

NEWS RELEASE

Contact:

Kevin Stipe

404-233-5545

kevin@reaganconsulting.com

Reagan Survey: Accelerating Organic Growth Is Driving Agency Values Higher

ATLANTA, Ga., November 7, 2011 – Reagan Consulting (Reagan) announced today the results of its 3rd Quarter Organic Growth and Profitability Survey (OGP Survey), which found that steadily improving organic growth rates are increasing equity returns for insurance agents and brokers.

“The results of this quarter’s OGP Survey affirm a growing sense among agents and brokers that conditions are improving for our industry. Organic growth through the first nine months of 2011 is 3.8%, which is 2.8 percentage points above the results from last year,” says Kevin Stipe, senior vice president of Reagan. “The combination of continued growth in the economy and an improving rate environment in commercial P&C is helping agencies grow at the fastest rate since 2006.”

Other findings from the 3rd Quarter OGP Survey include:

- Organic growth accelerated in all major product lines. Through the first three quarters of 2011, employee benefits is the fastest growing segment at 6.1%. Commercial lines and personal lines grew at 3.1% and 1.7%, respectively.
- Profit margins for brokers actually declined slightly from a year ago (19.5% this year versus 20.4% last year). Profit margins are measured using Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and are adjusted for non-recurring items and owner-discretionary expenses.
- Rule of 20 scores reached 13.1, the highest level since the OGP Survey was launched in 2008. The Rule of 20 is a Reagan Consulting benchmark that correlates with value creation and is calculated by adding an agency’s organic growth rate to ½ of its EBITDA margin. A score of 20 is outstanding in today’s marketplace, and is only currently being reached by about 15% of agencies nationwide. Of the three major product lines, employee benefits once again had the highest Rule of 20 score, followed by personal lines then commercial lines.

“While the organic growth and profitability numbers are still relatively low compared with historical norms, they are vastly improved from the dark days of 2009 when organic growth was negative and profit margins bottomed out. There is no question that agencies are getting stronger and the outlook for the industry continues to improve,” says Bobby Reagan, CEO of Reagan Consulting. “We are grateful for the many firms who choose to participate in the OGP Survey each quarter.”

(more)

The Organic Growth and Profitability Survey was launched in 2008 and stands as the industry's go-to source for real-time quarterly data for mid-size and large insurance brokers. Over 130 agencies participated in the 3rd quarter survey, including nearly half of the firms listed on the Business Insurance Top 100 list. Survey participants receive a confidential, customized comparison of their quarterly financial results against those of the rest of the industry. For more information about participating in the OGP Survey, contact Shirley Lukens at 404.233.5545, or Shirley@reaganconsulting.com.

Reagan Consulting, an Atlanta-based management consulting firm, provides strategic consulting, valuation, and merger & acquisition services to the independent insurance distribution system. It has provided services to hundreds of the strongest agents and brokers in the United States and Canada, including more than 50 of the largest 100. Services are also provided to banks with a primary focus on assisting them in the establishment and management of successful insurance businesses. Web address: www.reaganconsulting.com.

###