073	$31,058	$39,720
Marketing	*	*	$20,000	*	$34,758	$56,279
AVERAGE PAY:						
Account Executive (AE)	*	$30,353	$55,000	$76,912	$92,828	$111,696
Customer Service Rep (CSR)	$25,210	$31,987	$42,500	$47,954	$64,849	$73,255
Processor/Asst CSR	*	*	$35,000	$40,000	$46,819	$53,959
Marketing	*	*	$32,500	$62,188	$68,580	$67,209
TOP QUARTILE:						
Account Executive (AE)	*	*	*	$148,857	$152,923	$179,853
Customer Service Rep (CSR)	$55,000	*	$61,089	$63,343	$83,037	$85,481
Processor/Asst CSR	*	*	$76,297	$57,329	$65,589	$70,340
Marketing	*	*	$58,411	$66,250	$122,055	$98,392

**Insufficient Data*

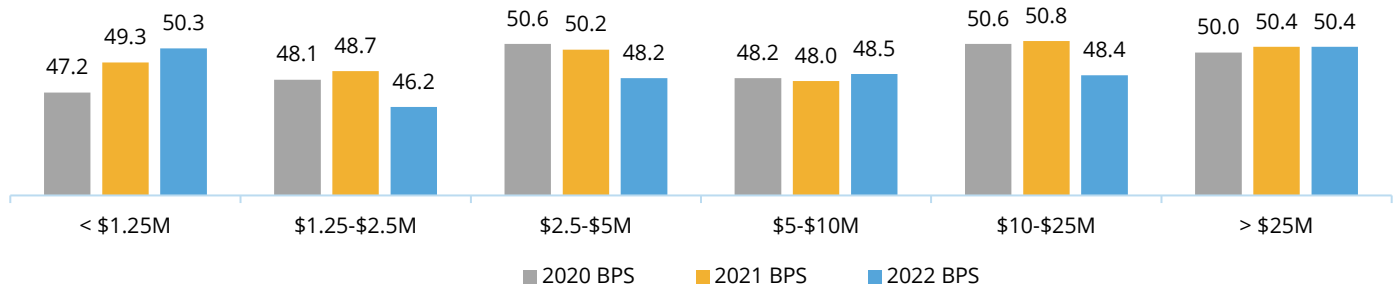
Producer Metrics

	AGENCIES WITH REVENUES OF:					
Agency Commission Structure:	**<$1.25M**	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
New Rate:						
Commercial P&C	37.3%	45.3%	41.6%	42.5%	39.8%	37.8%
Bonds/Surety	39.1%	48.2%	40.8%	42.2%	38.1%	34.5%
Small Commercial P&C	*	*	*	40.0%	30.3%	36.4%
Personal P&C	36.8%	42.2%	*	45.8%	38.7%	38.5%
Group Medical	35.6%	41.9%	44.9%	43.5%	39.5%	38.3%
Other Group L/H/F	41.5%	43.0%	44.7%	44.4%	39.6%	38.7%
Individual L/H/F	44.9%	48.8%	*	48.7%	44.4%	42.5%
Renewal Rate:						
Commercial P&C	28.2%	33.1%	27.8%	27.1%	28.6%	28.6%
Bonds/Surety	30.3%	34.4%	28.2%	26.1%	25.7%	28.4%
Small Commercial P&C	*	*	*	20.0%	17.1%	18.6%
Personal P&C	28.3%	29.7%	*	16.9%	20.9%	15.2%
Group Medical	26.7%	32.2%	31.3%	25.5%	29.4%	29.3%
Other Group L/H/F	24.3%	31.6%	25.1%	26.4%	28.9%	29.3%
Individual L/H/F	20.5%	27.8%	*	19.2%	26.5%	22.0%
Minimum Threshold *(minimum account size on which*						
Commercial P&C	*	*	$607	$943	$2,750	$3,500
Bonds/Surety	*	*	*	$540	$1,381	$1,701
Small Commercial P&C	*	*	*	$1,000	$750	$2,795
Personal P&C	*	*	*	$134	$561	$718
Group Medical	*	*	$305	$478	$1,833	$2,829
Other Group L/H/F	*	*	$209	$306	$1,490	$2,697
Individual L/H/F	*	*	*	*	$1,000	$1,414
Additional Benefits Paid (% of agencies providing this benefit to producers):						
Travel and Entertainment	57.1%	55.2%	76.3%	83.0%	75.4%	84.1%
Health Benefits	50.0%	65.5%	89.8%	92.5%	94.7%	88.6%
Automobile	25.0%	17.2%	37.3%	47.2%	43.9%	59.1%

**Insufficient Data*

Validated Producer Metrics

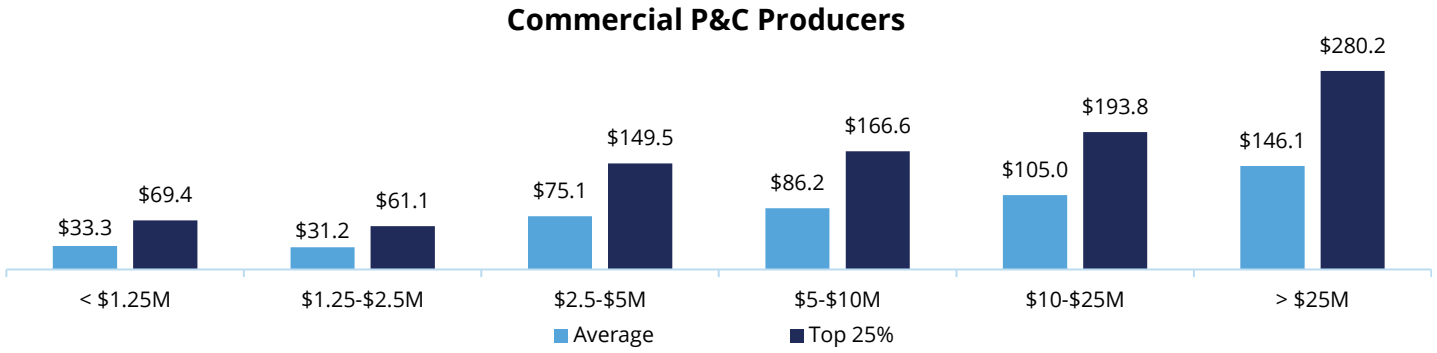
WAPA: Weighted Average Producer Age

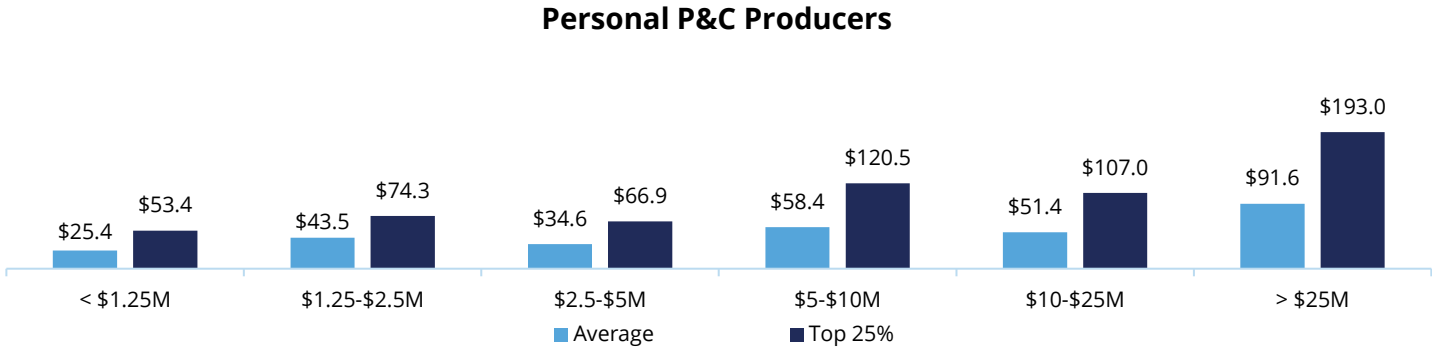


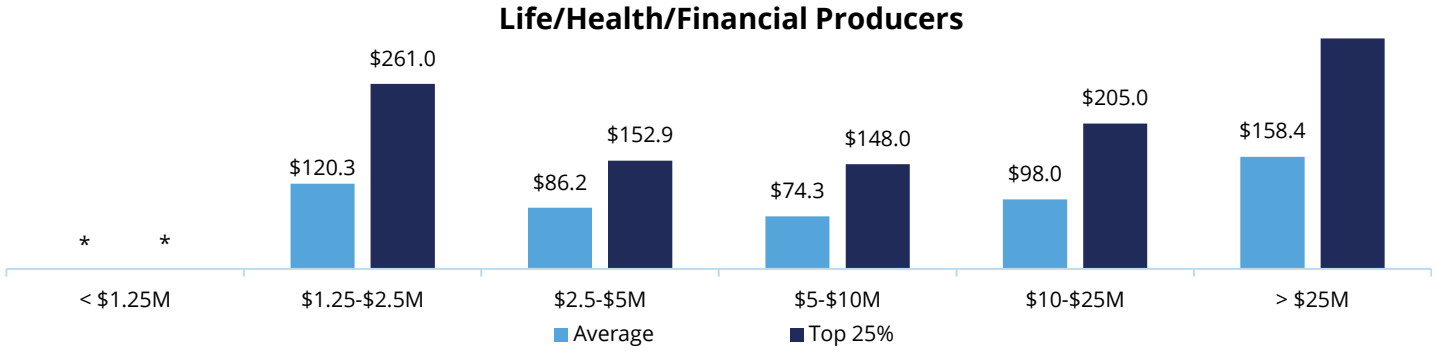
	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Commercial P&C						
Number of Validated Producers	0.6	0.9	2.6	4.2	8.2	21.7
% Male	*	*	88%	92%	90%	90%
% Female	*	*	12%	8%	10%	10%
Average New Commissions	$33,315	$31,228	$75,066	$86,235	$105,005	$146,050
Average Book Serviced	$257,281	$181,662	$538,267	$575,260	$773,998	$1,359,074
Average Compensation	$86,206	$95,865	$174,826	$221,664	$269,112	$388,532
Avg. Comp. as % of Book	30.1%	39.7%	29.7%	34.0%	32.1%	30.6%
Top 25% Avg New Commissions	$69,436	$61,138	$149,454	$166,625	$193,764	$280,177
Top 25% Average Book Serviced	$643,596	$336,770	$1,048,949	$988,207	$1,385,521	$2,505,095
Personal P&C						
Number of Validated Producers	0.5	0.5	1.0	0.7	1.0	1.8
% Male	*	*	*	*	*	*
% Female	*	*	*	*	*	*
Average New Commissions	$25,446	$43,506	$34,552	$58,407	$51,371	$91,603
Average Book Serviced	$211,046	$231,815	$213,824	$294,946	$285,201	$415,954
Average Compensation	$47,437	$93,560	$74,442	$113,594	$95,457	$127,182
Avg. Comp. as % of Book	23.6%	37.2%	34.8%	31.9%	31.7%	30.9%
Top 25% Avg New Commissions	$53,438	$74,277	$66,921	$120,511	$106,974	$192,966
Top 25% Average Book Serviced	$484,175	$336,922	$398,850	$584,296	$522,492	$832,231
Life/Health/Financial						
Number of Validated Producers	*	0.1	0.2	0.8	2.2	8.3
% Male	*	*	*	*	81%	77%
% Female	*	*	*	*	19%	23%
Average New Commissions	*	$120,318	$86,218	$74,315	$97,996	$158,364
Average Book Serviced	*	$312,333	$261,218	$482,569	$737,383	$1,230,294
Average Compensation	*	$123,581	$168,545	$195,773	$243,385	$351,454
Avg. Comp. as % of Book	*	30.2%	31.4%	34.1%	34.8%	30.9%
Top 25% Avg New Commissions	*	$261,000	$152,874	$147,955	$204,978	$382,584
Top 25% Average Book Serviced	*	$372,753	$486,298	$938,377	$1,602,377	$2,285,787
Multi-line						
Number of Validated Producers	0.5	0.7	0.7	1.1	1.6	3.1
% Male	*	*	*	*	*	86%
% Female	*	*	*	*	*	14%
Average New Commissions	$34,351	$62,390	$54,769	$56,530	$82,340	$82,574
Average Book Serviced	$227,345	$280,098	$457,169	$478,804	$673,337	$1,143,501
Average Compensation	$128,166	$135,699	$170,477	$193,250	$214,300	$328,049
Avg. Comp. as % of Book	36.2%	39.1%	34.0%	32.7%	29.8%	28.5%
Top 25% Avg New Commissions	$75,695	$145,678	$125,208	$105,865	$206,711	$200,339
Top 25% Average Book Serviced	$578,798	$535,642	$1,103,969	$983,496	$1,580,715	$2,464,550
Weighted Average Producer Age	50.3	46.2	48.2	48.5	48.4	50.4
% Total Book by Producer Age:						
Up to age 35	11.0%	26.8%	18.1%	17.0%	15.1%	8.5%
Age 36-45	22.2%	27.2%	23.9%	27.5%	26.9%	28.7%
Age 46-55	33.8%	19.0%	28.6%	24.8%	28.8%	28.2%
Over age 55	33.0%	27.0%	29.5%	30.7%	29.2%	34.6%

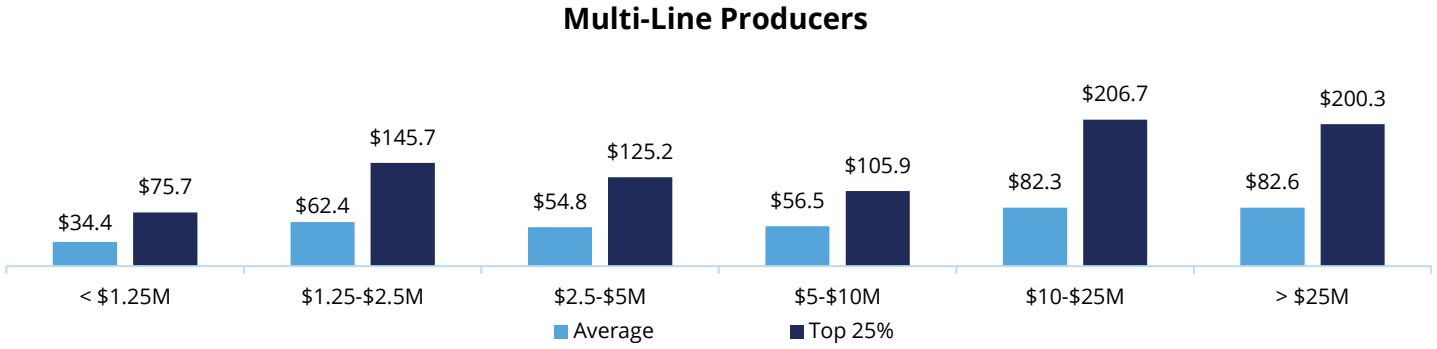
**Insufficient Data*

Average New Commissions ($ in thousands)









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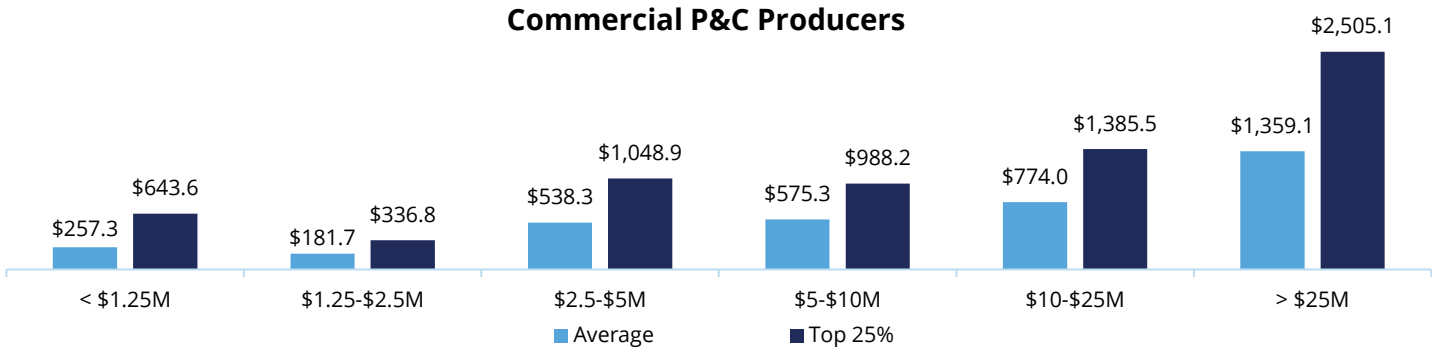
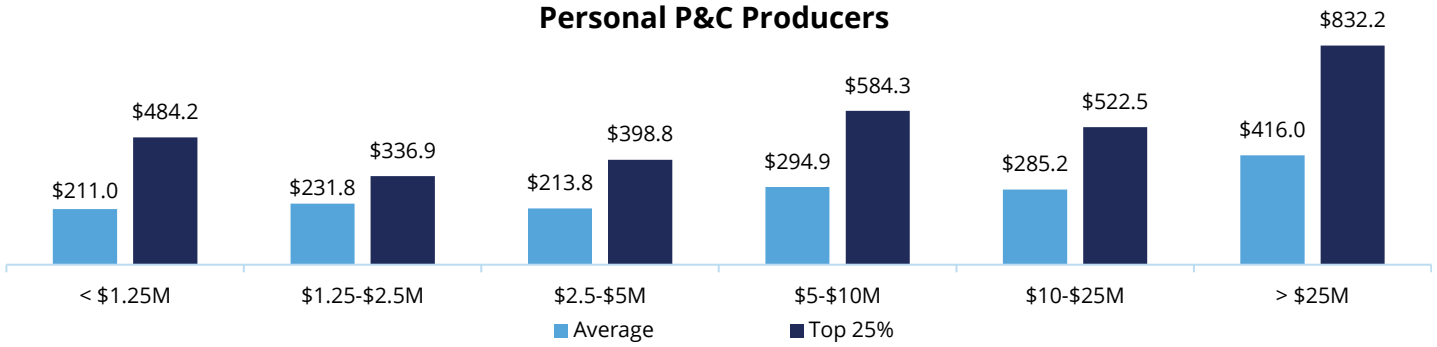
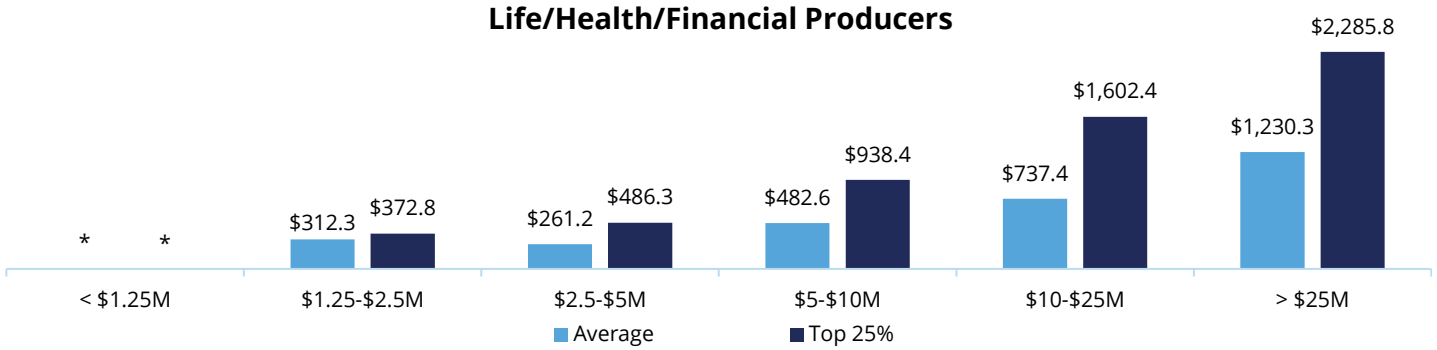
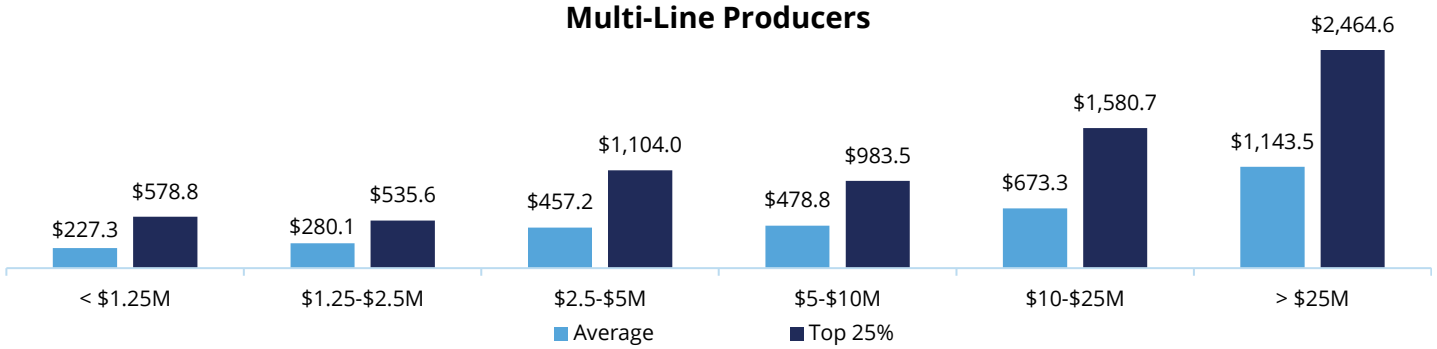
Average Book Serviced ($ in thousands)









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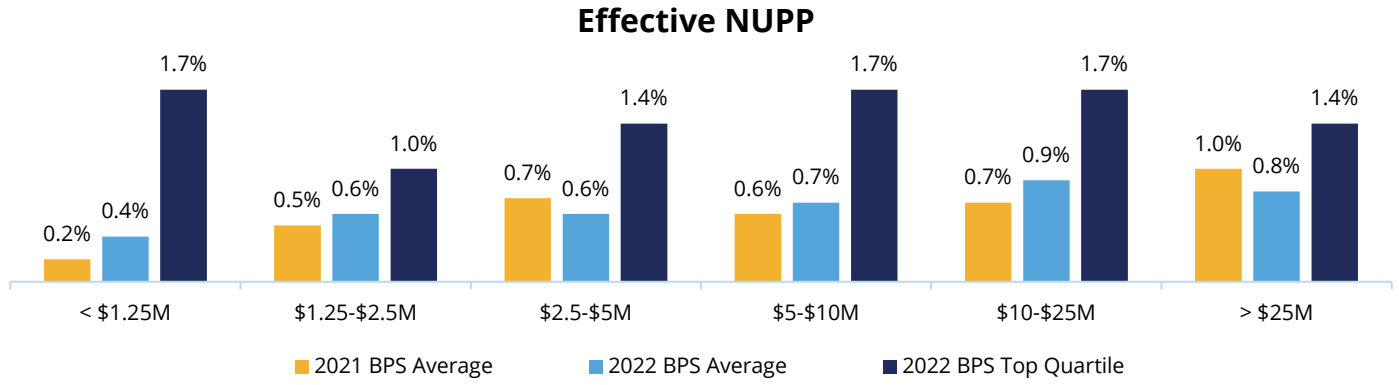
Unvalidated Producer Metrics

	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
NUPP (Net Investment in Unvalidated Producer Pay):						
Low	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average	0.6%	1.1%	0.9%	1.2%	1.2%	1.5%
High	7.0%	6.5%	9.8%	4.3%	4.9%	3.8%
Top Quartile	2.0%	3.7%	3.0%	2.8%	2.8%	3.2%
2021 BPS Average NUPP	*0.4%*	*1.1%*	*1.0%*	*1.1%*	*1.4%*	*2.0%*
Producer Success Rate	65.9%	58.1%	64.0%	54.2%	53.8%	50.4%
Effective NUPP:						
Average	0.4%	0.6%	0.6%	0.7%	0.9%	0.8%
Top Quartile	1.7%	1.0%	1.4%	1.7%	1.7%	1.4%

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

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



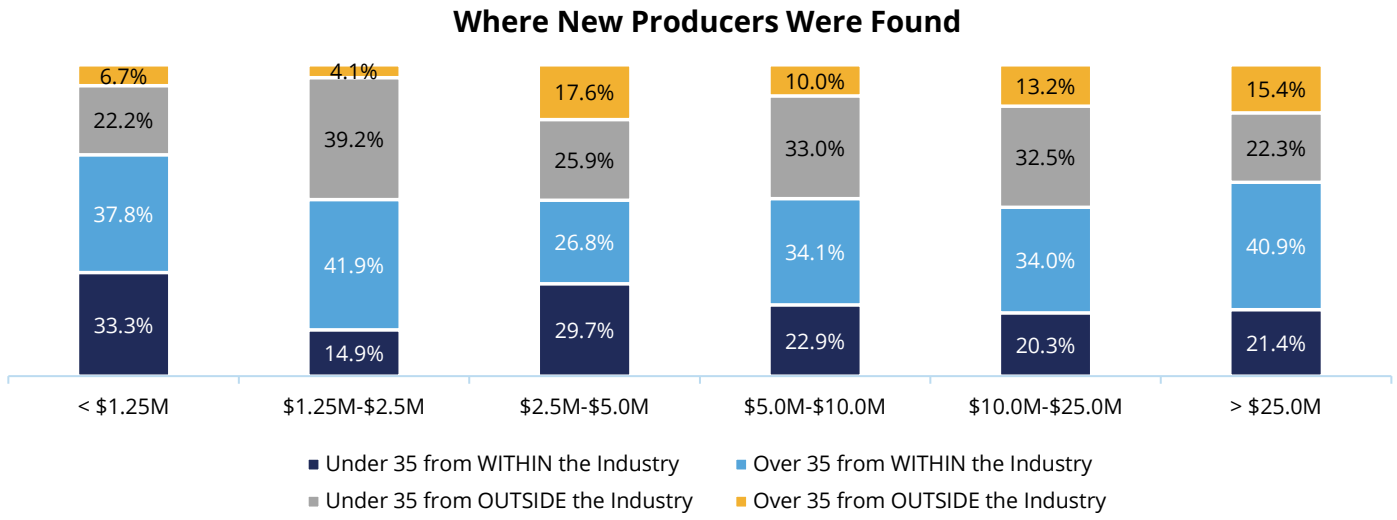
New Producer Hiring

AVERAGE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
% of Agencies that Hired New Producers Last Year	22.6%	43.3%	37.7%	60.0%	68.3%	97.8%
# of New Producers Hired Last Year	1.4	1.4	1.7	2.1	3.1	6.4
Avg Annualized Wages/Prod Hired	$53,443	$53,164	$60,071	$83,759	$76,191	$102,877
# New Producers Hired Past 5 Years	2.5	3.1	3.8	5.5	9.2	30.2
Producer Success Rate Past 5 years	65.9%	58.1%	64.0%	54.2%	53.8%	50.4%

TOP QUARTILE	AGENCIES WITH REVENUES OF:					
	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
# of New Producers Hired Last Year	2.5	2.0	3.0	4.1	6.5	14.7
Avg Annualized Wages/Prod Hired	$99,779	$85,207	$110,491	$154,655	$111,579	$176,509
# New Producers Hired Past 5 Years	5.0	6.2	7.6	10.8	17.5	61.0
Producer Success Rate Past 5 years	100.0%	97.0%	100.0%	92.9%	84.5%	73.7%

	AGENCIES WITH REVENUES OF:					
Recruiting & Develop. Techniques:	<$1.25M	$1.25-$2.5M	$2.5-$5M	$5-$10M	$10-$25M	>$25M
Recruiting:						
Targeted College Recruiting Efforts/Programs	26.7%	10.0%	25.5%	27.5%	54.4%	50.0%
Use of Outside Recruiters	13.3%	25.0%	44.7%	64.7%	75.4%	88.6%
Use of Social Media as a Recruiting Tool	60.0%	75.0%	72.3%	74.5%	87.7%	93.2%
Assessment:						
Testing (Sales, Personality, Intelligence Capabilities, Call Reluctance, etc.)	46.7%	65.0%	70.2%	82.4%	94.7%	95.5%
Development:						
Internship	13.3%	15.0%	36.2%	43.1%	63.2%	70.5%
Mentorship	33.3%	35.0%	57.4%	70.6%	86.0%	93.2%
Technical Training:						
Internal	93.3%	80.0%	93.6%	92.2%	98.2%	95.5%
External	60.0%	50.0%	87.2%	82.4%	87.7%	93.2%
Sales Training:						
Internal	80.0%	75.0%	87.2%	82.4%	87.7%	97.7%
External	53.3%	80.0%	85.1%	84.3%	91.1%	95.5%
Selling Structure:						
Required Specialization	33.3%	15.0%	23.4%	31.4%	40.4%	31.8%
Team Selling	40.0%	50.0%	78.7%	66.7%	80.7%	81.8%
Assigned Accounts	40.0%	55.0%	63.8%	72.5%	77.2%	68.2%

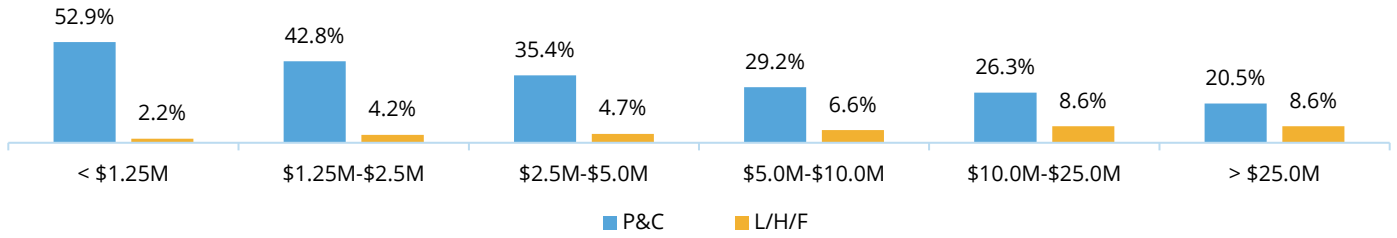
**Insufficient Data*



Carriers

	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Carrier Representation:						
Commercial P&C						
# of National Carriers	9.4	6.5	13.2	28.4	39.9	88.4
# of Regional Carriers	4.8	7.9	11.7	10.2	22.7	38.6
Total	**14.2**	**14.4**	**24.9**	**38.6**	**62.6**	**127.0**
Personal P&C						
# of National Carriers	8.9	6.1	9.2	13.0	17.4	32.0
# of Regional Carriers	5.4	7.6	8.3	8.3	14.3	15.0
Total	**14.3**	**13.7**	**17.5**	**21.3**	**31.7**	**47.0**
Life & Health/Financial	3.5	7.3	12.1	20.5	26.8	84.6
Commission Income from Top Carriers:						
Top P&C Carrier	35.5%	25.5%	21.1%	14.7%	13.7%	9.0%
Top 3 P&C Carriers	52.9%	42.8%	35.4%	29.2%	26.3%	20.5%
Top L/H/F Carrier	1.6%	3.0%	2.9%	3.9%	5.3%	4.4%
Top 3 L/H/F Carriers	2.2%	4.2%	4.7%	6.6%	8.6%	8.6%

Commission Income from Top 3 Carriers



	AGENCIES WITH REVENUES OF:					
	<$1.25M	**$1.25-$2.5M**	**$2.5-$5M**	**$5-$10M**	**$10-$25M**	**>$25M**
Breakdown by line for top P&C carriers:						
Personal	53.1%	51.8%	39.0%	26.9%	27.8%	19.9%
Small Commercial	36.1%	33.2%	22.9%	24.6%	15.5%	8.4%
Mid/Large Commercial	10.9%	15.0%	38.0%	48.6%	56.7%	71.8%
Breakdown by line for top 3 P&C carriers:						
Personal	56.1%	51.1%	38.9%	29.0%	27.2%	17.1%
Small Commercial	33.4%	30.5%	25.3%	24.7%	16.2%	8.2%
Mid/Large Commercial	10.5%	18.4%	35.7%	46.3%	56.6%	74.7%
Service Center Usage:						
% by Line of Business						
Commercial Lines Commission	10.1%	14.1%	4.1%	0.5%	1.2%	0.8%
Personal Lines Commission	5.8%	14.5%	24.7%	24.6%	12.2%	7.5%

Glossary

Definitions of Frequently Used Terms

2022

Best Practices Study

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

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

Revenues

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

Property & Casualty:

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

Life & Health/Financial

6) Group Medical Commissions & Fees — Commissions & fees from the sale of group health/medical insurance.
7) All Other Group Commissions & Fees — Commissions and fees from the sale of all other employee benefits products and services. Includes group life, dental, disability, pension, retirement plan, PEOs, investment products, and any revenue from delivery of value added services (VAS) - i.e., benefits, TPA HR/wellness/other consulting services, actuarial services, risk management, cost containment, and any other related to employee benefits, life and health, or financial services.
8) Individual Commissions & Fees — Commissions & fees from the sale of individual life, health, dental, disability & investment products.
9) Bonus/Overrides — Bonus or incentive payments paid to agency for L/H/F promotion (usually for volume, persistency, growth, etc.).
10) Total Life & Health/Financial — The sum of items 6 – 9.
11) Investments — Income from interest, dividends, premium finance, late charges, gains/losses on sales of marketable securities.
12) Miscellaneous — Income from countersignature fees, gains/losses on fixed or intangible assets, life insurance proceeds, and other income not included in one of the other revenue categories.
13) Gross Revenues — The sum of items 5, 10, 11, & 12.
14) Brokerage Commission Expense — Commissions paid to other agencies or outside brokers. Does NOT include in-house 1099 producers, who are included with "Payroll - Non-Employees - 1099 Producers/Outsourced Labor."
15) Net Revenues — Gross Revenues less Brokerage Commission Expense.

Expenses

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

Compensation

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

16) Employees — All expensed payroll, including salaries, commissions, bonuses, management fees, and discretionary owner compensation. Does NOT include "S" corporation distributions.

17) Non-Employees - 1099 Producers/Outsourced Labor — Commissions, bonuses for agency's producers compensated on a 1099. Also includes expense for outside temporary staffing and temp-to-perm staffing, as well as expenses for outsourced services such as Patra or ResourcePro.

18) Total Payroll — The sum of items 16 – 17.

Benefits

19) Payroll Taxes — All payroll taxes (SS, FICA, FUTA, SUTA, etc.).

20) Retirement — Expenses related to a 401(k), ESOP/ESOT, pension, and other miscellaneous retirement benefits.

21) Insurance — Health insurance, medical reimbursements, life insurance, disability insurance, etc. Does NOT include Officer or Key Person life, which is included with "Administrative - Officer Life."

22) Other – Wellness programs, employee assistance plans, health club memberships, and employee gifts, etc.

23) Total Benefits — The sum of items 19 - 22.

24) Total Compensation — The sum of items 18 & 23.

Selling

25) Travel & Entertainment/Conventions — Airfare, meals, hotels, social/country club dues, convention related expenses. Does NOT include professional dues/memberships, which are included in "Operating - Dues/Subscriptions/Contributions."

26) Automobile Expense — Lease, gas, maintenance/repair, employee parking, mileage allowances, etc. Does NOT include employee auto insurance, which are included under "Insurance" in Operating section; also exclude auto depreciation, which is included under "Depreciation" in Administrative section.

27) Advertising/Promotion — Promotional/advertising materials, target marketing services, fees paid to advertising or public relations agencies, media buys, contest rewards, customer relations functions, gifts, telemarketing, etc.

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

Operating

29) Occupancy Expenditures — Total rent, utilities, building/grounds maintenance, property taxes, janitorial services, storage & other building related expenses. Should be net of rental/sublet income. Does NOT include building depreciation or leasehold amortization, which are included in "Administration – Depreciation."

30) Office Equipment Expenses — Leased and expensed equipment purchases and equipment maintenance for copiers, telephone & fax, postage meters, office furniture & fixtures. Does NOT include leased IT equipment, which is included in "Operating - IT Expenses." Does NOT include depreciation, which is included in "Administration – Depreciation."

31) IT Expenses — Expensed/leased computer hardware, software, license fees, maintenance and maintenance contracts, website development/maintenance, website hosting, internet connections, automation related training, regularly outsourced IT support, etc. Does NOT include equipment depreciation, section 179 items, or software amortization, which are included in "Administration – Depreciation."

32) Telephone — Local & long distance, cellular telephone, and fax expenses. Does NOT include leased telephone equipment, which is included in "Operating - Office Equipment Expense."

33) Postage — Postage, Express mail, FedEx, UPS, or courier services. Does NOT include postage machines, which are included in "Operating - Office Equipment Expense."

34) Supplies/Printing — Office supplies, paper, copying/printing, coffee/soft drinks/break room expenses.

35) Dues/Subscriptions/Contributions — Professional dues/membership fees, periodical & information services subscriptions, contributions.

36) Taxes/Licenses — Insurance licenses, miscellaneous local & franchise taxes, sales tax, other property taxes, and license fees. Does NOT include occupancy-related property taxes, which are included with "Operating – Occupancy Expense." Does NOT include payroll-related taxes, which are included with "Payroll – Payroll Tax."

37) Insurance —Property & casualty insurance, including employee auto insurance and workers' compensation, and payments for E&O claims/settlements.

38) Professional Fees — Expenses for CPAs, lawyers, consultants and other outside advisors. Does NOT include directors' fees, which are included in "Administrative – Other."

39) Bad Debts — Bad debts written off and agency-paid claims. Does NOT include E&O claims/settlements, which are included with "Operating – Insurance."

40) Outside Services — MVRs, CLUE reports, etc.; bank fees, employment fees, moving expenses and all other outside service expense including those used to deliver value added services to the agency's clients (e.g., Zywave, actuarial services, COBRA administration, etc.).

41) Education/Training — Tuition reimbursement, registration fees, materials, books/materials, in-house training programs, and related travel expenses, etc. Does NOT include training on how to use your agency management system or other agency technology, which is included with "Operating – IT Expenses."

42) Miscellaneous — Other non-specific miscellaneous operating expenses not included elsewhere.

43) Total Operating — The sum of items 29 – 42.

Administrative

44) Depreciation — All depreciation of fixed tangible assets to include current year depreciation related to autos, building depreciation, depreciation of equipment, furniture and fixtures (including section 179 purchases), depreciation of computers, servers, software, leasehold improvements, etc. The write-down of certain tangible assets may be called amortization, but it is included here if it involved a tangible asset.

45) Amortization of Intangibles — All amortization of intangible assets to include current year amortization of acquired expirations, covenants, non-competes, customer lists, etc.

46) Officer Life — Premium paid by agency, where agency is beneficiary.

47) Interest —Interest expense incurred.

48) Other — Directors' fees, non-specific overhead allocations to parent companies, deferred compensation, and any other miscellaneous administrative expenses.

49) Total Administrative — The sum of items 44-48.

50) Total Expenses — The sum of 24, 28, 43, & 49.

Growth and Profitability

51) Pro Forma Revenue – Net Revenue after the agency's revenue categories are normalized by eliminating non-recurring or non-operating activity.

52) Pre-tax Profit/Loss — Net Revenues less Total Expenses.

53) Pro Forma Pre-tax Profit – Pro Forma Net Revenues less Pro Forma Total Expenses.

54) Pro Forma Operating Profit – Pro Forma Pre-tax Profit less contingent and bonus/override income.

55) Operating Profit — Pre-tax Profit less contingent and bonus/override income.

56) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) — An agency's profit before interest, taxes, depreciation and amortization expenses are included.

57) Pro Forma EBITDA — Adjusted EBITDA after a) Pro Forma Revenue adjustments are accounted for, b) discretionary expenditures made for the benefit

of the owners are added back, and c) expense categories are normalized to eliminate non-recurring and/or non-operating activity. Pro Forma EBITDA excludes all Administrative expenses (Depreciation, Amortization, Officer Life, Interest, and Other).

58) Sales Velocity – A Reagan Consulting metric used to gauge a firm's new business results. Expressed as a percentage, Sales Velocity is current year New Commission and Fee income written divided by prior year Commissions and Fee income.

59) Banded Sales Velocity – Sales Velocity contributions by producer age segments (35 and under, 36-45, 46-55, over age 55).

60) Rule of 20 Score — A Reagan Consulting valuation metric that is the sum of the agency's Pro Forma EBITDA margin times 50% plus the organic commission and fee growth rate. It provides a quick means of calculating whether an agency is creating significant returns for its shareholders.

Financial Stability

61) Current Ratio — Current assets divided by current liabilities. A current ratio greater than 1:1 indicates that cash and assets with short term maturities are sufficient to meet a firm's short-term obligations.

62) Trust Ratio – Cash plus accounts receivable divided by premiums payable.

63) Tangible Net Worth (TNW) — Total tangible assets minus total liabilities. The tangible net worth represents the net value of the agency's balance sheet if it were liquidated. A low or negative tangible net worth impacts an agency's ability to invest in new opportunities, develop new products, hire new employees, make other capital expenditures and facilitate shareholder redemption obligations.

64) Receivables/Payables Ratio — Accounts receivable divided by accounts payable. This ratio measures the collection practices of an agency, with a lower ratio representing more timely collections of those amounts due from insureds.

65) Aged Receivables — Measures the length of time that receivables are past due (over 60 days, over 90 days). Receivables aged greater than 60 days tend to have a magnified impact on the agency's liquidity as payments are most always due to insurance companies on or before 60 days, thus forcing the agency to use its own funds to pay carriers.

Employee Productivity

66) Total # of Employees (FTE) — Total number of full-time equivalent employees, including agency principals.

67) Pro Forma Revenue per Employee — Pro Forma Net Revenue divided by the total number of full-time equivalent employees. Includes 1099 and outsourced employees.

68) Pro Forma Compensation per Employee — Pro Forma Compensation divided by total number of full-time equivalent employees.

69) Pro Forma Spread per Employee — Pro Forma Revenue Per Employee less Pro Forma Compensation Per Employee. While Revenue Per Employee is a standard for measuring productivity, the Spread Per Employee measures the dollars per employee available to pay all other agency expenses and generate a profit for the agency.

Producer Metrics

70) WAPA (Weighted Average Producer Age) – A Reagan Consulting metric designed to assess the relative age of an agency's production force. WAPA is calculated using the sum of the product of the agency's producers' ages and multiplying it by the percentage of the agency's "produced" business handled by each. House business is excluded for the WAPA calculation.

71) Validated Producer — A producer whose book of business is sufficient to cover his/her wages under agency's commission formula.

72) Unvalidated Producer — A producer whose production does not yet cover his/her wages under agency's commission formula.

73) NUPP (Net Investment in Unvalidated Producer Pay) — Expressed as a percentage of net revenue, the NUPP is the difference between what an agency pays its unvalidated producers and what the producers would earn under the agency's normal commission schedule.

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

75) Hiring Velocity — A gauge of an agency's hiring rate in replenishing its existing producer population. Calculated by taking the number of unvalidated producers hired in the most recent year and divide it into the agency's total number of producers. A healthy Hiring Velocity is typically in the 18-22% range.

76) Producer Average Compensation — The portion of a producer's total W-2 compensation that resulted from the producer's production responsibilities. Management and other non-sales compensation is excluded.

Ownership & Staff Info

77) WASA (Weighted Average Shareholder Age) – A Reagan Consulting metric designed to assess the relative age of an agency's ownership team. WASA is calculated using the sum of the product of the agency's owners' ages and multiplying it by their ownership percentages.

78) Service Staff — Typically non-commissioned personnel who are responsible for providing service to the agency's clients and/or supporting producers in the sale of new business and the retention of existing business.

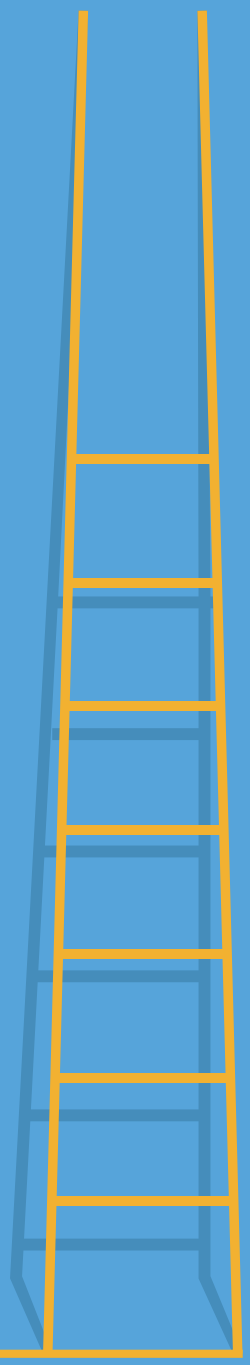
79) Account Executive (AE) – Senior level service position, usually assigned to a producer in order to support & enable the producer to focus on new business production. This is a highly technical position, requiring a comparable technical skill set to that of producers. An AE's primary responsibility is to manage the overall service plan/activities for an existing book of business and to maintain ongoing client relationships, including renewals & account development. In some agencies the AE position may have specific responsibility to solicit new clients or write new business that is referred/comes to agency, but a majority of time is spent on service and client retention.

80) Customer Service Representative (CSR) – Senior level service position in agencies where the AE position does not exist to support the producer. Position will serve as the main service contact for the client. Customer service duties are similar to AE duties including renewals, account upgrading, cross-selling, etc., but may include some processing responsibilities (e.g., coordinate new client set-up, prepare proposals, order & check policies, issue certificates, binders, billings, etc.).

81) Processor/Asst CSR – Lower level service position whose main function is to support other senior level service staff. Position may or may not have direct client contact. Duties vary but are usually processing oriented (e.g., coordinate new client set-ups, prepare proposals, order & check policies, issue certificates, binders, billings, etc.).

82) Marketing – Staff dedicated to marketing functions (negotiating with carriers to obtain coverage for clients - soliciting quotes/rates, negotiating coverage/pricing, placing new and renewal business with carriers, preparing proposals/binders, tracking market trends, pricing and underwriting policies).

83) Claims – This is a claims advocacy role. Coordinates P&C claims reporting, tracking, processing, and analysis for agency and its clients; delivers Value-Added-Service claims services.



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