



AN OVERVIEW OF THE BEST PRACTICES STUDY

The annual Best Practices Study is a joint project of Reagan Consulting and the IIABA and is sponsored by numerous company partners from the insurance industry. *(Please see the attached page for a list of Best Practices Study sponsors.)* It began in 1993 as an initiative to help independent agents build the value of their most important assets: their agencies. By studying the leading agencies and brokers in the country, Reagan Consulting and the Big "I" hoped to provide member agents with meaningful performance benchmarks and business strategies that could be adopted or adapted for use in improving agency performance, thus enhancing agency value.

The study is conducted in three-year cycles. In the first year of the study, nominations of retail agencies for consideration as "Best Practices Agencies (BPAs)" are accepted from state associations, study sponsors, or directly from independent agencies via self-nomination. (2016 is the most recent nomination year.) All nominated agencies are invited to participate by providing detailed financial and operating information to Reagan Consulting. (This data is handled through a secure website and is kept strictly confidential.) The data is then analyzed to determine an objective ranking of the agencies based on a variety of performance metrics. On the basis of this ranking, the top 30-50 agencies in each of six revenue categories (ranging from under \$1.25M to over \$25M) are selected, notified and deemed Best Practices Agencies.

All participating agencies, regardless of whether they are selected as a BPA, receive a detailed *Agency Performance Analysis* in return for their participation. This analysis provides a side by side comparison of the agency's specific results vs. the BPAs in their revenue category. It is a valuable management tool that serves to further the Best Practices initiative's goal of helping to educate the general agency population on the kinds of performance metrics they should be tracking to best assess their overall performance and value. Best Practices Agencies also receive the benefit of national exposure in trade publications ads honoring the BPAs; a Best Practices media kit for use in announcing this accomplishment to clients, carriers, and the community, including a custom Best Practices Agency logo and an office plaque; and inclusion in the Best Practices symposium, a multi-day event open only to Best Practices Agencies and study sponsors for networking, education, and official recognition of these elite agencies.

The aggregate results of the Best Practices Agencies are compiled and released via the Best Practices Study in August. The study provides critical performance benchmarks for each of the six revenue categories in areas including income and expense distribution, revenue growth and profitability, staffing and productivity, producer performance and carrier representation. Beginning in 2016, it also includes a comprehensive "state of the industry" paper written by Reagan Consulting that includes insights from the latest Best Practices data as well as Reagan's most recent strategy, valuation and M&A work.

In the remaining two years of the study cycle, the selected Best Practices Agencies are once again asked to provide their detailed operating data for the most recent fiscal year. All agencies who submit their data automatically maintain their BPA status for that year. Following a consistent group of agencies over a three year period allows the study to reveal trends and identify areas of particular interest in the industry's development over this period. As in the original year of the cycle, the aggregate results of the Best Practices Agencies are compiled and released in a new Best Practices Study in August of each of these final two years of a cycle.

Twenty-three years of experience with the study have demonstrated that benchmarking is a powerful tool, and that its use in agencies can be transformative. As Reagan Consulting CEO Bobby Reagan commented, "The Best Practices Study has shown us clearly that superior performance is a choice, a choice made by agency principals or staff who decide they want to be exceptional, not just average. When that choice is made, they need a vision of what excellence looks like and they need to be given a path to realize that vision. For over 20 years, Best Practices has provided that vision of excellence, and has provided key tools to help agencies improve their performance and - by doing so - better serve all of their stakeholders: employees, carriers, insureds, and owners."

For additional information:

Electronic versions of the studies may be viewed at the Best Practices Gateway website at:

www.reaganconsulting.com/research/best-practices

This site also provides additional resources useful to agencies in understanding and adapting a Best Practices philosophy, comparing themselves to peer agencies, and learning more about the key metrics that drive agency value. The study may also be purchased in hard copy or electronic form via this website or at the IIABA's Best Practices website at:

www.independentagent.com/Resources/AgencyManagement/BestPractices

The IIABA site also provides additional tools and products related to the Best Practices initiative.

If you have questions about the Best Practices Study, please contact Reagan Consulting at 404-233-5545 or the Big "I" Education Department at 800-221-7917.

2016 Best Practices Study sponsors:

The support of the following companies in this industry initiative is an invaluable investment in the health of insurance agencies across the country. We thank them for their generous support.

