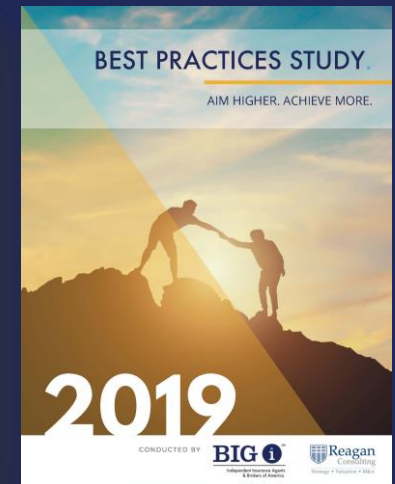
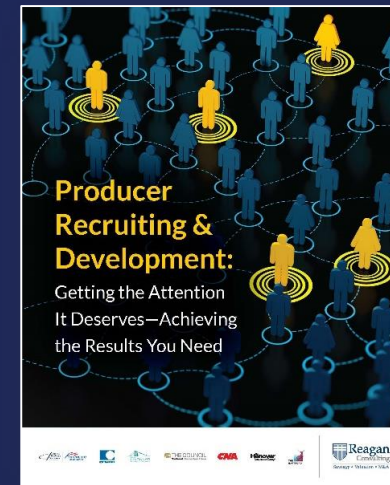


Best Practices for Agency Operations Webinar Series

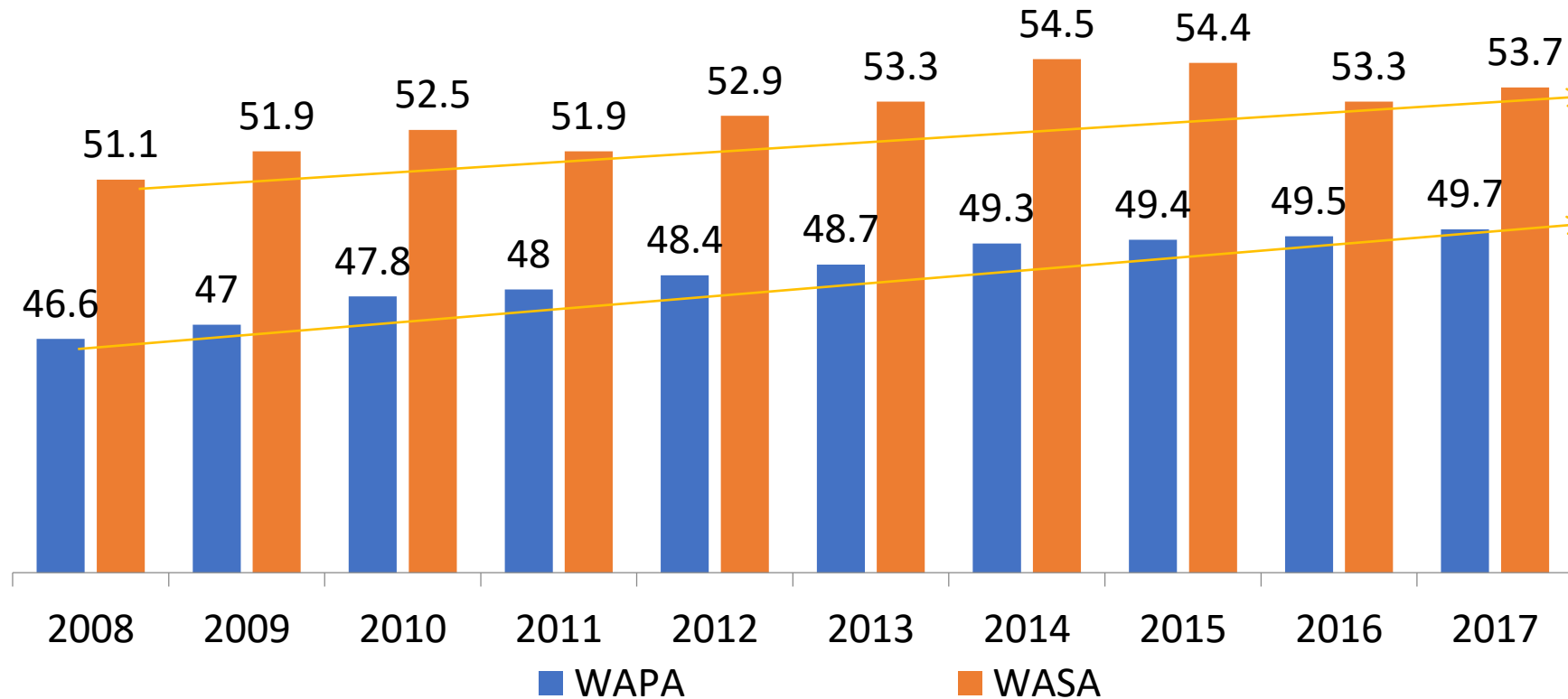
Avoiding the Train Wreck: Producer Recruiting Brian McNeely / Reagan Consulting

June 2019



The Issue

WASA and WAPA in the Last Ten Years

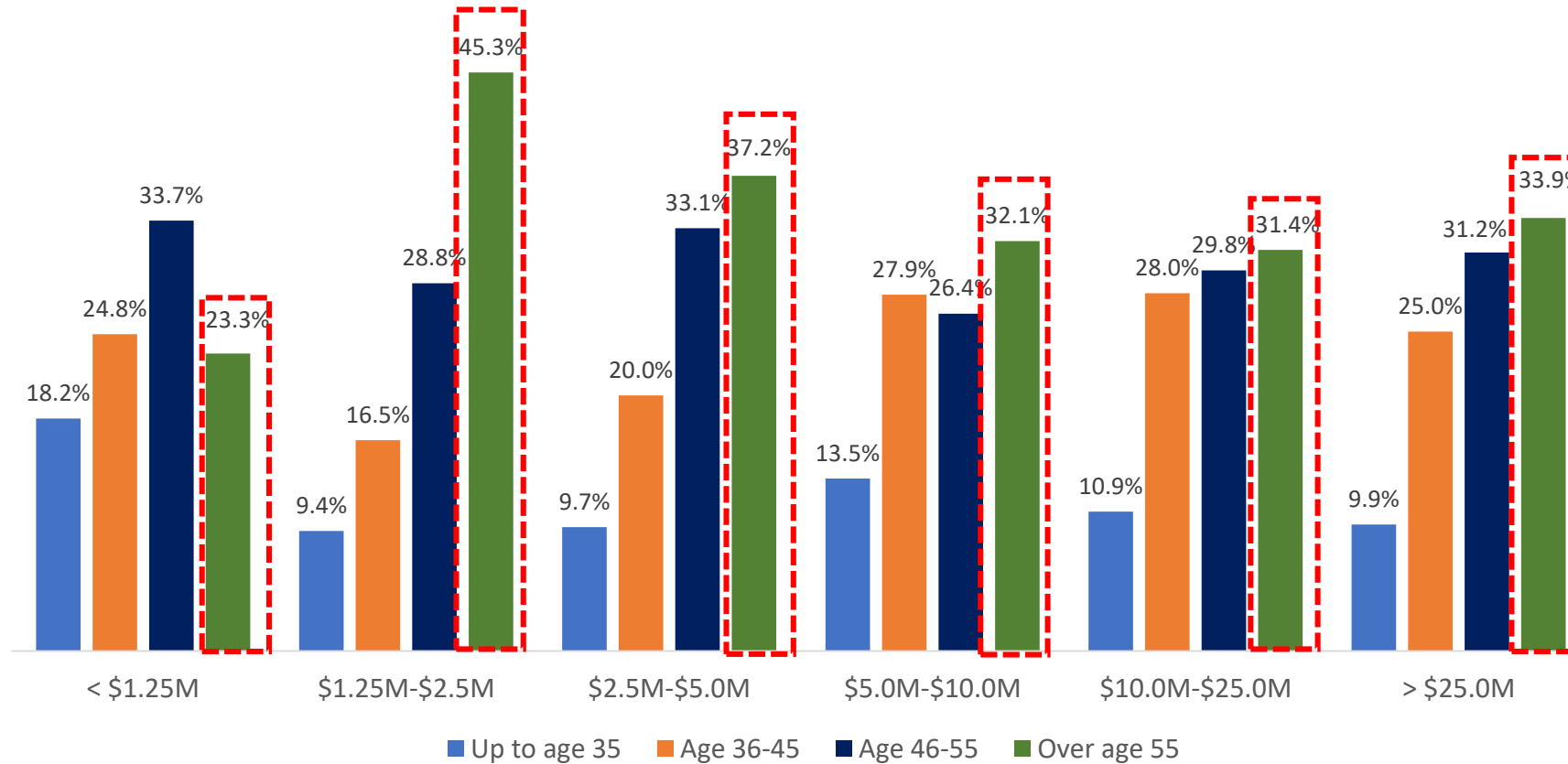


Source: IIABA Best Practices Study



The Issue

% of Total Book by Producer Age



Source: IIABA Best Practices Study



Empowering Trusted Choice® Independent Insurance Agents.



The Issue

55% - 60%

*Percentage of firms
not hiring enough producers*

Source: Reagan Consulting Producer Recruiting and Development Study



The Issue



The Issue



How much is Enough?

Defining your Hiring Needs: *How Much Should We Invest in New Producers?*

Consider the NUPP (Net Investment in Un-validated Producer Pay)

- Difference between compensation paid to the producer and what that producer would earn under agency's normal commission schedule
- Not to be confused with "gross investment"

Step 1: Find the total compensation of all unvalidated producers

| | |
|--|-----------|
| <i>Number of unvalidated producers</i> | 7 |
| <i>Actual payroll of unvalidated producers</i> | \$500,000 |

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

| | |
|--|-----------|
| <i>Unvalidated producers' total book of business</i> | \$500,000 |
| <i>Agency blended commission rate</i> | 30% |
| <i>Implied ("earned") compensation</i> | \$150,000 |

Step 3: Calculate the NUPP as a percentage of revenues

| | |
|--|--------------|
| <i>Actual payroll of unvalidated producers</i> | \$500,000 |
| <i>Implied ("earned") compensation</i> | \$150,000 |
| <i>NUPP</i> | \$350,000 |
| <i>Agency Net Revenues</i> | \$20,000,000 |

NUPP as a percentage of revenues **1.75%**

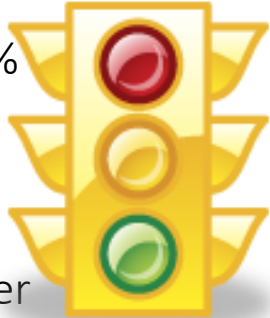


How much is Enough?

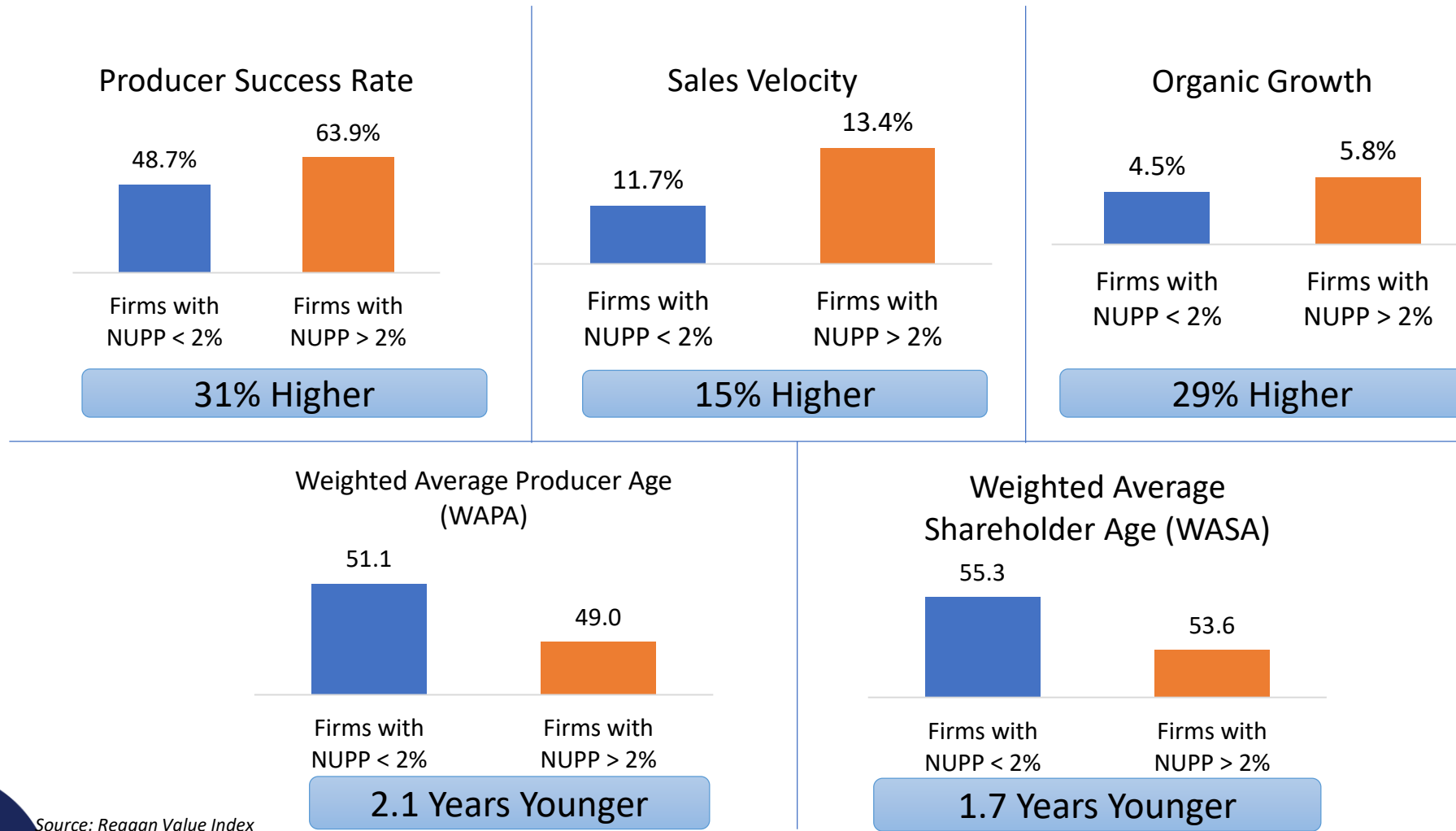
Defining your Hiring Needs:

How Much Should We Invest in New Producers?

Consider the **NUPP**
(Net Investment in Un-validated Producer Pay)

| NUPP as a % of Revenues | | Outlook |
|----------------------------|--|---|
| Less than 1.0% |  | Potentially unhealthy level of investment |
| 1.0% to 2.0% | | Borderline low level of investment |
| 2.0% or greater | | Healthy level of investment |

Recruiting Drives Growth and Sustainability

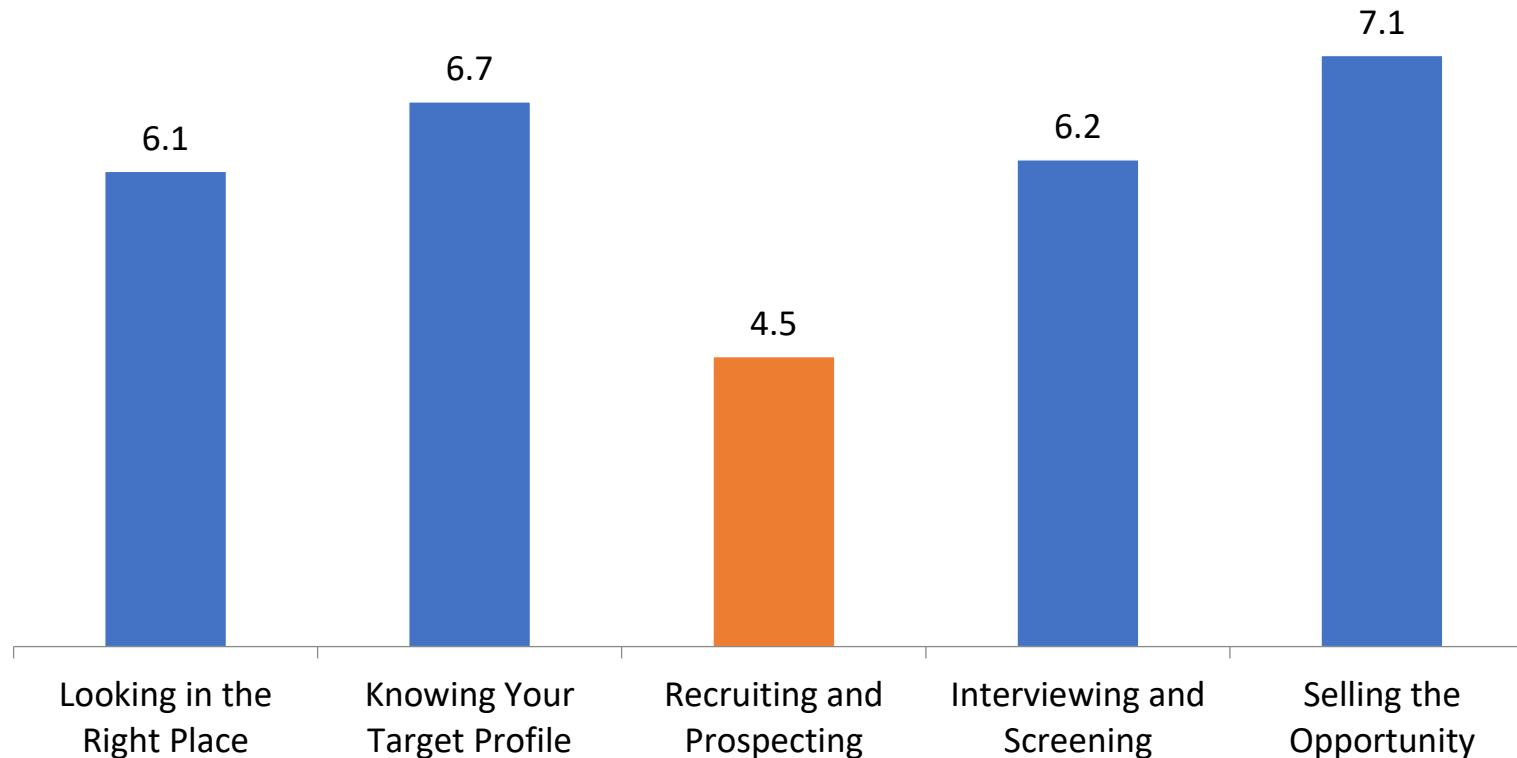


Source: Reagan Value Index



Recruiting as Skill

Recruiting and Hiring Self Evaluations (on a 1-10 scale basis)



Source: Reagan Consulting Producer Recruiting & Development Study

Empowering Trusted Choice® Independent Insurance Agents.

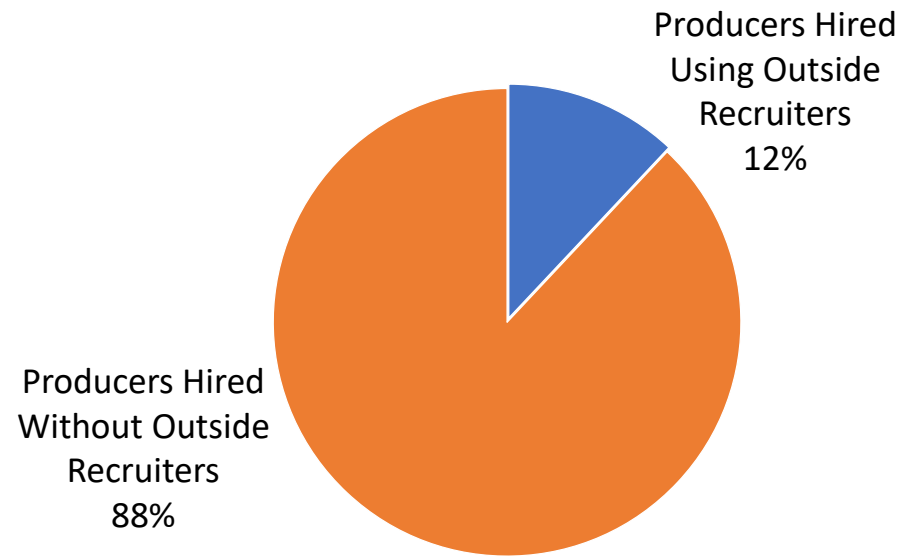
The Process



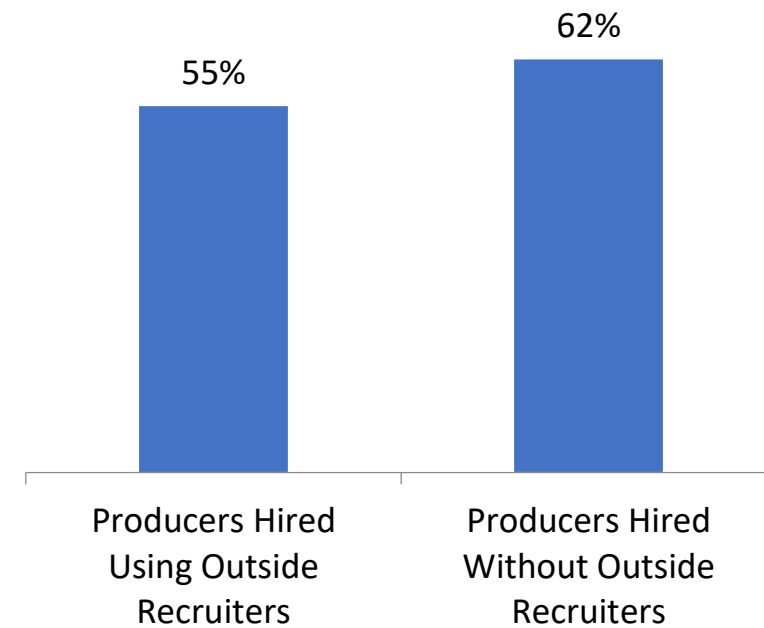
Recruit



Use of Outside Recruiters



Outside Recruiter Success Rates



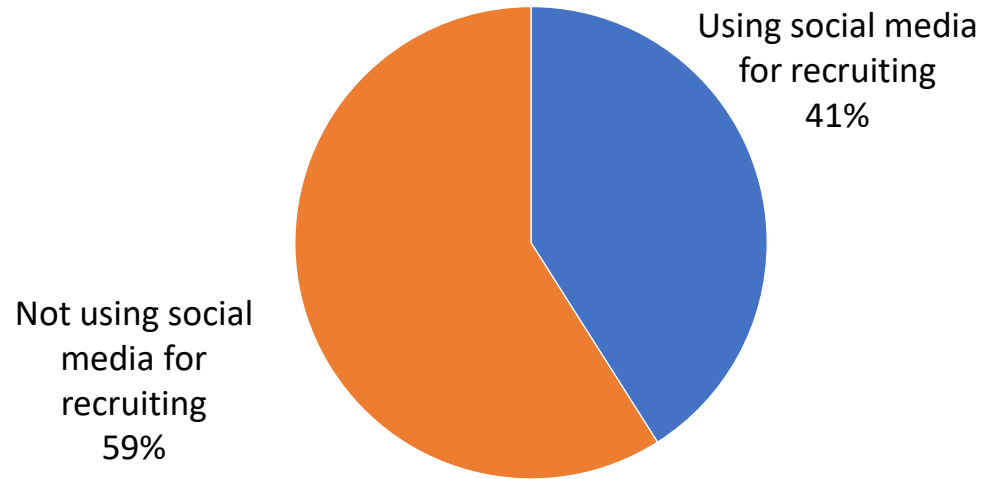
Source: Reagan Consulting Producer Recruiting & Development Study



Recruit



Use of Social Media as a Recruiting Tool



“The best recruiters we have are our successful young producers in their late 20s and early 30s. These people are contributing greatly to growing our sales culture and helping us recruit.”

CEO of a High-Growth
Southeastern Firm

Source: Reagan Consulting Producer Recruiting & Development Study



Where Do You Find Them?

“There is no more important role for me to own than driving producer recruiting and creating the sales culture that we must have to succeed.”

CEO for Regional Insurance Broker

Source: Reagan Consulting Producer Recruiting & Development Study



Reagan Consulting



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Brian McNeely joined Reagan Consulting in 2007 and is a partner of the firm. Brian primarily works with clients on mergers & acquisitions, agency valuations and strategic consulting projects.

Prior to joining Reagan, Brian spent approximately five years at The Home Depot in roles of increasing responsibility. Most recently, Brian focused on mergers and acquisitions, participating in due diligence exercises, performing financial and strategic analyses and leading acquisition integrations. Prior to The Home Depot, Brian was an auditor with Arthur Andersen, LLP.

Brian is a Certified Valuation Analyst (CVA) and obtained his undergraduate degree and Master of Accountancy degree from Auburn University. Brian currently maintains the Series 63 and 79 FINRA Registrations through Reagan Securities, Inc., the affiliated FINRA-registered Broker/Dealer of Reagan Consulting, Inc.