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

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INTRODUCTION

As the United States moves toward a “majority minority” population — where minority groups outnumber Caucasians — the Independent Agency System must address and ultimately reflect this fundamental demographic change.

Future One — a collaborative effort of the Independent Insurance Agents & Brokers of America Inc. (IIABA) and its member companies — endeavored to assess where independent agencies stand in this regard as part of its 2014 Agency Universe Study.¹ Future One asked 963 agencies about staffing, ownership and marketing. (Some caution is warranted given small sample sizes, but differences noted reached statistical significance.)

The industry is making positive inroads toward the goal of meeting the nation’s changing demographic needs, particularly among small agencies, the Agency Universe Study shows. It also uncovered encouraging statistics on the vitality of agencies with minority ownership.

As a whole, however, the study reveals a continued lag on the part of the industry to a) reflect the nation’s changing demographic composition, and b) to market effectively to its minority populations.

In reviewing the Agency Universe Study results, the IIABA Diversity Task Force approves of the progress that has been made in the channel for diversity. However, the task force members urge their industry colleagues to renew efforts to take specific steps toward meeting the needs of individual markets.

The Diversity Task Force works on behalf of IIABA members to create an awareness of the opportunities and benefits available to agencies and brokers that embrace diversity. The task force also focuses on identifying the changes necessary for the Independent Agency System to flourish.

OWNERSHIP & REVENUE COMPARISONS

Principals wholly own 92% of today's independent agencies. And, on a weighted basis, 90.5% of the agencies Future One questioned about staffing and ownership have no minority-race principals. The remaining 9.5% have at least one principal from a minority group.

In actual numbers, 871 of the 963 agencies have only Caucasian principals, and 92 have at least one minority principal. Of interest, 5% of newer agencies (established within the past five years) have at least one Native American or Alaska Native principal, versus 1% of established agencies.

Future One compared those agencies with at least one principal from a minority group with those that have no minority principals. The agencies with minority ownership are smaller than average: 27% rank as small agencies, while only 16% of agencies with Caucasian-only ownership rank as small. Those minority-owned agencies also are younger. The average independent insurance agency is about 37 years old.

Among the 963 agencies questioned, agencies with minority principals were established, on average, in 1994 and are about 20 years old. On the other hand, among those respondents with no minority principals, the average agency was established in 1976 and is 38 years old.

Firms Growing More Rapidly

The study uncovered an intriguing trend. Those agencies with minority ownership may well be growing more rapidly than firms lacking minority ownership. When asked about revenue change from 2012 to 2013, the agencies with minority principals indicated a 16% increase in total revenue, as compared with only 10% reported by Caucasian-owned firms.

An increase in commercial lines was reported as 7% by minority-owned agencies and 6% by Caucasian-owned firms. More significantly, the increase in personal lines revenue for agencies with minority principals was 16%, versus only 8% for firms with Caucasian-only principals.

New Producers

Furthermore, six of 10 minority-owned agencies reported hiring new producers since 2012, as compared with only 30% of Caucasian-owned agencies.

Interesting comparisons also can be made with regard to commercial revenue for minority-owned and Caucasian-only owned agencies:

- Small accounts (less than \$15,000 in total property casualty premiums) represent 81% of commercial revenue earned by agencies with Caucasian-only ownership, but only 65% of that earned by firms with minority principals.

- Medium accounts (\$15,000 to \$100,000) represent only 13% of commercial revenue for Caucasian-owned agencies, but close to a third (29%) of commercial revenue for minority-owned firms.
- Large accounts represent 5% of commercial revenue for both agency groups.
- Very large accounts (more than \$1 million) represent 1% of revenue for both agency groups.

EMPLOYMENT COMPARISONS

Set against the backdrop of a general population that is about 36% minority, the vast majority of agency personnel are Caucasian. Across the board, according to Agency Universe Study findings, Caucasians occupy every agency employee position at 84% or above, just as they did when surveyed in 2012.

But a number of agencies have taken the step to employ members of significant or growing demographic groups: 17% report hiring principals or producers who represent growing demographic groups, and 11% report hiring other personnel who do.

Of note, Latino and Hispanic nonprincipal producers and CSRs both exceed 10% of full-time agency employees. Other minority groups number at 5% or less in all agency positions, including principals or senior managers, nonprincipal managers, nonprincipal producers, CSRs, and other employees. Besides Latinos or Hispanics, the other minorities holding positions at agencies include African-Americans, South Asian-Americans, East Asian-Americans, and Native Americans or Alaska natives.

Regardless of their race or ethnicity, agency personnel who speak a language other than English have decreased slightly since 2012. Of the responding agencies, 9% employ principals or producers and 9% employ other types of personnel who speak other languages than English. In 2012, by contrast, agencies reported that 11% of principals or producers and 13% of other personnel were able to speak languages other than English.

Newer agencies are particularly likely to employ principals or producers who speak a language other than English (22%).

WOMEN AMONG AGENCY STAFF

While they are not a minority in the general population, women continue as a minority in the independent agency universe. They are an important demographic, and Future One questioned the 963 agencies about female representation among agency owners and employees. (No attempt was made, however, to determine how many women in the agency universe also represent minority populations.)

Responding agencies report women in these positions:

- Agency principals or senior managers, 37%.
- Nonprincipal agency managers, 72%.
- Nonprincipal producers, 58%.
- CSRs, 89%.
- Other agency positions, 84%.

MARKETING COMPARISONS

Demonstrating no change since the 2012 Agency Universe Study, roughly half of firms indicate they have not taken any specific steps to meet the needs of their markets.

In a 2% increase over 2012 figures, 16% of agencies do report offering coverages that meet the needs of significant or growing groups. In addition, the firms that join (19%) or contribute (18%) to business and civic groups associated with significant or growing groups have increased by several percentage points over 2012 figures as well.

On the whole, new agencies continue to be more diverse-minded in their marketing efforts, and small firms tend to be more likely than larger firms to target at least one specific minority group. Small agencies are especially likely to target African-Americans (28%) and Latinos or Hispanics (27%).

Carriers provide at least some financial support for customer and prospect marketing to 46% of agencies. But 71% of small agencies receive no support from carrier programs. At the same time, those small firms targeting minority populations are the most likely to allocate marketing funds toward providing materials in multiple languages in addition to employing personnel who can speak languages other than English.

When marketing to one of the minority populations for whom English is not a first language, employing multilingual agency personnel can be critical. According to the latest U.S. Census Bureau data, 21% of the country's population speaks a language other than English in the home, and while most of those residents do speak English well, their ability varies greatly.² The ability to converse in a prospect's or customer's language of choice will remain important as long as visits and telephone calls are the primary means of keeping in touch with them. And the 2014 Agency Universe Study confirms that calls and personal visits do continue to top the list of communication methods, although they have declined by as much as 16% since 2012.

Likewise, providing written materials in a demographic target's language can be crucial to marketing to some minority populations. Of the responding agencies, 11% report supplying written materials in other languages (down from 17% in 2012). Only 3% provide website materials in other languages, and only 2% provide multilingual functionality on their websites or portals.

Personal Lines Targets

In personal lines, less than one-half of agencies target a specific demographic group from a marketing perspective. Of the responding firms, 21% market to the Latino and Hispanic population. According to the latest census data, those who speak Spanish at home represent 13% of the U.S. population, but only 5.6% of those residents speak English less than “very well,”³ which lessens the need for Spanish-speaking personnel for those agencies targeting them.

On the other hand, 10% of the responding agencies target Asian Indian and other South Asian-Americans, and 8% target East Asian-Americans and Pacific Islanders. Census statistics show that fewer than half of the U.S. populations who speak Korean, Chinese or Vietnamese also speak English well.⁴ Marketing to those groups clearly would be improved by the presence of agency personnel who speak the Asian languages used by an agency’s client base and by the availability of printed material or website pages in those languages.

Other groups targeted in personal lines include:

- Generation X (born between 1966 and 1976), 29% of agencies.
- Generation Y or Millennials (born between 1977 and 1994), 22%.
- Women, 20%.
- African-Americans and blacks, 17%.
- Lesbian, gay, bisexual or transgender, 9%.
- Native Americans or Alaska Natives, 7%.

Commercial Targets

For commercial lines, responding agencies target business owners with demographics similar to those targeted for personal lines. Most firms did not cite a specific demographic target for commercial lines, and 59% reported targeting no minority group whatsoever.

Nevertheless, the agencies say they targeted:

- Gen X, 28% of agencies.
- Gen Y or Millennials, 19%.
- Women, 19%.
- Latinos and Hispanics, 18%.
- African-Americans and blacks, 18%.
- Asian Indians or other South Asian-Americans, 9%.
- East Asian-Americans and Pacific Islanders, 9%.
- Lesbian, gay, bisexuals and transgender populations, 9%.
- Native Americans or Alaska natives, 8%.

ABOUT THE IIABA DIVERSITY TASK FORCE

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

The Diversity Task Force members include:

- Chair Juan Padron, SafeGuard Insurance Agency.
- Kimberly Burnett, Selective Insurance.
- Nicole Carter, Liberty Mutual.
- Paul Hollie, Safeco Insurance.
- Nicole Hughey, Travelers Insurance.
- Susan Johnson, The Hartford.
- Tesha L. Nesbit-Arrington, Erie Insurance Group;
- Brenda Perkins, MetLife Auto & Home.
- Maryanne Spatola, Selective Insurance.
- Jeff Taylor, Allied Insurance.
- Geralyn Thompson, Encompass Insurance.
- Suzanne Witt, Chubb.
- April Uskoski, Safeco Insurance.
- Randy Lanoix, Lanoix Insurance Agency.
- Stephen Boon Jr., Harold L. Lee & Sons.
- Charles Hilson, GBG Inc.
- Richard Kerr, Insurance Office of America Inc.
- Ramon Montalvo, Montalvo Insurance Agency.
- Cheryl Lyman, Utah Association of Independent Insurance Agents.
- Madelyn Flannagan, IIABA.
- Whitnee Dillard, IIABA.

¹ Zeldis Research Associates, Maynard Robison, consultant. *2014 Agency Universe Study*. Future One: Independent Insurance Agents & Brokers of America Inc. and member companies. Unless otherwise noted, all statistics are derived from this source.

² Ryan, Camille. *Language Use in the United States: 2011*, American Community Service Reports, U.S. Department of Commerce Economics and Statistics Administration, U.S. Census Bureau, census.gov. www.census.gov/prod/2013pubs/acs-22.pdf, p. 4.

³ Ibid.

⁴ Ibid.