

How Insurance Producers are Produced:

10 Facts About Agent/Broker Recruiting & Development

Independent agencies struggle to recruit and develop new producers and identify hiring and developing as the biggest challenge they face.

Reagan Consulting's Producer Recruiting & Development (PR&D) research, released in October 2014, reported numerous insights. The study's baseline survey included **hiring activity** for 2008-2013 for **562 firms covering 4,641 producers**. A supplemental survey gathered responses from 112 firms that hired 1,505 producers.

Here are **10 key facts** about recruiting and development:

1 **56%:** Overall success rate of producer hires from 2009-14.

"The goal of this study is to significantly improve producer success rates. An industry failure rate of nearly 50% is simply too high."

– Bobby Reagan, CEO, Reagan Consulting

2 **84%:** Producer success rate for top 25% of firms.

22%: Producer success rate for bottom 25% of firms.

The top 25% of firms will hire 10 producers to end up with 8 successful hires. The bottom 25% will have to hire more than four times as many producers to end up with the same results.

3 **35%:** Hires from outside the insurance industry (including college).

College 6% Insurance Non-Sales 10%

Experienced Producer with Book of Business 16%

Experienced Producer without Book of Business 39%

Outside Insurance Industry 29%

- ### 6 Critical Success Factors for Recruiting & Development
1. Defining hiring needs.
 2. Determining whom to hire.
 3. Building the candidate pool.
 4. Elevating the ability to select winners.
 5. Maximizing success for those hired.
 6. Owning and leading the strategy.

5 Males succeeded at a rate of 61 percent while females succeeded at a rate of 63 percent.

Hires who are female 21%

Hires who are male 79%

6 **55-60%:** Percentage of firms who are "under-hiring" – not hiring enough to support their desired growth rates.

"A common experience for agents and brokers is to be in the dark about how many producer hires their business requires. Many firms have no hiring plan at all."

Tom Doran, Partner, Reagan Consulting

7 Reagan Consulting's "Sales Velocity" metric measures an agency's new production. It also can be a tool for forecasting producer hiring.

12.7%: Average Sales Velocity

current year's written new business

prior year's total commissions and fees

55%: The largest category of producer hires, experienced producers need little training. Producers hired with a book of business have better success rates.

"free agents" moving from one firm to another.

8 **53.3:** Weighted Average Shareholder Age (WASA) for agency owners.

51.1 51.9 52.5 51.9 52.9 53.3

2008 2009 2010 2011 2012 2013

The higher the results for WASA, the older a firm is and the greater the need for new producers/owners. Firms with lower WASAs have an easier path to perpetuation.

Source: Reagan Value Index

"Is there another professional services industry that hires so few from outside the industry or from college? In light of the fact that our industry is aging, and that nearly half of a typical agency's business is handled by producers age 50 or over, this is alarming. Is the industry facing a perpetuation crisis?"

– Kevin Stipe, President, Reagan Consulting

9 **48.7:** Weighted Average Producer Age (WAPA) for producers.

46.6 47 47.8 48 48.4 48.7

2008 2009 2010 2011 2012 2013

The higher the results for WAPA, the older a firm is and the greater the need to bring on new producers. Firms with lower WAPAs have an easier path to organic growth.

10 **63%:** Success rate for producers endorsed by a pre-hiring test. This was 12 points higher than producers not recommended by a test or with inconclusive results.

The Producer Recruiting & Development study:

- Provides tools for agents and brokers to accurately assess their hiring needs today and in the future.
- Explores the entire producer recruiting and development process, and identifies success factors of top-performing firms.
- Looks at multiple variables such as age, gender and experience, recruitment and screening techniques, post-hiring training and mentoring, specialization and team selling and their impact on producer success.

About Reagan Consulting: Reagan Consulting is a management consulting firm providing strategic consulting, valuation, and merger-and-acquisition (M&A) services to the independent insurance distribution system. The firm's services include appraisals of fair market value, strategic planning, M&A advisory, ownership perpetuation planning, key employee compensation and equity plans, and agency performance benchmarking. Reagan Consulting co-developed the well-known Best Practices study and produces the quarterly Organic Growth & Profitability benchmark survey.



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