

# 2018

## Agency Performance Analysis

*SAMPLE*

**Performed for:**

Sample Client

**Fiscal Year End:**

December 31, 2017

**Comparison Group:**

2018 Best Practices Agencies with  
Revenues between \$5.0M and  
\$10.0M

# TABLE OF CONTENTS

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Ranking of Key Operating Metrics	3
Agency Snapshot	4
Profile	5
Revenues	5
Revenue Growth	8
Organic Growth and Sales Velocity	9
Expenses	10
Pro Forma Expenses and Profitability	11
Agency Value and Shareholder Returns	12
Financial Stability and Technology	13
Productivity and Staffing	14
Producer Metrics	15
New Producer Metrics	17
Carriers	18
Definitions / Explanations	19

# RANKING OF KEY OPERATING METRICS

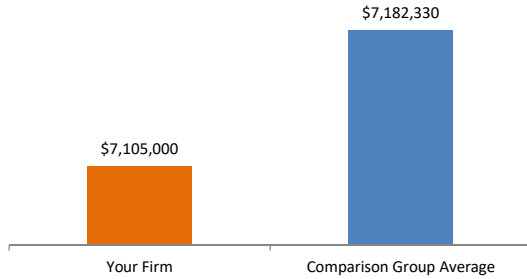
*EXPLANATION OF RANKINGS: The ranking below is provided to show 27 of the most important operating metrics for the typical insurance agency or brokerage. We have provided a breakdown to highlight your best metrics (Top Scores), your lowest metrics (Bottom Scores) and the remaining metrics that fall in the middle for your firm. Each item is also compared to your peer group in the column titled "Rank." For example, "10%-" suggests that your results are either in the bottom 10% or fall short of all of the firms in your peer comparison group. "90%+" suggests that your results are in the top 10% of all the firms in your peer comparison group.*

YOUR TOP SCORES	<u>Page</u>	<u>Your Firm's Top Scoring Key Operating Metrics:</u>	<u>Rank</u>
	Page 9	Sales Velocity	90%+
	Page 8	Commercial P&C Growth (Organic)	90%+
	Page 8	Net Revenue Growth (Organic)	90%+
	Page 14	Pro Forma Revenue per Employee	85%
	Page 8	All Other Group L&H Growth (Organic)	83%
	Page 13	% of Receivables Aged Past 90 Days	83%
	Page 14	Pro Forma Spread per Employee	80%
	<u>Page</u>	<u>Key Operating Metric:</u>	<u>Rank</u>
	Page 8	Individual L/H/F Growth (Organic)	72%
	Page 12	Value Creation Calculation (Rule of 20)	71%
	Page 8	Personal P&C Growth (Organic)	69%
	Page 11	Pro Forma EBITDA Margin (Profitability)	55%
	Page 10	Pro Forma Compensation as % of Net Revenues	52%
	Page 8	Group Medical Growth (Organic)	52%
	Page 11	Pro Forma Operating Profit as % of Net Revenues	40%
	Page 13	Tangible Net Worth as % of Net Revenues	35%
	Page 13	Receivable to Payable Ratio	32%
	Page 16	NUPP as % of Net Revenue	25%
	Page 8	Bonds/Surety Growth (Organic)	24%
	Page 13	Current Ratio	24%
	Page 15	L/H/F Producer - Average Book of Business	NA
YOUR BOTTOM SCORES	<u>Page</u>	<u>Your Firm's Bottom Quartile Key Operating Metrics:</u>	<u>Rank</u>
	Page 15	Personal P&C Producer - Average Book of Business	NA
	Page 15	Multi-line Producer - Average Book of Business	NA
	Page 15	Commercial P&C Producer - Average Book of Business	NA
	Page 15	New Commissions Produced per Multi-line Producer	NA
	Page 15	New Commissions Produced per Commercial P&C Producer	NA
	Page 15	New Commissions Produced per L/H/F Producer	NA
	Page 15	New Commissions Produced per Personal P&C Producer	NA

# AGENCY SNAPSHOT

## Revenues

**Your Firm:** \$7,105,000  
**Comparison Group Average:** \$7,182,330



## Regional Distribution

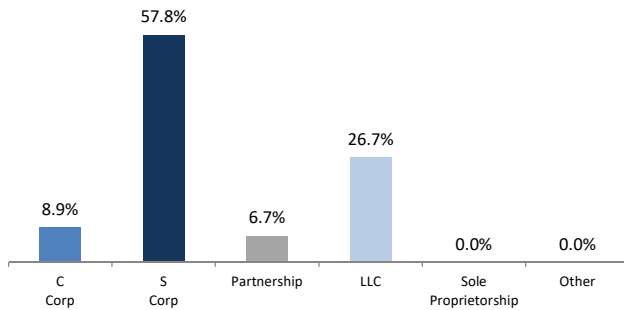
**Your Firm:** Northeast



■ Northeast	26.7%
■ Midwest	20.0%
■ West	6.7%
■ Southeast	26.7%
■ Southwest	20.0%

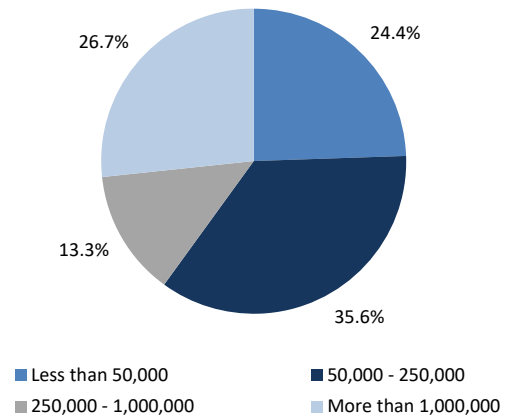
## Corporate Structure

**Your Firm:** S Corp



## Population Density of Home Office Metropolitan Area

**Your Firm:** More than 1,000,000



## Number of Agency Locations

**Your Firm:**

**1.0**

**Comparison Group Average:**

**2.6**

# OWNERSHIP PROFILE

## Number of Shareholders

Your Firm:

2.0

Comparison Group  
Average:

1.0  
*Low*

3.9

11.0  
*High*

## Employee Stock Ownership Plans (ESOPs)

Does your firm have an ESOP?

No

*If yes, what % of your firm is owned by the ESOP?*

\*

What percentage of firms in your comparison group have an ESOP?

2.2%

## Age of Largest Shareholder

Your Firm:

65.0

Comparison Group  
Average:

40.0  
*Low*

57.6

88.0  
*High*

## Ownership of Largest Shareholder

Your Firm:

75.0%

Comparison Group  
Average:

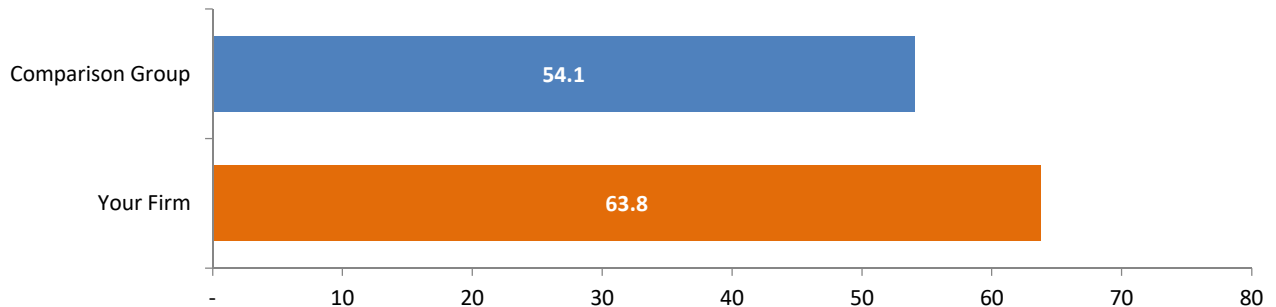
14.0%  
*Low*

60.9%

100.0%  
*High*

## Weighted Average Shareholder Age (WASA)

How old is your ownership team? Is ownership concentrated among the older shareholders, or is it spread out among a wider age group?



# REVENUES

## Acquisitions

% of agencies making acquisitions in the last fiscal year:

15.6%

Your Firm:

\$0

Average annualized commissions acquired:

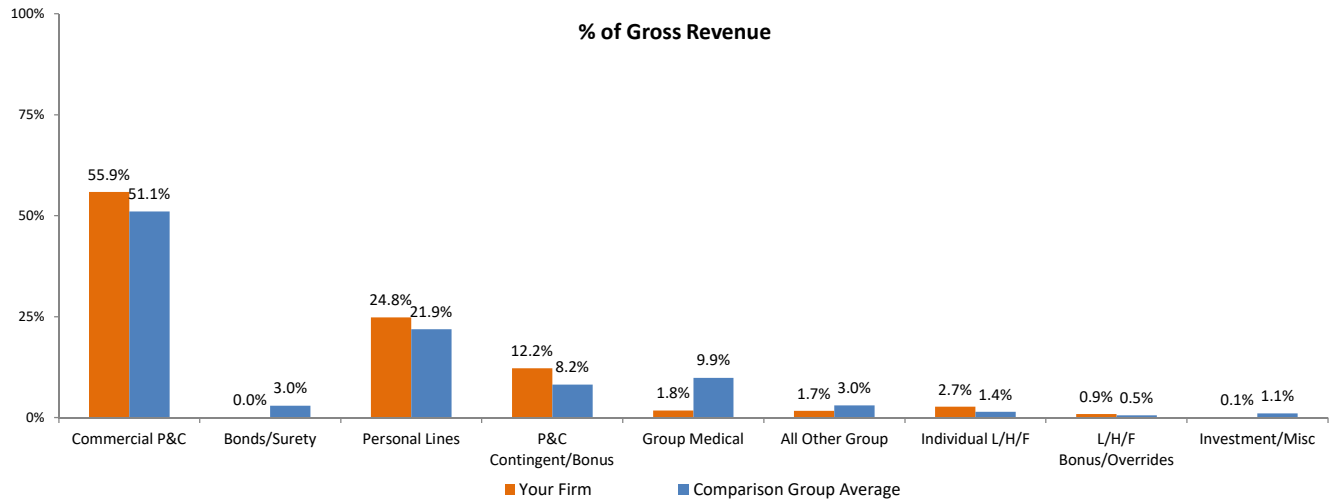
Comparison Group:

\$577,293

# REVENUES

## Revenue by Source

	Your Firm				Comparison Group
	Reported Amount	Pro Forma Adjustments	Pro Forma Amount	% of Total Revenues	Average
<b>Property &amp; Casualty</b>					
Commercial Commissions & Fees	\$5,500,000	\$100,000	\$5,600,000	55.9%	51.1%
Bonds / Surety	0		0	0.0%	3.0%
Personal Commissions & Fees	1,000,000		1,000,000	24.8%	21.9%
Contingent / Bonus	100,000		100,000	12.2%	8.2%
<b>Total P&amp;C</b>	<b>\$6,600,000</b>	<b>\$100,000</b>	<b>\$6,700,000</b>	<b>92.9%</b>	<b>84.1%</b>
<b>Life &amp; Health / Financial</b>					
Group Medical Comm & Fees	\$250,000	(\$50,000)	\$200,000	1.8%	9.9%
All Other Group Comm & Fees	50,000		50,000	1.7%	3.0%
Individual L/H/F Comm & Fees	200,000	(100,000)	100,000	2.7%	1.4%
Bonus / Overrides	50,000		50,000	0.9%	0.5%
<b>Total L&amp;H / Financial</b>	<b>\$550,000</b>	<b>(\$50,000)</b>	<b>\$400,000</b>	<b>7.0%</b>	<b>14.9%</b>
Investment	2,500	500	3,000	0.1%	0.5%
Miscellaneous	2,500	(500)	2,000	0.0%	0.6%
<b>Gross Revenues</b>	<b>\$7,155,000</b>	<b>\$50,000</b>	<b>\$7,105,000</b>	<b>100.0%</b>	<b>100.0%</b>
Brokerage Comm Expense	0		0	0.0%	0.3%
<b>Net Revenues</b>	<b>\$7,155,000</b>	<b>50,000</b>	<b>\$7,105,000</b>	<b>100.0%</b>	<b>99.7%</b>



## All Other Group L/H/F Revenue

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

Agency All Other Group L/H/F % of Revenues:	Your Firm's All Other Group L/H/F Revenue	Your Firm's % of All Other Group L/H/F Revenue	Comparison Group's % of All Other Group L/H/F Revenue
<b>Your Firm</b>			
<b>1.7%</b>			
<b>Comparison Group</b>			
<b>3.0%</b>			
Life	\$7,500	15.0%	22.0%
Disability	5,000	10.0%	17.0%
Dental & Vision	6,500	13.0%	31.4%
Retirement/Pension	0	0.0%	5.0%
Worksite/Voluntary/Supplement	0	0.0%	8.2%
Long Term Care	4,000	8.0%	2.9%
Employee Benefits TPA	2,000	4.0%	2.5%
All Other	25,000	50.0%	11.1%
<b>Total</b>	<b>\$50,000</b>	<b>100.0%</b>	<b>100.0%</b>

# REVENUES

## Account Concentration

### Largest Single Account (% of Net Revenue)

Your Firm:

5.0%

Comparison Group  
Average:

0.4%  
Low

3.3%

14.9%  
High

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

Your Firm:

30.0%

Comparison Group  
Average:

2.4%  
Low

14.3%

37.3%  
High

## Account Size

### Commercial P&C

as measured by commissions and fees

	Your Firm	Comparison Grp Average
<b>Greater than \$50K</b>		
% of Book	20.1%	23.2%
# of Accounts	9.3	10.2
Total Revenue	\$878,255	\$1,034,818
Revenue per Account	\$84,015	\$94,081
<b>Between \$25K and \$50K</b>		
% of Book	14.0%	13.6%
# of Accounts	17.4	17.3
Total Revenue	\$599,918	\$591,289
Revenue per Account	\$34,246	\$32,930
<b>Between \$10K and \$25K</b>		
% of Book	20.2%	19.1%
# of Accounts	51.7	50.7
Total Revenue	\$797,048	\$778,383
Revenue per Account	\$15,105	\$15,347
<b>Between \$5K and \$10K</b>		
% of Book	13.6%	12.9%
# of Accounts	72.2	72.0
Total Revenue	\$503,729	\$493,961
Revenue per Account	\$7,000	\$6,951
<b>Less than \$5K</b>		
% of Book	32.1%	31.1%
# of Accounts	1,921.8	1,563.7
Total Revenue	\$1,105,584	\$1,113,426
Revenue per Account	\$822	\$976

### Group L/H/F

as measured by number of lives













	Your Firm	Comparison Grp Average
<b>Over 100 Lives</b>		
% of Book	33.3%	33.0%
# of Accounts	12.2	11.0
Total Revenue	\$675,109	\$520,955
Revenue per Account	\$46,940	\$45,008
<b>50-100 Lives</b>		
% of Book	21.8%	21.3%
# of Accounts	15.3	15.7
Total Revenue	\$261,385	\$276,475
Revenue per Account	\$16,360	\$17,211
<b>Under 50 Lives</b>		
% of Book	44.8%	45.5%
# of Accounts	266.3	154.8
Total Revenue	\$435,716	\$463,231
Revenue per Account	\$2,944	\$2,966

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

## Agency Specialization

Agency Total Specialty Revenue	Your Firm	as % Net Revenue	% of Agencies with any Specialty Revenue	Average Total Specialty Revenue <sup>1</sup>	Average % Net Revenue <sup>1</sup>
	\$2,000,000	28.6%	53.3%	\$2,954,896	39.7%

<sup>1</sup> Only for those firms who reported specialty revenues

	% of Comparison Grp with Specialty	Your Firm's Revenues from this Specialty	Your Firm's Rev from Specialty as % of NR	For firms that specialize in this, what % of NR is from this specialty?
 Agriculture	11.1%	*	*	4.9%
 Construction	31.1%	*	*	31.9%
 Energy	6.7%	*	*	11.1%
 Government/Municipality	13.3%	*	*	3.9%
 Healthcare	13.3%	*	*	6.1%
 Hospitality	17.8%	*	*	5.3%
 Manufacturing	22.2%	*	*	11.8%
 Non-profits	17.8%	*	*	5.3%
 Real Estate	22.2%	*	*	13.8%
 Schools/Education	17.8%	*	*	2.4%
 Transportation	17.8%	*	*	6.4%
 Other	42.2%	\$2,000,000	28.6%	10.6%
<b>TOTAL</b>		<b>\$2,000,000</b>	<b>28.6%</b>	

# REVENUE GROWTH

## Revenue Growth by Source

	Your Firm		Comparison Group	
	Amount	% Prior Year	Median	Top Quartile
<b>Total Commissions and Fees</b>				
Renewal Business	\$5,042,107	86.6%	90.5%	99.9%
New Business	1,171,997	20.1%	11.5%	17.5%
Acquired Business	0	0.0%	0.0%	1.8%
<b>Total Growth</b>	<b>393,915</b>	<b>6.8%</b>	<b>3.6%</b>	<b>12.5%</b>
<b>Organic Growth</b>	<b>393,915</b>	<b>6.8%</b>	<b>3.3%</b>	<b>12.2%</b>
Brokerage Commission Expense	0	0.0%	5.0%	30.9%
<b>Net Commissions and Fees</b>				
<b>Total Growth</b>	<b>393,915</b>	<b>3.0%</b>	<b>3.6%</b>	<b>12.6%</b>
<b>Organic Growth</b>	<b>393,915</b>	<b>3.0%</b>	<b>3.3%</b>	<b>12.1%</b>
P&C Contingent Income	274,878	52.2%	-5.6%	26.6%
L/H/F Bonus Income	14,210	33.4%	-10.9%	32.5%
Investment Income	1,647	38.3%	2.6%	34.7%
Miscellaneous Income	0	0.0%	-9.7%	19.1%
<b>NET REVENUE TOTAL GROWTH</b>	<b>\$684,650</b>	<b>10.7%</b>	<b>3.5%</b>	<b>13.1%</b>
<b>NET REV ORGANIC GROWTH</b>	<b>\$684,650</b>	<b>10.7%</b>	<b>3.5%</b>	<b>12.8%</b>

## Growth in Commissions and Fees by Line of Business

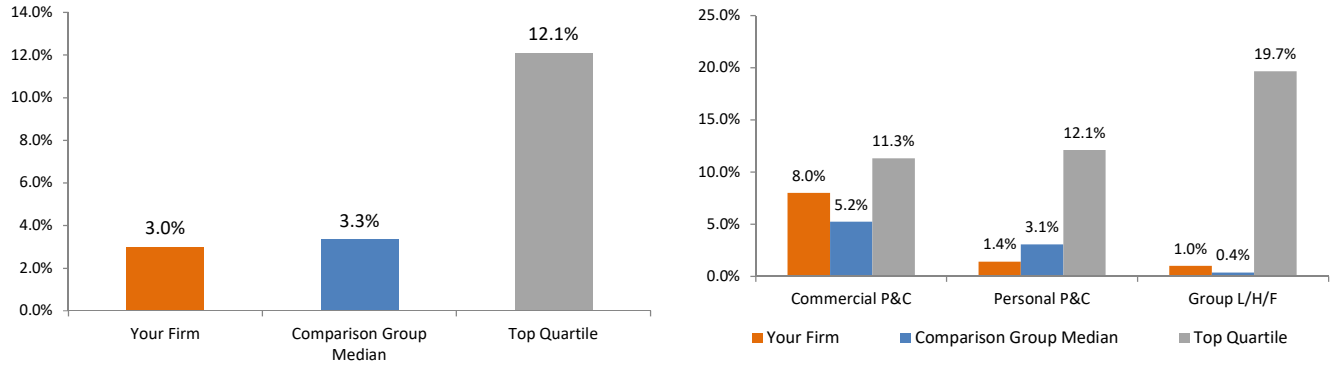
	Your Firm		Comparison Group	
	Amount	% Prior Year	Median	Top Quartile
<b>Commercial P&amp;C</b>				
Renewal Business	\$3,500,000	85.0%	93.1%	100.6%
New Business	800,000	15.0%	10.3%	17.4%
Acquired Business	0	0.0%	0.0%	2.0%
<b>TOTAL GROWTH</b>	<b>\$375,000</b>	<b>10.0%</b>	<b>4.5%</b>	<b>12.7%</b>
<b>ORGANIC GROWTH</b>	<b>\$375,000</b>	<b>10.0%</b>	<b>5.6%</b>	<b>11.7%</b>
<b>Bonds/Surety</b>				
Renewal Business	\$0	0.0%	31.6%	105.2%
New Business	0	0.0%	13.2%	84.1%
Acquired Business	0	0.0%	0.0%	0.3%
<b>TOTAL GROWTH</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.2%</b>	<b>22.2%</b>
<b>ORGANIC GROWTH</b>	<b>\$0</b>	<b>-100.0%</b>	<b>0.2%</b>	<b>23.9%</b>
<b>Personal P&amp;C</b>				
Renewal Business	\$1,500,000	90.0%	92.2%	109.4%
New Business	180,000	10.0%	8.9%	18.0%
Acquired Business	0	0.0%	0.0%	2.3%
<b>TOTAL GROWTH</b>	<b>\$25,000</b>	<b>1.5%</b>	<b>3.0%</b>	<b>13.1%</b>
<b>ORGANIC GROWTH</b>	<b>\$25,000</b>	<b>1.4%</b>	<b>3.1%</b>	<b>12.1%</b>
<b>Group Medical</b>				
Renewal Business	\$150,000	75.0%	86.4%	108.0%
New Business	25,000	15.0%	10.2%	40.2%
Acquired Business	0	0.0%	0.0%	0.8%
<b>TOTAL GROWTH</b>	<b>(\$10,000)</b>	<b>-5.0%</b>	<b>2.5%</b>	<b>29.7%</b>
<b>ORGANIC GROWTH</b>	<b>(\$10,000)</b>	<b>-5.0%</b>	<b>2.5%</b>	<b>29.7%</b>
<b>All Other Group</b>				
Renewal Business	\$50,000	50.0%	71.4%	123.8%
New Business	50,000	50.0%	5.3%	40.3%
Acquired Business	0	0.0%	0.0%	0.9%
<b>TOTAL GROWTH</b>	<b>\$25,000</b>	<b>25.0%</b>	<b>-0.8%</b>	<b>30.8%</b>
<b>ORGANIC GROWTH</b>	<b>\$25,000</b>	<b>25.0%</b>	<b>-0.8%</b>	<b>32.2%</b>
<b>Individual L/H/F</b>				
Renewal Business	\$80,000	40.0%	39.7%	89.5%
New Business	95,000	50.0%	17.3%	118.6%
Acquired Business	0	0.0%	0.0%	0.3%
<b>TOTAL GROWTH</b>	<b>(\$15,000)</b>	<b>-5.0%</b>	<b>-13.8%</b>	<b>10.4%</b>
<b>ORGANIC GROWTH</b>	<b>(\$15,000)</b>	<b>-5.0%</b>	<b>-13.8%</b>	<b>10.4%</b>

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.



# ORGANIC GROWTH AND SALES VELOCITY

## Organic Growth in Net Commissions and Fees - Total Agency and by Line of Business



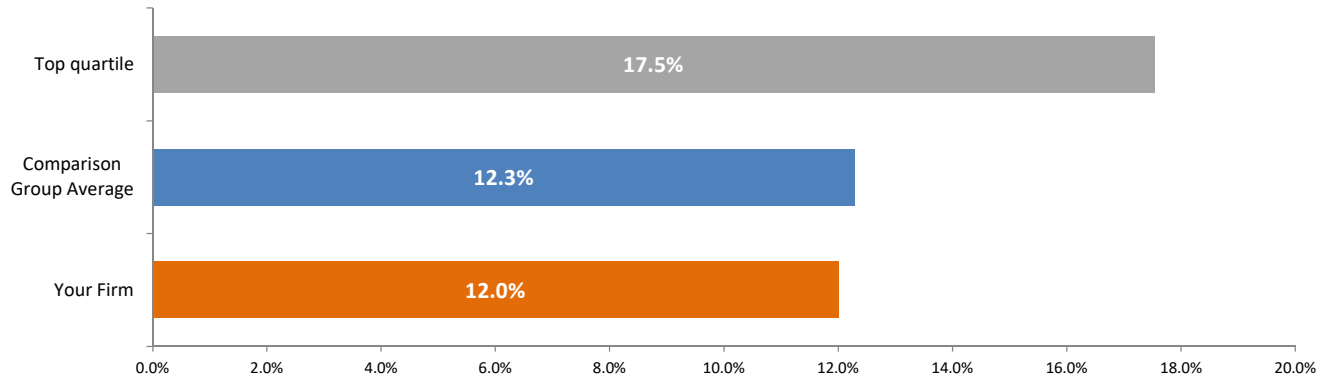
Note: Commercial P&C includes Bonds/Surety; Group L/H/F includes Group Medical, All Other Group, and Individual L/H/F.

## Sales Velocity - Total Agency

What is the agency's new business contribution to organic growth?

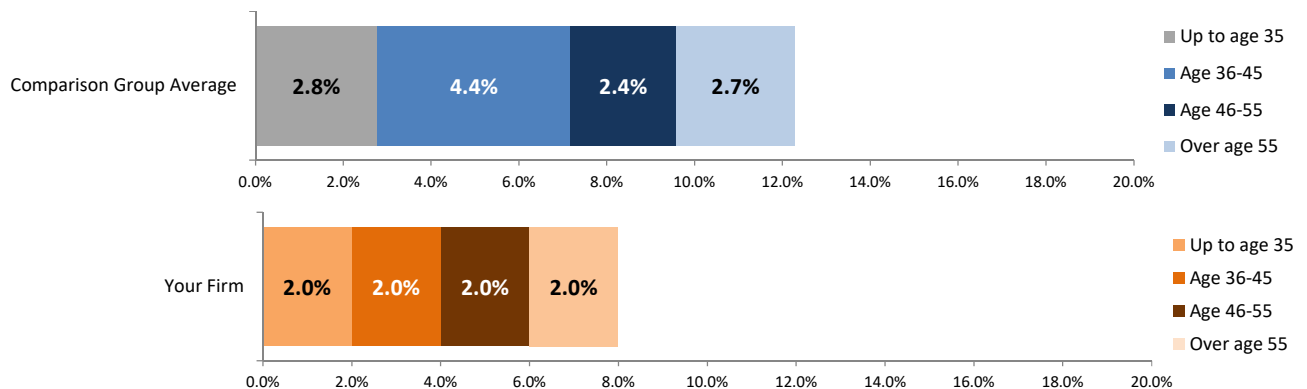
Organic growth is the result of a combination of retention, pricing, and new business. Sales velocity, on the other hand, isolates the component of organic growth that an agency can most influence - new business. Is your sales engine strong enough to produce enough new business to hit your growth rates even after the effects of customer attrition and pricing changes?

$$\text{SALES VELOCITY} = \frac{\text{This year's new business}}{\text{Last year's net commissions and fees}}$$



## Age Banding of Sales Velocity

How old are those producing your firm's new business? Is your new business highly concentrated among a single age band or is it spread out across producers of all ages?



# EXPENSES

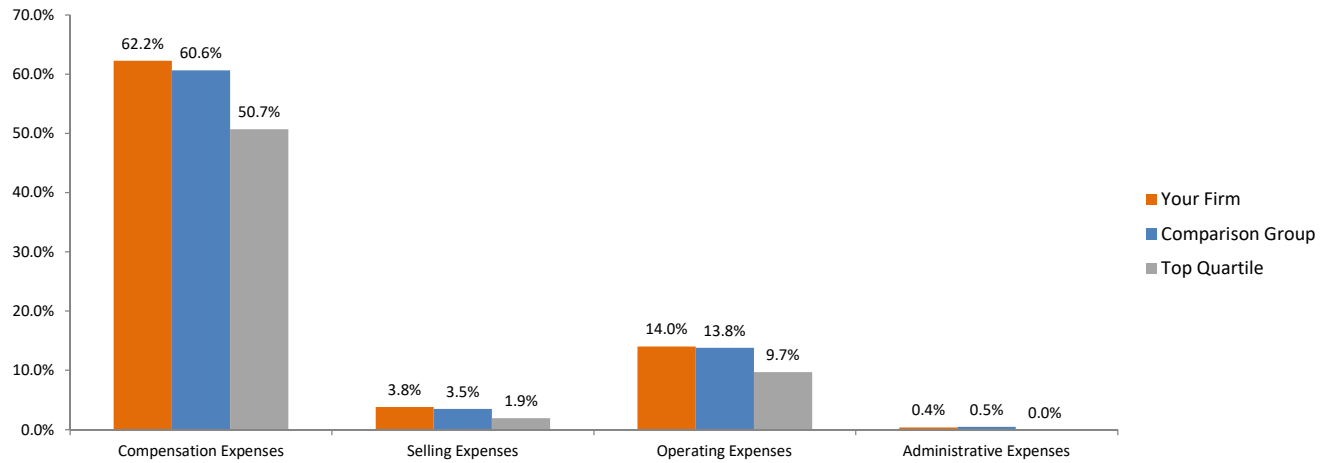
	Your Firm				Comparison Group	
	Reported Amount	Pro Forma Adjustments	Pro Forma Amount	Percent of Pro Forma Net Revenues	Pro Forma Average	Top Quartile <sup>1</sup>
<b>Compensation</b>						
<u>Payroll</u>						
Employees	\$3,500,000		\$3,500,000	42.2%	49.9%	39.4%
"Non-employees" - 1099						
Producers and outsourced labor	750,000		750,000	11.9%	2.6%	0.0%
<b>Total Payroll</b>	<b>4,250,000</b>		<b>4,250,000</b>	<b>54.1%</b>	<b>52.5%</b>	<b>43.5%</b>
<u>Benefits</u>						
Payroll Taxes	200,000		200,000	3.5%	3.2%	2.5%
Retirement	60,000		60,000	1.0%	1.5%	0.4%
Insurance	200,000		200,000	3.1%	3.2%	2.0%
Other	40,000		40,000	0.6%	0.2%	0.0%
<b>Total Benefits</b>	<b>500,000</b>		<b>500,000</b>	<b>8.2%</b>	<b>8.1%</b>	<b>5.9%</b>
<b>Total Compensation</b>	<b>4,750,000</b>		<b>4,750,000</b>	<b>62.2%</b>	<b>60.6%</b>	<b>50.7%</b>
<b>Selling</b>						
Travel and Ent./Conventions	80,000		80,000	1.4%	1.3%	0.5%
Automobile Expense	60,000		60,000	0.9%	0.7%	0.2%
Advertising/Promotions	100,000		100,000	1.5%	1.5%	0.4%
<b>Total Selling</b>	<b>240,000</b>		<b>240,000</b>	<b>3.8%</b>	<b>3.5%</b>	<b>1.9%</b>
<b>Operating</b>						
Occupancy Expenses <sup>2</sup>	320,000		320,000	4.8%	4.1%	2.7%
Office Equipment Expenses	20,000		20,000	0.3%	0.4%	0.1%
IT Expenses	150,000		150,000	2.4%	2.6%	1.4%
Telephone	60,000		60,000	0.9%	0.7%	0.3%
Postage	10,000		10,000	0.2%	0.3%	0.1%
Supplies/Printing	30,000		30,000	0.5%	0.6%	0.3%
Dues/Subscriptions/Contributions	30,000		30,000	0.5%	0.8%	0.3%
Taxes/Licenses	20,000		20,000	0.3%	0.3%	0.1%
Insurance	70,000		70,000	1.0%	1.3%	0.7%
Professional Fees	80,000		80,000	1.2%	1.1%	0.2%
Bad Debts	1,500		1,500	0.0%	0.1%	0.0%
Outside Services	150,000		150,000	1.9%	1.0%	0.1%
Education/Training	10,000		10,000	0.1%	0.4%	0.1%
Miscellaneous	0		0	0.0%	0.2%	0.0%
<b>Total Operating</b>	<b>951,500</b>		<b>951,500</b>	<b>14.0%</b>	<b>13.8%</b>	<b>9.7%</b>
<b>Administrative</b>						
Depreciation	25,000		25,000	0.4%	0.5%	0.0%
Amortization of Intangibles	0		0	0.0%	0.0%	0.0%
Officer Life	50,000	(50,000)	0	0.0%	0.0%	0.0%
Interest	0	0	0	0.0%	0.0%	0.0%
Other	25,000	(25,000)	0	0.0%	0.0%	0.0%
<b>Total Administrative</b>	<b>100,000</b>	<b>(75,000)</b>	<b>25,000</b>	<b>0.4%</b>	<b>0.5%</b>	<b>0.0%</b>
<b>TOTAL EXPENSES</b>	<b>\$6,041,500</b>	<b>(75,000)</b>	<b>\$5,966,500</b>	<b>80.5%</b>	<b>78.4%</b>	<b>66.9%</b>
<b>PRE-TAX PROFIT/LOSS</b>	<b>\$1,113,500</b>		<b>\$1,138,500</b>	<b>19.5%</b>	<b>21.6%</b>	<b>33.1%</b>
<b>EBITDA<sup>3</sup></b>	<b>\$935,513</b>		<b>\$1,303,893</b>	<b>19.9%</b>	<b>22.1%</b>	<b>33.8%</b>

<sup>1</sup> Top quartile for these metrics are those with the lowest expense, which does not necessarily indicate the best performance in all cases.

<sup>2</sup> For firms that own their building and reported a much lower than peer expense load, we have normalized their occupancy expense.

<sup>3</sup> Pro Forma EBITDA excludes all administrative expenses (depreciation, amortization of intangibles, officer life, interest and other).

# PRO FORMA EXPENSES AND PROFITABILITY

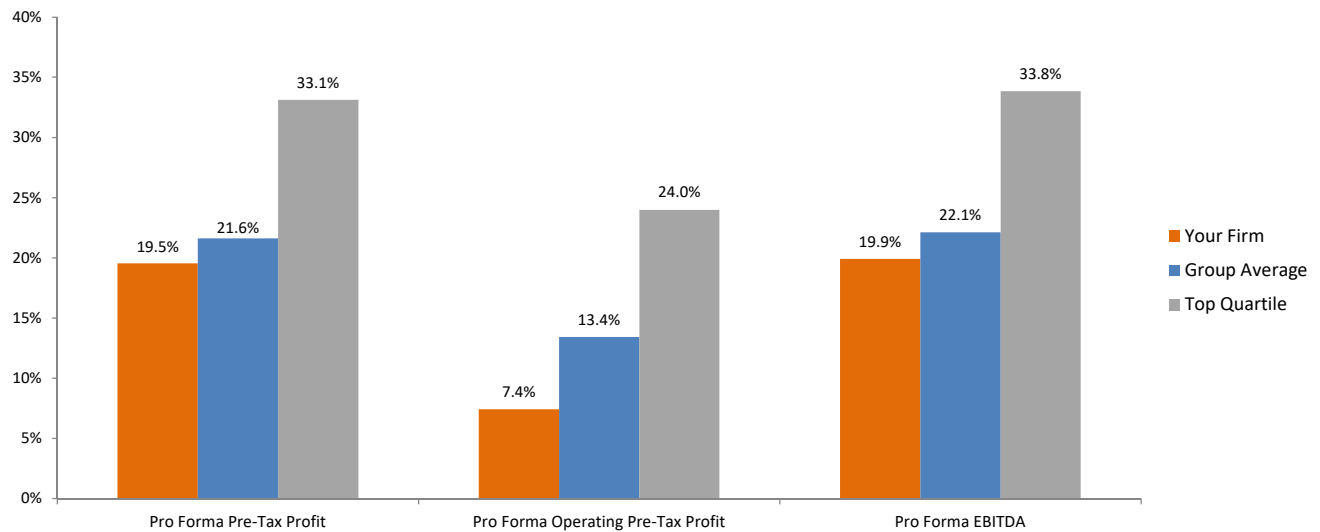


## Profitability

	Your Firm		Comparison Group	
	Amount	Percent of Net Revenues	Average	Top Quartile
Pre-Tax Profit	\$1,113,500	12.9%	17.1%	31.3%
Pro Forma Pre-Tax Profit	\$1,138,500	19.5%	21.6%	33.1%
Operating Profit <sup>1</sup>	\$51,719	0.8%	9.1%	23.8%
Pro Forma Operating Profit	\$421,299	7.4%	13.4%	24.0%
EBITDA	\$935,513	13.2%	19.5%	33.0%
Pro Forma EBITDA <sup>2</sup>	\$1,303,893	19.9%	22.1%	33.8%

<sup>1</sup> Operating profit is pre-tax profit less contingent income and less bonus/override income.

<sup>2</sup> Pro Forma EBITDA excludes all administrative expenses (depreciation, amortization of intangibles, officer life, interest and other).

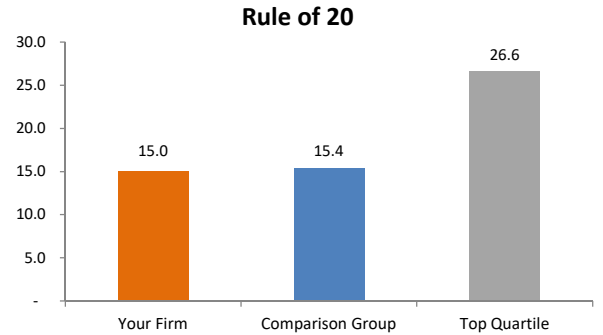
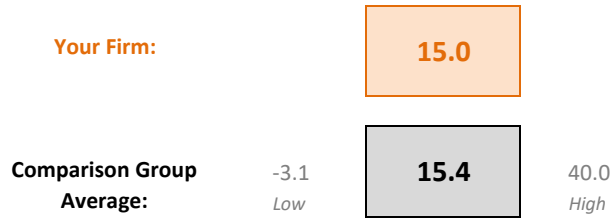


# AGENCY VALUE AND SHAREHOLDER RETURNS

## The Rule of 20

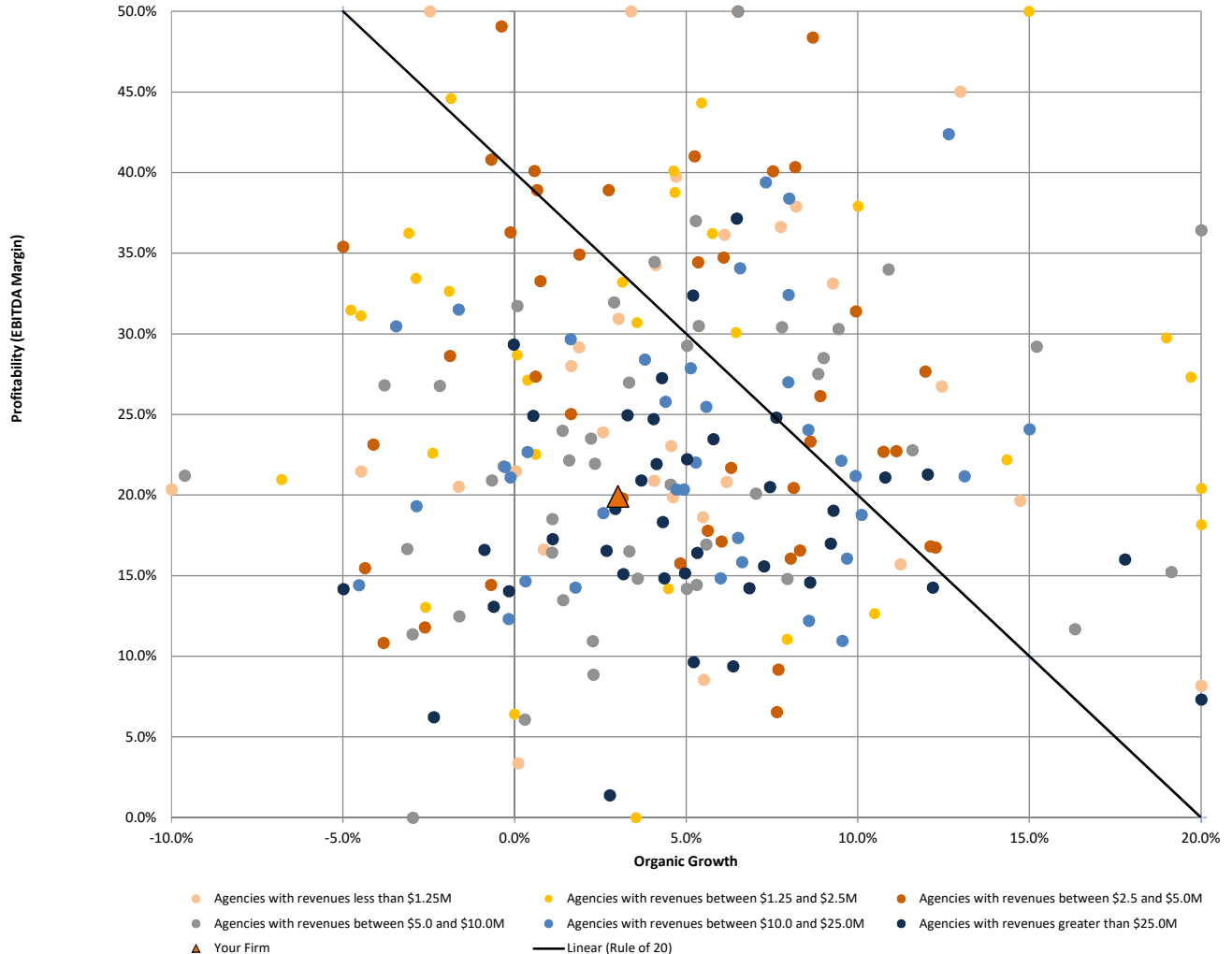
Agency value is driven by organic growth and profitability. The "Rule of 20" provides a quick means of calculating whether or not an agency is creating significant returns for its shareholders. It is the sum of 1/2 an agency's pro forma EBITDA margin plus its net organic commissions and fees growth rate. A score of 20 or more indicates excellent performance.

### Rule of 20 Results



## Rule of 20 results in the Best Practices Study

The graph below provides a look at the Rule of 20 results for agencies included in the Best Practices Study. The solid black line represents all combinations of organic growth and EBITDA margin that result in a Rule of 20 score of 20. The scatter plot shows the wide range of organic growth and profitability results in the study. **NOTE: Firms whose results qualify them as statistical outliers have been set to have a minimum growth of -10% and a maximum of 20%, or a minimum profitability of 0% or maximum of 50%. They appear on the graph line bordering the chart instead of plotting their actual results.**



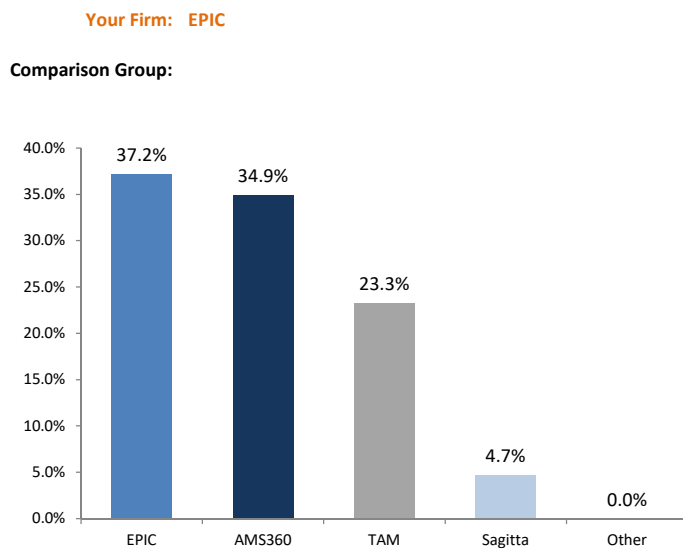
# FINANCIAL STABILITY AND TECHNOLOGY

## Balance Sheet Metrics

	Your Firm		Comparison Group	
	Amount	Percent	Average	Top Quartile
Working Capital	\$110,000			
Current Ratio	1.04:1		1.78:1	3.10:1
Trust Ratio	1.07:1		2.12:1	3.58:1
Stockholders Equity	\$300,000			
Tangible Net Worth (\$)	\$300,000			
Tangible Net Worth (% of Net Rev)		4.5%	12.6%	28.4%
Receivables/Payable Ratio		45.0%	39.2%	10.6%
Accounts Receivables:				
% Receivables Aged 61-90 Days	\$4,000	0.4%	11.1%	-3.0%
% Receivables Aged Past 90 Days	\$20,000	1.7%	7.5%	-13.4%
% of P&C Revenues - Agency Billed		30.0%	30.9%	N/A
% of P&C Revenues - Direct Billed		70.0%	69.1%	N/A

## Technology

### Top 5 Agency Management Systems Used in Home Office



Note that only the Top 5 systems are shown; additional participant choices not reflected.

### Number of IT Employees

Note: Includes regularly outsourced IT support staff

Your Firm:	1.0
Comparison Group Average:	0.7

### IT Payroll as a % of Pro Forma Net Revenue

Your Firm:	1.2%
Comparison Group Average:	0.6%

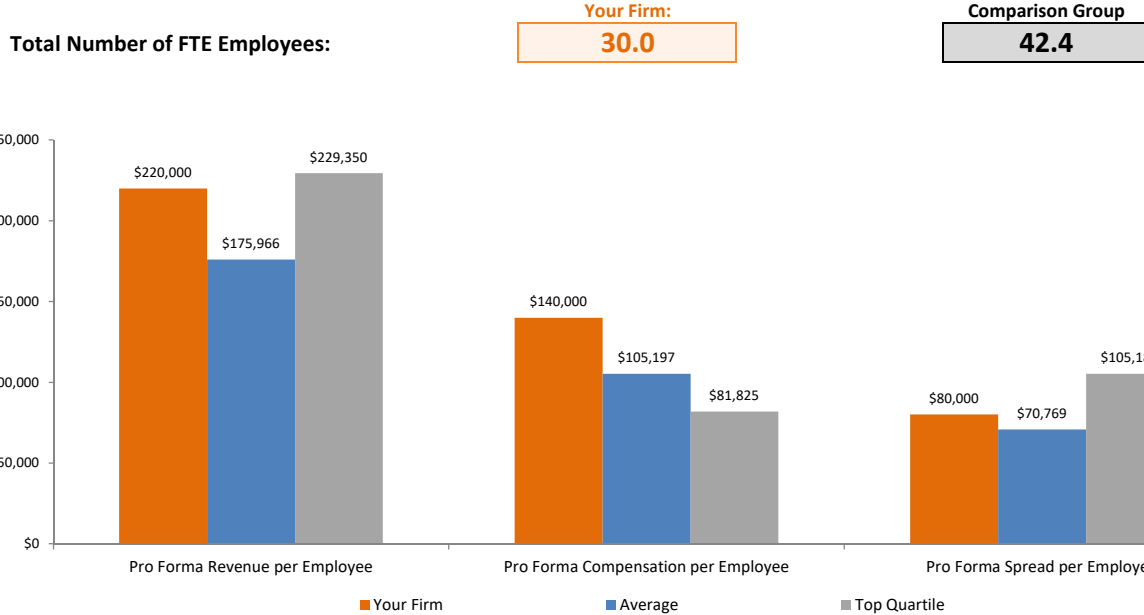
### IT Expenses (non-compensation) as a % of Pro Forma Net Revenue

Note: Excludes hardware depreciation and software amortization

Your Firm:	2.4%
Comparison Group Average:	2.6%

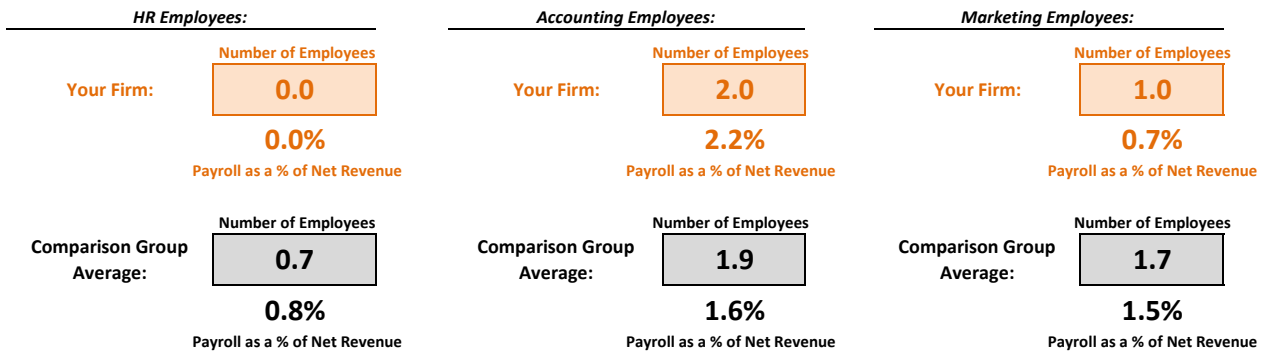
# PRODUCTIVITY AND STAFFING

## Productivity



## Staffing

### Administrative Support Staff:



### Service and Sales Support Staff:

\*LOB = Line of Business excluding contingent/override income

	Your Firm			Comparison Group		
	Number	Avg. LOB revenue per staff	Payroll as a % of LOB revenue	Number	Avg. LOB revenue per staff	Payroll as a % of LOB revenue
<b>PROPERTY &amp; CASUALTY</b>						
Commercial	7.0	\$600,000	12.4%	11.4	\$369,563	16.8%
Personal	5.0	\$300,000	24.9%	6.9	\$217,931	21.3%
P&C Value Added Service Staff	2.0	\$1,000,000	5.1%	1.5	\$2,485,229	2.2%
<b>LIFE &amp; HEALTH / FINANCIAL</b>						
Life & Health / Financial	2.0	\$250,000	31.6%	3.0	\$269,619	17.0%
L&H/F Value Added Service Staff	1.0	\$900,000	4.3%	0.1	\$450,403	4.2%

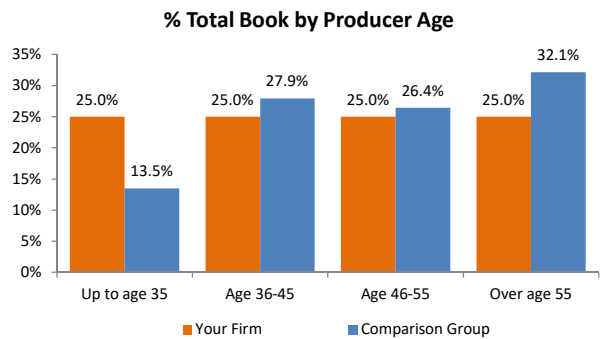
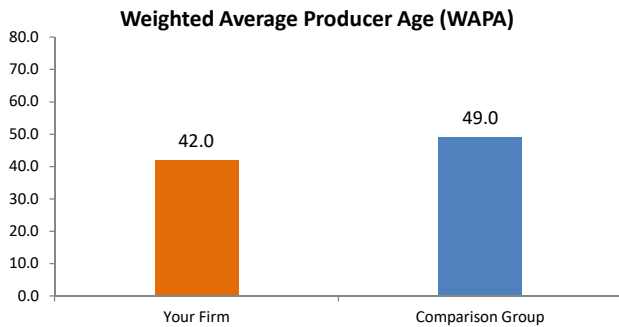
# PRODUCER METRICS

## Validated Producers

	Commercial P&C			Life/Health/Financial		
	Your Firm	Comparison Group		Your Firm	Comparison Group	
		Average	Top 25%		Average	Top 25%
Number of Validated Producers	5.0	5.3		1.0	1.1	
Average New Commissions	\$50,000	\$67,161	\$117,268	\$100,000	\$81,812	\$157,400
Average Book Serviced	\$500,000	\$573,068	\$857,716	\$500,000	\$508,762	\$966,752
Average Compensation	\$150,000	\$195,443		\$150,000	\$169,040	
Avg. Comp. as % of Book	31.0%	33.8%		32.0%	34.8%	

	Personal P&C			Multi-line		
	Your Firm	Comparison Group		Your Firm	Comparison Group	
		Average	Top 25%		Average	Top 25%
Number of Validated Producers	1.0	1.0		0.0	1.4	
Average New Commissions	\$50,000	\$59,240	\$120,960	\$0	\$69,405	\$127,613
Average Book Serviced	\$300,000	\$277,412	\$398,425	\$0	\$549,394	\$939,167
Average Compensation	\$85,000	\$100,153		\$0	\$153,355	
Avg. Comp. as % of Book	25.0%	33.6%		0.0%	30.4%	



\*WAPA and % Total Book by Producer Age both include Validated and Unvalidated Producers

## Agency Commission Structure

	Your Firm			Comparison Group Average		
	New Rate	Renewal Rate	Minimum <sup>1</sup>	New Rate	Renewal Rate	Minimum
Commercial P&C	50.0%	25.0%	\$0	42.4%	29.9%	\$1,148
Bonds/Surety	50.0%	25.0%	\$0	42.6%	30.6%	\$477
Small Commercial P&C	50.0%	25.0%	\$0	41.8%	28.4%	\$526
Personal P&C	50.0%	25.0%	\$0	44.0%	19.3%	\$183
Group Medical	50.0%	25.0%	\$0	42.5%	29.8%	\$476
Other Group L/H/F	50.0%	25.0%	\$0	42.7%	28.6%	\$421
Individual L/H/F	50.0%	25.0%	\$0	45.2%	25.4%	\$272

<sup>1</sup>The minimum account size on which commissions are paid.

## Additional Benefits Paid

	Travel & Entertainment	Health Benefits	Automobile
<b>Your Firm:</b>	Yes	Yes	No
<b>Percentage of Comparison Group agencies providing this benefit to producers:</b>	84.4%	88.9%	48.9%

# PRODUCER METRICS

	Your Firm	Comparison Group	
	Results	Average	Top Quartile
<b>Unvalidated Producers</b>			
Number of Unvalidated Producers	1.0	2.5	5.0
Average New Commissions	\$40,000	\$26,752	\$68,171
Average Book Serviced	\$300,000	\$56,177	\$142,025
Average Estimated Annual Compensation	\$130,000	\$72,246	

**Note: The unvalidated producer Comparison Group metrics above are only for firms with at least one unvalidated producer.**

## NUPP - Net Investment in Unvalidated Producer Pay

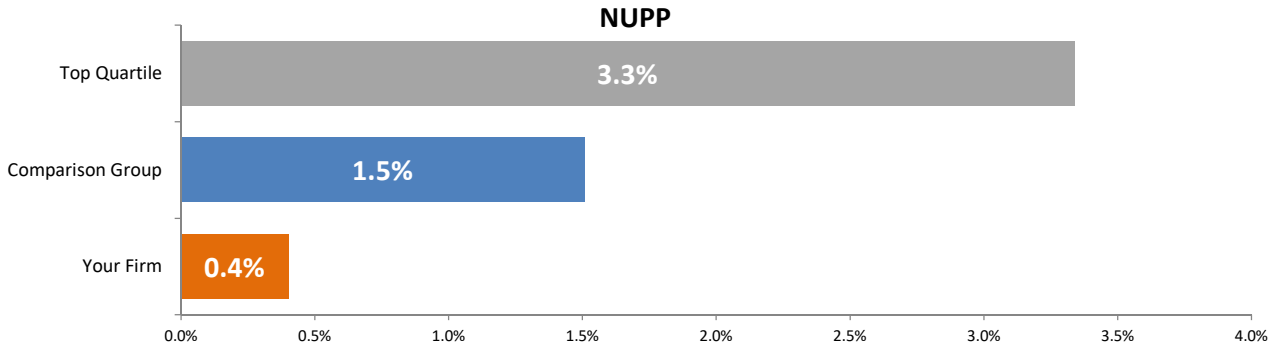
Expressed as a percentage of net revenue, the NUPP is the difference between what an agency pays its unvalidated producer(s) and what the producer(s) would earn under the agency's normal commission schedule. A NUPP of 1.5% is considered a healthy level of investment. **NOTE: If your firm does not have unvalidated producers or if you did not provide information on your unvalidated producers, the metrics below will show zeroes.**

### Calculating the NUPP

Actual Books of Business (in Total):	\$300,000
Annualized Payroll of Unvalid. Producers:	\$130,000
"Earned" Compensation (based on Book):	\$102,457
Net Investment in Unvalidated Producers:	\$27,543
Shown as % of Pro Forma Net Revenues:	0.4%

### NUPP Results

<b>Your Firm:</b>	<b>0.4%</b>
<b>Comparison Group Average:</b>	<b>1.5%</b>
	0.0% <i>Low</i> <span style="margin-left: 20px;">6.3%  <i>High</i></span>



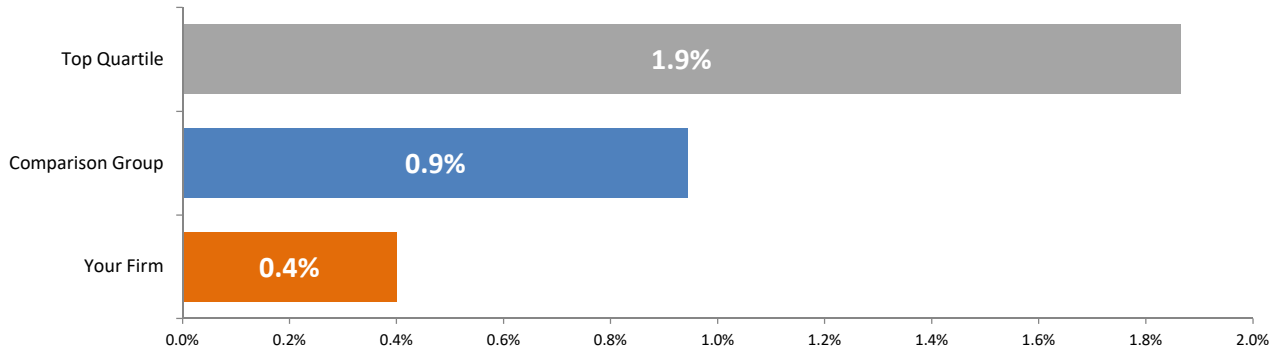
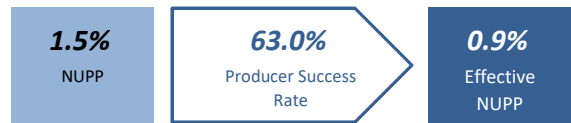
## Effective NUPP

An "Effective NUPP" is your firm's NUPP times your firm's producer success rate, which is the percentage of your producers over the past five years that have met their production goals and are considered successful. An Effective NUPP of 0.75% - 1.25% is desirable.

### Calculating Your Firm's Effective NUPP:



### Comparison Group's Effective NUPP:





# NEW PRODUCER METRICS

## New Producer Hiring

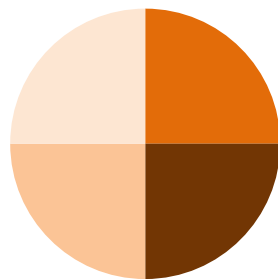
	Your Firm	Comparison Group	
	Results	Average	Top Quartile
Agencies that Hired New Producers Last Year	No	64.4%	N/A
# of New Producers Hired Last Year	0.0	1.7	2.9
Average annualized wages per producer hired	\$0	\$71,533	\$126,281
# of Producers Hired over the past five years	1.0	5.2	9.8
Producer Success Rate over past 5 years	100.0%	63.0%	95.7%

## Recruiting & Development Techniques

	Your Firm	% Using in Comparison Group
<b><u>Recruiting:</u></b>		
Targeted college recruiting efforts/programs	No	39.5%
Use of outside recruiters	Yes	53.5%
Use of social media as a recruiting tool	Yes	67.4%
<b><u>Assessment:</u></b>		
Testing (sales, personality, intelligence capabilities, call reluctance, etc.)	No	93.0%
<b><u>Development:</u></b>		
Internship	Yes	51.2%
Mentorship	Yes	86.0%
Technical training		
Internal	No	100.0%
External	Yes	90.7%
Sales training		
Internal	Yes	95.3%
External	Yes	95.3%
<b><u>Selling structure:</u></b>		
Required specialization	No	32.6%
Team selling	Yes	76.7%
Assigned accounts	No	58.1%

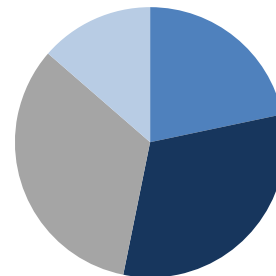
## Where New Producers Were Found

Your Firm



<span style="color: #c85130;">■</span> UNDER age 35 WITHIN insurance industry	25.0%
<span style="color: #8b4513;">■</span> OVER age 35 WITHIN insurance industry	25.0%
<span style="color: #e69d00;">■</span> UNDER age 35 OUTSIDE insurance industry	25.0%
<span style="color: #f4a460;">■</span> OVER age 35 OUTSIDE insurance industry	25.0%

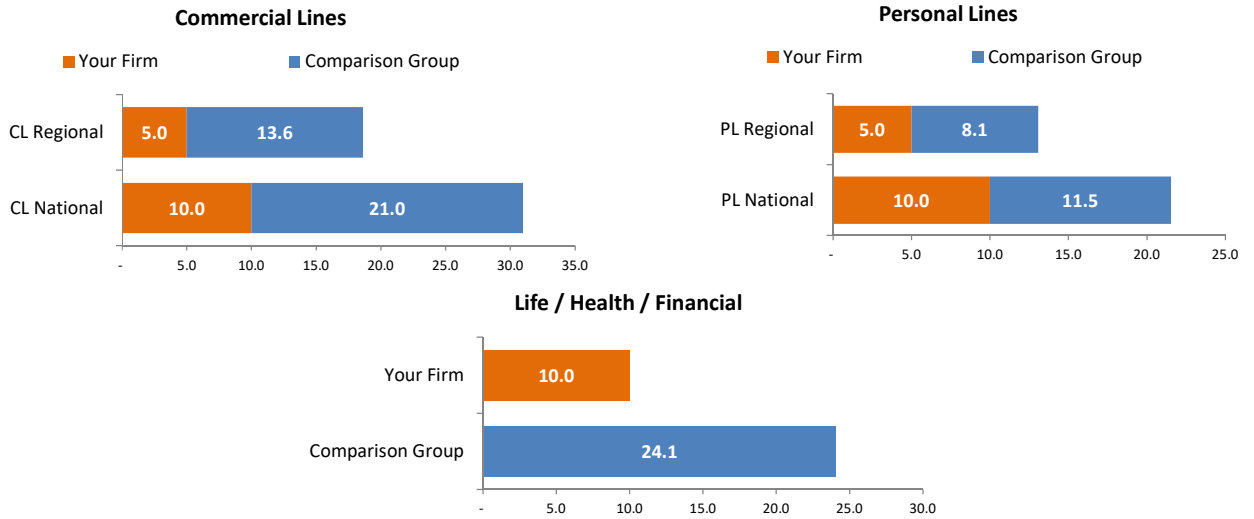
Comparison Group Average



<span style="color: #4a7ebb;">■</span> UNDER age 35 WITHIN insurance industry	21.7%
<span style="color: #1a3d54;">■</span> OVER age 35 WITHIN insurance industry	31.5%
<span style="color: #808080;">■</span> UNDER age 35 OUTSIDE insurance industry	33.2%
<span style="color: #a6c9ec;">■</span> OVER age 35 OUTSIDE insurance industry	13.6%

# CARRIERS

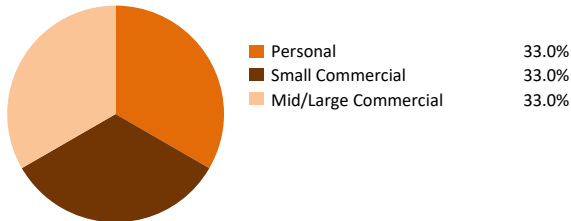
## Carrier Representation



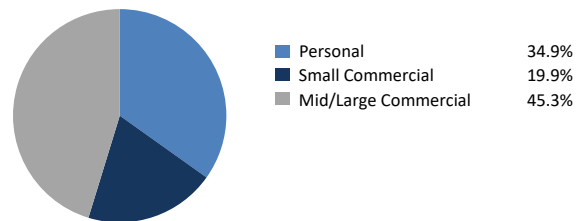
## Commission Income from Top Carriers

	Your Firm		Comparison Group
	Amount	Percent of Net Revenues	Average Percent of Net Revenues
Top P&C Carrier	\$1,500,000	19.6%	14.8%
Top 3 P&C Carriers	\$2,500,000	35.5%	28.4%
Top L/H/F Carrier	\$100,000	1.6%	4.9%
Top 3 L/H/F Carriers	\$200,000	2.6%	8.6%

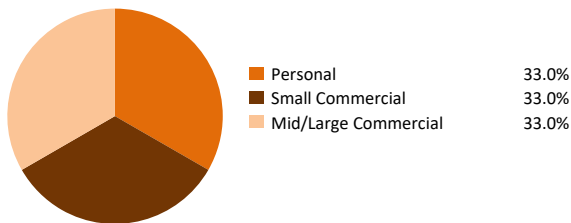
Your Firm's Top P&C Carrier Breakdown:



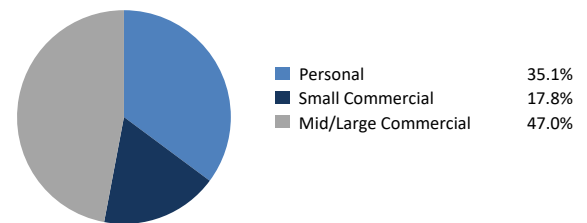
Comparison Group's Average Top P&C Carrier Breakdown:



Your Firm's Top 3 P&C Carrier Breakdown:



Comparison Group's Average Top 3 P&C Carriers Breakdown:



## Service Center Usage

### Commercial Lines Commission

	Amount:	% of Line of Business:
Your Firm:	\$15,000	0.5%
Comparison Group Average:		1.1%

### Personal Lines Commission

	Amount:	% of Line of Business:
Your Firm:	\$75,000	5.0%
Comparison Group Average:		29.2%

# Definitions / Explanations

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**Acquired Business Growth:** Revenues that were purchased (i.e., the acquisition of another agency or book of business). This reflects acquired revenues in the first year they are booked only; the percentage indicates the significance of acquisition activity to the agency's revenues.

**Brokerage Commission Expense:** Commissions paid to other agencies or brokers. In-house producers compensated on a 1099 are included in the compensation section.

**Comparison Group:** The *Best Practices* firms in the same revenue category or the firms in the same affinity group against which your agency's results are being compared.

**EBITDA:** An indicator of a company's financial performance and computes earnings from core business operations, without including the effects of capital structure, tax rates and depreciation policies. It includes all revenues and expenses except interest, taxes, depreciation and amortization.

**Net Commissions and Fees Growth:** Excludes the impact of brokerage commission expenses; net revenue growth also includes the impact of growth in other revenue income, including contingents and bonuses.

**New Business Growth:** New revenues as a percent of prior year's total revenues for the line of business. This reflects sales to new clients, as well as sales of new products and services to existing clients.

**Operating Pre-Tax Profit:** Provides a measure of profitability from controllable sources by eliminating contingents and bonuses.

**Organic Growth:** Measured as a percent of prior year revenues; excludes acquisition revenues and divestitures.

**Pre-Tax Profit:** Provides a high-level measure of profitability and includes all revenues and expenses with the exception of taxes.

**Pro Forma EBITDA:** Excludes all administrative expenses (depreciation, amortization of intangibles, officer life, interest and other) as well as discretionary and non-recurring revenues and expenses. Also adjusts compensation to owners to a level that reflects a comparable employee who would not receive the additional compensation/benefits associated with ownership.

**Pro Forma Operating Pre-Tax Profit:** Provides a measure of profitability from controllable sources by eliminating contingents and bonuses as well as eliminating discretionary and non-recurring revenues and expenses and adjusting compensation to owners to a level that reflects a comparable employee who would not receive the additional compensation/benefits associated with ownership.

**Pro Forma Pre-Tax Profit:** Includes all revenues and expenses with the exception of taxes but eliminates discretionary and non-recurring revenues and expenses and adjusts compensation to owners to a level that reflects a comparable employee who would not receive the additional compensation/benefits associated with ownership.

**Producer Classification:** Producers are classified based on the percentage of their book that is in each individual line. If a producer has more than 70% of his book in any one of the three lines (commercial, personal, life & health), they're classified as that type of producer. Otherwise they are classified as a multiline producer.

**Renewal Business Growth:** Renewal revenues as a percent of prior year's total revenues for the line of business. This is impacted by attrition (the loss or retention of existing accounts) and by changes in premium and commission levels; the higher the percentage, the more favorable the results.

**Rule of 20 Score:** A quick means of benchmarking an agency's shareholder returns. The Rule of 20 is calculated by adding half of an agency's EBITDA margin to its organic revenue 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%, which is a typical agency / brokerage return under normal market conditions.

**Top Quartile:** The average results achieved by the Top 25% of the firms in the group for that particular factor or line item. The firms comprising this group will be different for each factor or line item.

**Total Growth:** Measured as a percent of prior year revenues; includes acquisition revenues.

**WAPA (Weighted Average Producer Age):** A 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 the percentage of the agency's "produced" business handled by each. House business is excluded from the WAPA calculation. As a guideline, a WAPA of less than 50 is considered relatively low.

**WASA (Weighted Average Shareholder Age):** A 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 their ownership percentages. As a guideline, a WASA below 50 is considered relatively low, with over 55 considered relatively high.