Producer Recruiting & Development:

Getting the Attention It Deserves—Achieving the Results You Need

Agency Business Solutions | Amerisure Insurance | CHUBB | Cincinnati Insurance Companies | The Council of Insurance Agents & Brokers | CNA | The Hanover Insurance Group | The Hartford

Reagan Consulting

Strategy • Valuation • M&A

Acknowledgement

The Reagan Consulting *Producer Recruiting & Development Study* was conceived, conducted, written and produced by Reagan Consulting in an effort to help agents and brokers understand their producer hiring needs and more effectively recruit and develop producers. Adding production talent is the chief challenge in our industry – an agent and broker's ability to meet this challenge will determine its ability to grow, prosper and even to remain privately-owned.

It would not have been possible for us to conduct and produce this study without the backing and support of the following key strategic partners to the agent and broker community. These companies, through their financial commitment and support of this study, have tangibly demonstrated their support for the agents and brokers they serve and for the industry as a whole.

In addition we want to thank the following:

- The 562 agents and brokers that participated in our baseline survey
- The 112 firms that participated in our supplemental survey
- The 34 agents and brokers and study sponsors that participated in our Producer Recruiting & Development Summit
- The 35 firms that participated in follow-up interviews

It would not have been possible to complete this research without the support and active involvement of these agents and brokers and study sponsors. Copies of this study can be obtained from the sponsors of the study listed above or from Reagan Consulting.

Reagan Consulting is a thought leader in the insurance distribution industry. We regularly produce research focusing on the key trends and issues affecting agents and brokers. A sample of our research is listed below. All research is available at www.reaganconsulting.com.

The Best Practices Study

An annual production, in conjunction with the IIABA, focusing on operational and financial benchmarks of leading agents and brokers

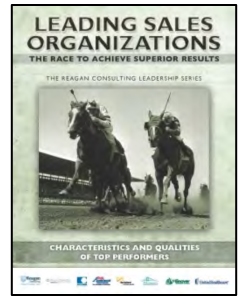
The OGP Survey

A quarterly survey focusing on organic growth and profitability

Banks in Insurance

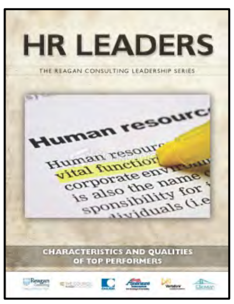
A biennial production with the ABIA focusing on banks' participation in insurance distribution

The Sales Study



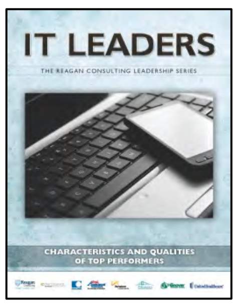
Produced in 2012, this study examines key attributes of leading sales organizations

The HR Study



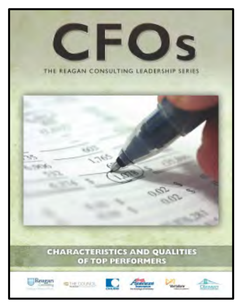
Produced in 2012, this study focuses on the drivers of leading HR departments

The IT Study



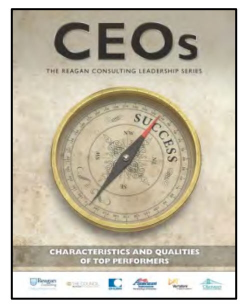
Produced in 2012, this study focuses on the drivers of leading IT departments

The CFO Study



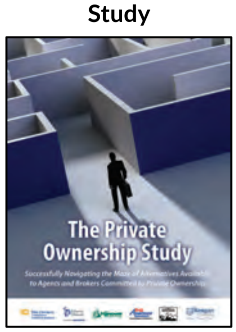
Produced in 2012, this study focuses on the characteristics and behaviors of leading CFOs

The CEO Study



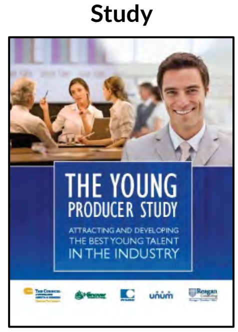
Released in 2011, the first study in the Leadership Series focuses on what makes a successful CEO

Private Ownership Study



Produced in 2011, this study covers the four pillars of internal perpetuation

The Young Producer Study



Produced in 2009 and updated in 2012, this study focuses on the attributes of 91 highly successful young producers

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chapter 1

Introduction & Methodology

In 2012, Reagan Consulting produced *The Sales Study*. In it, we examined insurance agents and brokers that were achieving the greatest sales success and explored the three essential elements that set these firms apart: they equip producers for success, they create a culture of accountability, and they recruit and develop new producers.

Of these elements, agents and brokers struggle most with the ability to recruit and develop new producers. Agents and brokers routinely identify hiring and developing producers as the biggest challenge they face – not just in sales, but in their business overall. Most have not properly assessed the level of hiring needed to sustain their growth objectives or to perpetuate private ownership. And when agents and brokers do hire, the success rate is far less than it could be.

This combination presents a significant problem for agents and brokers and for the insurance carriers that depend upon them and is the genesis of the *Producer Recruiting & Development Study*. Our hope is that this study provides an impetus and a framework for agents and brokers to establish appropriate levels of producer hiring and to improve the ultimate success rate of those hires.

Methodology

To accomplish these objectives, we focused on actual hiring practices and outcomes for agents and brokers over the past five years. This time frame ensured a statistically relevant data set without overwhelming study participants with requests for historical producer data.

We started with a baseline survey focused on hiring activity and success over the past five years. The baseline survey provided agency demographic information, the number of producers hired by product line, and the frequency of producer "success" (defined as validated or on track to validate). We also asked firms to provide us with a self-evaluation on the firm's recruiting, hiring, training and development performance, as well as a self-evaluation on whether producer hiring over the past five years met, exceeded or fell short of appropriate levels. We received responses from 562 firms, ranging from small independents to the largest brokers in the U.S. In aggregate, these firms hired 4,641 producers over the five year period.

562

Firms participated in the baseline survey

4,641

Producers were covered in the baseline survey

The baseline survey was followed by a supplemental survey, which was sent to the baseline survey participants. In the supplemental survey, we asked for additional detail on producer hiring and development practices, breaking down the information requested into producer information and agency information. For every producer hired in the past five years, we asked 18 questions, including demographics, hiring information, background, training and development information, specialization and performance metrics. For every firm in the supplemental survey, we dove deeper into hiring practices and producer evaluation, the timelines to validation and the use of outside training and hiring services.

We received supplemental survey responses from 112 firms that had hired 1,505 producers over the past five years. These firms hired producers ranging from just one to over one hundred. Firms of all sizes participated, ranging from small independent agents to national brokers.

From these results, we identified firms in the industry making the biggest investments in producer recruiting and development and achieving the best results. We invited 25 of these firms to Atlanta for a two-day Producer Recruiting & Development Summit. Also attending were representatives from carrier sponsors of the study and the CIAB. At the Summit, we shared the preliminary study results and processed the significance of the findings. Participants shared their best producer recruiting and development practices and discussed strategies for further elevating their success.

Finally, we interviewed a total of 35 firms in this phase of the research. In these interviews, we addressed the leadership of producer recruiting and development, selection of primary hiring targets, increasing the pipeline of candidates, best practices in screening and selection, and how best to train and develop producers.

This study has likely provided more detailed data around this issue of critical importance than any study in our industry's history. It is our hope and expectation that this study will provide insurance agents and brokers with the encouragement, motivation, insights, perspectives, processes and strategies necessary to:

- "Right-size" the amount of recruiting and hiring necessary
- Materially increase the success rates for producer hiring and development
- Elevate levels of success for individual producers

NOTE: The producer success rate in the baseline survey was 56%. This survey is the best representation of industry averages, due to its breadth, since it was completed by 562 firms. Our follow-up supplemental survey went much deeper and took significantly longer to complete, since it requested, among other things, 18 pieces of individual data for every producer hired over the past five years. The success rate in the supplemental survey was slightly higher, at 61%. This is as we expected, since we believe the 112 firms responding to the supplemental survey are more deeply invested in, and therefore slightly better at, producer recruiting and development than the larger pool of firms that responded to the baseline survey. Throughout this study, when we are referring to the industry in general, we will use the baseline survey which represents the best picture of the industry as a whole. When we look at individual producers and the success rates of the firms they come from, we will use the supplemental survey data.

chapter 2

The Challenge and How to Address It

56%	53%
Overall success rate of producer hires in the insurance distribution system in the past five years	*Employee benefits success rate*
	56%
	Commercial lines success rate
	59%
	Personal lines success rate

Source: Baseline survey

Well, we have it – the definitive numbers for the success rates of producer hiring within our industry: **56%** for all producers, **56%** for commercial lines, **53%** for employee benefits, and **59%** for personal lines. This data is drawn from the actual results of 562 firms with 4,641 producer hires over the past five years. We dug deeper into a subset of 1,505 of these producers to learn more about their stories. We now know how long, on average, it took these producers to validate and we know the average size of the books of business they generated. This deeper dive provided invaluable insights into how the best producers in the study outpaced the average. Here are the composite findings for the average successful producers we studied and also for those judged to be the most successful:

Composite Findings

	Commercial lines	Employee benefits
Average success rate[1]	56%	53%
Average months to validation (for those successful)[2]	32	33
5th year book of business (successful)[2, 3]	$300-$400K	$400-$500K
High success rate[4]	10%	12%
5th year book of business (highly successful)[2, 3]	$500-$750K	$500-$750K

[1] *Baseline survey*
[2] *Supplemental survey*
[3] *Excludes producers who brought a book of business or were assigned any accounts*
[4] *Producers exceeding normal expectations*

Shocking Results - A Real Industry Problem

Shocking is clearly the best word to describe the industry's producer hiring data over the past five years. Based on detailed information gathered from over 100 firms, covering over 1,500 producers hired over the past five years, the number hired from outside the insurance industry is a mere 35%.

Experienced producers – "free agents" moving from one firm to another – were by far the largest category of producer hires, representing 55% of the hires over the past five years. 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?

35%

% of Hires from Outside the Industry (including college)

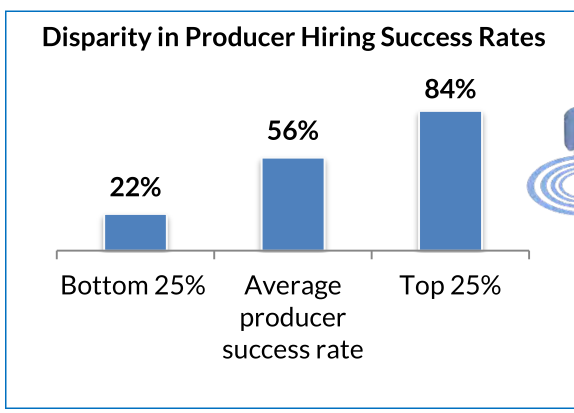
Below is a breakdown of the background of producers hired over the past 5 years.

Background of Producers Hired	
Experienced Producer	55%
Insurance Industry - Not Sales	10%
Total Insurance Industry	**65%**
Outside the Industry	29%
College Hire	6%
Total Outside the Industry	**35%**
Grand Total	**100%**

Source: Supplemental survey

Averages Do Not Tell the Full Story

The industry success rates are very revealing. However, what these results fail to show is the bigger picture of the full range of experiences. To address the bigger picture, we have looked at firm-wide results for the 562 agents and brokers in the baseline survey and further focused our attention on the results of firms that hired three or more producers in the past five years in commercial lines or employee benefits. This provides a clearer understanding of the results of firms with significant hiring experience.



Source: Baseline survey

Beyond the 56% average success rate for the hiring of producers, we also see that the bottom 25% of firms are only achieving success rates averaging 22%, while the top 25% of firms enjoy an 84% average success rate.

These differences are significant, as 50% of all firms obviously fall into the top and bottom 25%. The top 25% of these firms will hire 10 producers to end up with 8 successful hires. To end up with 8 successful hires, the bottom 25% will have to hire more than four times as many producers. The difference in the bottom line impact for the top 25% and bottom 25% of firms is enormous in terms of the expense of recruiting and developing, time and energy, impact on agency morale and growth goal achievement. Firms that have the ability to more successfully recruit, hire, train and develop producers have perhaps the ultimate competitive advantage.

What separates the top performers in producer recruiting and developing from the rest of the industry? In this study, we will present our findings and will share the Critical Success Factors we uncovered.

Critical Success Factors

1) ***Defining hiring needs (chapter 3).*** A common experience for agents and brokers is to be in the dark about how many producer hires their business requires. Many firms are naïve to the numbers necessary and are simply guessing, with no hiring plan at all. We believe that agents and brokers can calculate how many hires are needed and establish a hiring plan.

2) ***Determining who to hire (chapter 4).*** Agents and brokers, by and large, are opportunistic recruiters, pursuing individuals that are available rather than being intentional about the producer profile that best fits their firm. We examined detailed data from thousands of producer hires and hundreds of firms to identify the backgrounds and characteristics of the most successful producer hires.

3) ***Building the candidate pool (chapter 5).*** Many firms do not have a strategy to increase the pool of producer candidates, limiting their options and their capacity for producer hiring. We share strategies used by leading firms to generate a strong stream of potential producer hires.

4) ***Elevating the ability to select winners (chapter 6).*** Our research, and our experience in the industry, suggests that many firms do not have an established process to evaluate producer candidates. Without a process to guide them, these firms likely get mixed results, executing poorly in evaluating talent and selling the opportunity. We discuss ways to cull the winners from the herd and market your firm effectively.

5) ***Maximizing success for those hired (chapter 7).*** Agents and brokers have a variety of options to assist newly hired producers. However, many firms do not have an intentional approach to training and development, often letting producers sink or swim on their own. We believe that the optimal approach for firms is to be thoughtful about training and development programs based on the producers hired and the characteristic of the firm itself.

6) ***Owning and leading the strategy (chapter 8).*** It is not enough to establish a strategy and a plan – so often the defining factor is simply execution. We discuss the importance of owning producer recruiting and development and how leading firms are raising the importance of recruiting and building execution capabilities into their organizations.

Producer recruiting and development is of critical importance to our industry, yet it is replete with challenges. The lessons contained in this study, if applied, can help agents and brokers overcome these challenges. If firms give this issue the attention it deserves, develop effective strategies and make the necessary investments, every firm can materially improve its success and position itself to achieve its desired growth and perpetuation objectives.

chapter 3

Defining Hiring Needs

When firms in the baseline survey were asked if they were hiring enough producers to support their growth and perpetuation objectives, 41% reported that they were under-hiring. When we ran an analysis of their actual hiring, we found that the percentage of firms under-hiring is likely in the range of 55-60%. Many agencies are unaware of just how far behind they actually are – because the appropriate level of producer hiring for their firm has never been accurately determined.

55-60%

of agents and brokers are under-hiring

Defining an appropriate level of producer hiring is difficult. We believe that the appropriate level of producer hiring is the volume necessary to both service existing business and to achieve desired growth objectives, while accounting for normal producer attrition. The appropriate level of producer hiring may be different from firm to firm, and it may even be different for the same firm from year to year.

However, we believe that there are three key constructs and measurements that firms can use to establish an appropriate level of producer hiring: sales velocity, generational capacity and producer investment.

Sales Velocity

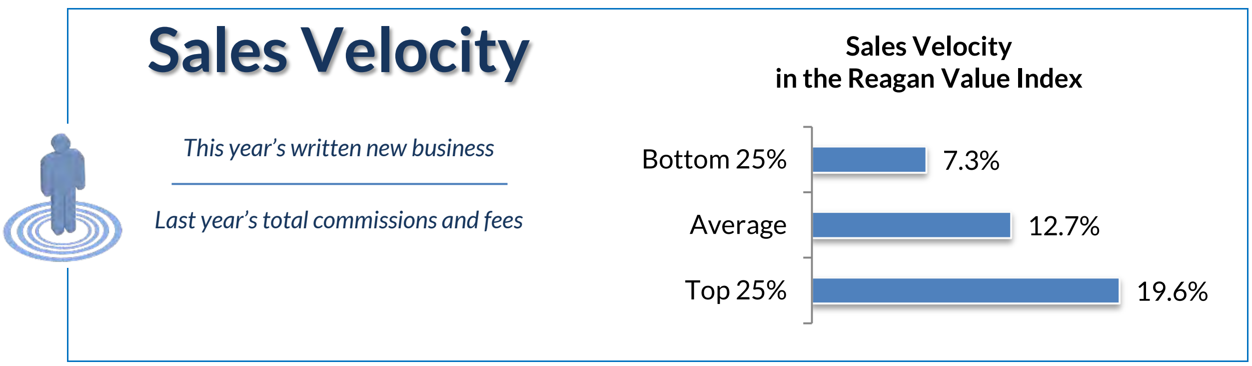
Growth is the lifeblood of an agency. Study after study and firm after firm reinforce this point. Growth creates opportunity for employees, business for carriers, resources for clients and returns for shareholders. But not all growth is equal. Organic growth, specifically, has a unique power to drive agencies and their stakeholders forward.

By organic growth, we mean an agency's actual growth excluding any acquisitions and book purchases – growth achieved through growing the production force and by writing new business. Organic growth has many factors that must be understood before any conclusions about producer hiring levels can be drawn: pricing changes, exposure base changes, agency compensation rate changes, retention rates on existing business and new business.

Although the first three factors listed above are market driven and are largely outside the control of agents and brokers, the last two – retention rate and new business – are not. Fortunately, these factors are the two primary drivers of organic growth, and they are directly under the control of the typical agent or broker.

Agents and brokers generate significantly different organic growth rates. Over the past several years, a broker in the 75th percentile has grown organically approximately three times faster than a broker in the 25th percentile. The differences between the very top and the very bottom are even greater. When we have examined these differences in organic growth rates, our analysis suggests that the primary differentiator is new business production. Retention rates are important, but new business production wins the day.

An agency's new business production can be measured and compared across the industry with a metric that we will refer to in this study as "Sales Velocity." Expressed as a percentage, it is calculated by dividing this year's total new business by the prior year's total commissions and fees. For example, an agency that had $10 million in total commissions and fees in the prior year and that generates $1 million in new commissions and fees has a Sales Velocity of 10%. We – and others – have measured this statistic for years, but we now want to use it as an important tool in forecasting producer hiring.



Source: Reagan Value Index

As can be seen in the graphic, there are huge differences in Sales Velocity between firms. We examined the Sales Velocity for the 30+ firms in the Reagan Value Index, a group of firms for which we have detailed production data. The bottom 25% of these firms generated average new business totaling just 7.3% of their prior year commissions. Since normal client attrition rates tend to range between 5% and 10%, those firms may not even be producing enough new revenue to replace what is being lost.

On the other hand, growth is not a problem for the top 25%. With an average Sales Velocity level of 19.6%, these firms can experience client attrition of 10% (the high end of the typical retail agency range) and still grow at an organic growth rate of 9.6% (assuming flat market conditions).

The relationship between Sales Velocity and organic growth is critically important to understand. Many firms have big-picture growth goals that are completely out of line with the reality of their Sales Velocity. But without a clear understanding of the relationship between organic growth, Sales

Velocity and client retention, it is unlikely that an agency will be able to accurately assess its producer hiring needs.

Weak Sales Velocity is a common problem. Agency leaders deploy myriad carrot and stick tactics to try to get more out of their producers. Accountability initiatives, compensation plan modifications and production contests are used to try to elevate the games of producers. While these efforts are necessary and worthwhile, there are limits to how much results can be improved, particularly as producers' books of business continue to grow larger and they themselves grow older and begin to slow down.

The primary means to driving higher Sales Velocity is to hire more producers. Like cars with undersized engines, many agencies are limited by too little horsepower. The driver desires a certain amount of speed, but the engine is too small to produce it. A stated organic growth goal of 10%, for example, may require sales velocity of 20%. For a $10 million firm with 10 producers, a sales velocity of 20% means average new business per producer of $200,000. If increasing Sales Velocity is the objective, expecting a team of producers, especially later in their careers, to materially raise their new business production is unrealistic.

> *"If we are going to hit our growth objectives, we have to increase our producer count by 10% per year. We can dig ourselves into a hole if we miss hitting these hiring targets."*
>
> Sales Executive with Top 100 Firm

However, agencies can use the Sales Velocity concept and its relationship to organic growth to calculate the number of producers that they need to hire. We have developed a model to assist with this analysis. To begin, we need to quantify some easily established variables. They are:

- **Organic growth goals –** what is the desired annual organic growth rate?
- **Account retention rates** – what percentage of business is retained from year to year?
- **Sales Velocity –** what is the current Sales Velocity of the existing sales team?
- **Book capacity** – what size book of business can the typical producer effectively manage?
- **New business –** what is the average new business per producer?
- **Actual number of producers –** what is the total number of producers currently?
- **Producer hiring success rate –** what is the agency's success rate historically with producers hired?
- **Projected producer attrition –** how many validated producers will we lose each year over the next five years (due to retirement, termination, etc.)?

With these numbers, we can start with an agency's growth goals and, using Sales Velocity, solve for the number of producers needed to meet the growth objectives. The process is relatively simple: an agency decides how quickly it would like to grow and then determines, based on estimated client retention rates, what Sales Velocity is required to meet growth targets. The required Sales Velocity, expressed as total dollars of new business, can then be divided by the firm's anticipated new business per producer to generate the total number of producers needed. Using the firm's producer hiring success rate, the firm then determines the number of producer hires to achieve the desired number of total producers.

The model below examines the potential hiring needs of a $10 million firm with 14 producers that desires to grow at 9% organically.

Using Sales Velocity to Determine Producer Hiring Needs

Assumptions			
Organic growth goal	9%	New business per producer	$100,000
Account retention rate	94%	Producer success rate	56%
Sales Velocity required	15%		

Projections	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Prior year revenues	10,000,000	10,900,000	11,881,000	12,950,290	14,115,816
Retained revenues (using retention rate)	9,400,000	10,246,000	11,168,140	12,173,273	13,268,867
New business (using Sales Velocity)	1,500,000	1,635,000	1,782,150	1,942,544	2,117,372
Year ending revenues	10,900,000	11,881,000	12,950,290	14,115,816	15,386,240
New business per producer	100,000	100,000	100,000	100,000	100,000
Producers required to achieve new business	15.0	16.4	17.8	19.4	21.2
Actual producers starting the year	14.0	16.4	17.8	19.4	21.2
Producer attrition	-	(1.0)	-	(2.0)	-
Successful new producers needed for future needs	2.4	2.5	1.6	3.7	1.9
Success rate	56%	56%	56%	56%	56%
Producers required to be hired	4.2	4.4	2.9	6.7	3.4

It is important to note that this is a forward-looking model. Because a firm cannot expect a producer to contribute significantly to new business immediately, the model bases its hiring needs on *next year's* Sales Velocity. For example, the firm in the model above needs to hire 4.2 producers in year 1 in order to end up with 2.4 successful producers for a total of 16.4 producers required to meet year 2's expected Sales Velocity. And, given the need for 17.8 producers in year 3, 4.4 additional producers need to be hired in year 2.

What we have shared is a simplified version of the model that can and should be run. Ideally, an expanded model will track each existing producer and each new hire and will more accurately reflect the "producer validation lag" (i.e., the time it takes a producer to go from being hired to validating), terminations and retirements and performance by age and stage.

> *"We're not sure of much, but we are sure that any growth we're going to enjoy is going to come through the producers we need to hire."*
>
> A Large California Broker

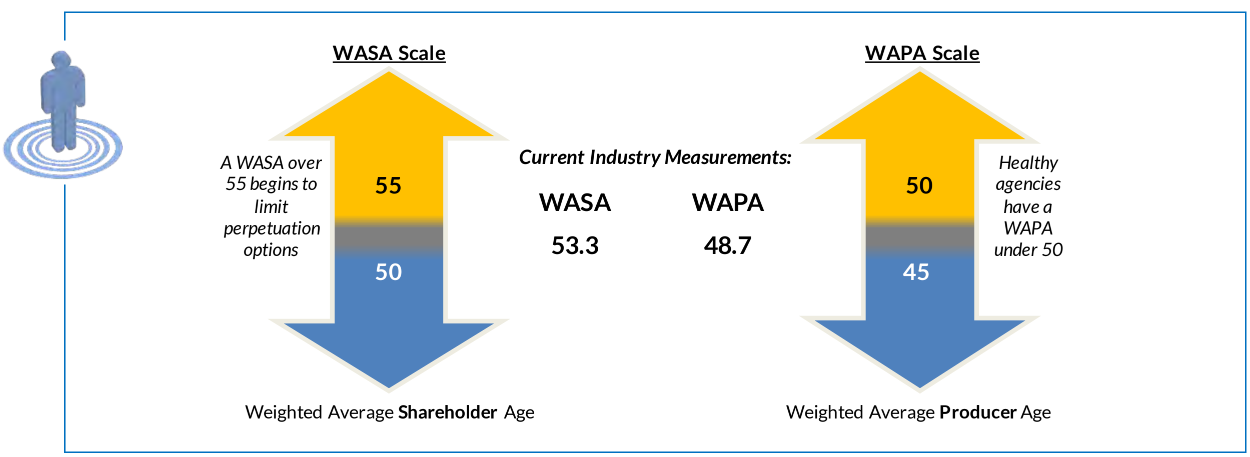
Also, just as Sales Velocity can be used to calculate hiring needs, the average book of business handled per producer can also be used to determine hiring needs. For instance, if your average producer has a $750,000 book of business and your projected total revenues are $10,900,000, it is possible to determine the number of validated producers needed (i.e., 14.5). The determination of the number of producers needed by book of business can be used to validate the number determined by Sales Velocity or the two can even be averaged.

This type of analysis provides specific projections of the agency's hiring needs over the near-term. The accuracy of these projections will be as good as the assumptions used. Obviously, this approach requires frequent updating to ensure that it captures an agency's actual objectives, business performance and expected attrition.

WASA and WAPA

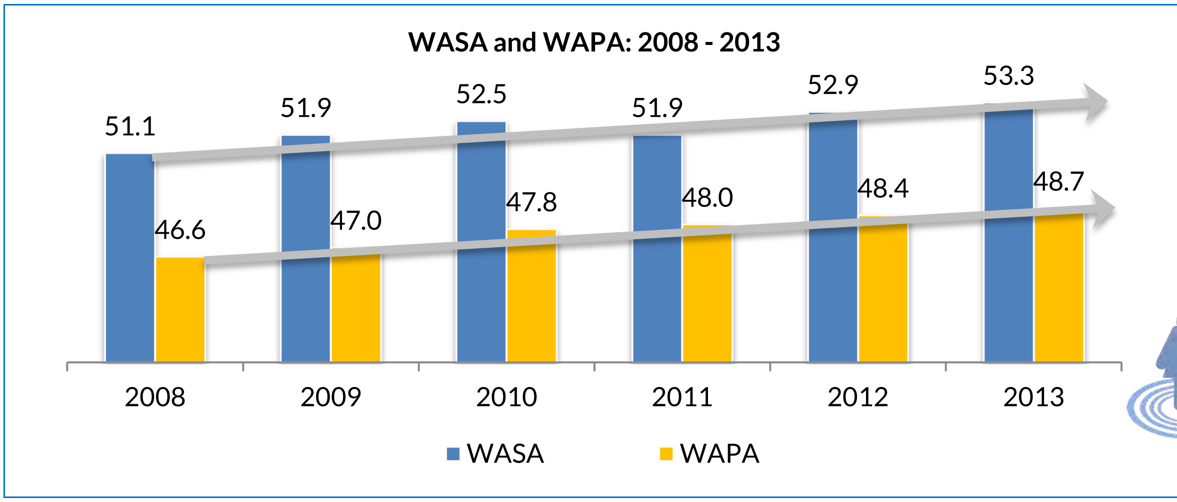
The Sales Velocity analysis or the book of business analysis can both provide clarity to producer hiring, but they do not illuminate the entire picture. For example, while the Sales Velocity analysis may determine that four new producers are needed, it does not describe any vital attributes of those producers. Beyond just the number of hires, agents need to consider the health of their existing producer demographics – the age and stage of the production force. If an agency has an adequate number of producers, but all are 55 or older, the agency will hit the wall unless it begins hiring with an eye for the future.

For years, we have used an agency's Weighted Average Shareholder Age (WASA) and Weighted Average Producer Age (WAPA) as two helpful metrics. Each of these metrics assists firms in assessing and understanding their relative age. WASA is determined by taking the sum of the product of the ages of agency owners and their agency ownership percentages. WAPA is similarly calculated, using the sum of the product of the firm's producers' ages and the percentage of the agency's "produced" commissions handled by each producer (house business is excluded).



Source: Reagan Value Index

The higher the results for WASA and WAPA, the older a firm is and the greater the need to bring on new producers and owners. We have consistently seen that firms with lower WASAs have an easier path to internal perpetuation and that firms with lower WAPAs have an easier path to organic growth.



Source: Reagan Value Index

As the graph above demonstrates, however, there has been a steady increase in each of these metrics over the past six years. While not perfectly linear in their ascent, the industry's most recent WASA result is 2.2 years higher than five years ago, while the WAPA has increased by 2.1 years. Healthy firms will have a WASA under 55 and a WAPA under 50. This trend supports our analysis that most firms are under-hiring. We are getting older as an industry.

WASA and WAPA, though not new, should remain as key reference points for firms as they assess their hiring needs. In addition, a stratification of Sales Velocity is also beneficial. For the following discussion, we have identified four distinct age bands. Although equivalent in length (roughly 10 years), each is very different in terms of performance and impact on Sales Velocity.

Relative Impact of Age Bands on Sales Velocity

Age Band	Description	Bottom 25% Sales Velocity	Average Sales Velocity	Top 25% Sales Velocity	Sales Velocity Difference: Bottom and Top 25%
Up to age 35	Early Career	1.4%	2.6%	4.5%	3.1
36 – 45	Early-Mid Career	1.8%	3.8%	5.9%	4.1
46 – 55	Late-Mid Career	2.8%	3.6%	5.5%	2.7
Over 55	Late Career	1.2%	2.7%	3.7%	2.5
TOTAL		**7.3%%**	**12.7%**	**19.6%**	**12.4**

Source: Reagan Value Index

This segmentation of the industry's validated sales force again uses the Reagan Value Index as a proxy. We have broken down each age band to show relative contribution to Sales Velocity. We have further refined the analysis to reflect Sales Velocity results for the top and bottom 25% of RVI firms.

The smallest contribution generally comes from the “Over 55” age band. These are producers with large books who have slowed down. The most productive age bands are the “36-45” and “46-55” groups. However, the biggest differences in Sales Velocity contribution from the bottom 25% to the top 25% were found in the “Up to age 35” and “36-45” age bands. Without question, firms with superior Sales Velocities obtain their advantage primarily by in the young-to-middle age bands. Not surprisingly, these same high Sales Velocity firms are the firms who have invested heavily in producer hiring and development. Youth is the fuel for Sales Velocity.

Generational Capacity

To further address the age and stage question, we introduce a concept called Generational Capacity.

> *“The young producers that we have hired are not only generating business themselves but also re-energizing the older producers – it’s great.”*
>
> Sales Leader of a High Growth Agency

The objective for every firm, whether private or public, should be to maintain a healthy spread of Generational Capacity vis a vis the number of producers in each age band, the volume of business controlled by each age band, and the contribution to new business (Sales Velocity) by each age band. The health of these age bands will directly affect the health of the agency, the leadership pool from which to elevate future leaders, and the ability of the agency to perpetuate books and remain private (if that is the objective).

To illustrate the importance of Generational Capacity, we will provide examples of two agencies. From the outside, both appear to be of comparable quality. Looking more closely, a different picture emerges. Our first example is of an agency built from composite results taken from the Reagan Value Index of the 25% of firms having the highest WAPA (weighted average producer age).

The composite results would suggest an organic growth rate of perhaps 1-2%, new business (Sales Velocity) of just over 7%, a WAPA of 53.6 and a WASA of 56.6. With only 30% of their producers under 46 and 61% of the ownership held by those over 55, this firm is headed for trouble. The hiring necessary in the years to come will likely be greater than most firms of this size are able or willing to accomplish. The following is **not** a healthy picture – there is a name for firms like this: “For Sale.”

Example 1 - Generational Capacity: Unhealthy Hiring and Performance					
Age Bands:	Up to Age 35	36-45	46-55	Over 55	All
Validated Producers - #	2	3	5	7	17
Validated Producers - % of total	12%	18%	29%	41%	100%
Controlled Books - $	$401,348	$1,232,021	$3,645,985	$4,721,123	$10,000,477
Controlled Books - % of total	4%	12%	36%	47%	100%
Sales Velocity/New Bus - $	$142,399	$183,442	$278,665	$124,355	$728,861
Sales Velocity/New Bus - % of total	20%	25%	38%	17%	100%
Ownership Held (# SH in each age band)	0	2	6	8	16
Ownership % Held (% of total in each age band)	0%	7%	32%	61%	100%
Leadership - Number in Leadership Roles	0	1	3	5	9
	WAPA	53.6			
	WASA	56.6			

Source: Reagan Value Index, bottom 25% WAPA and performance

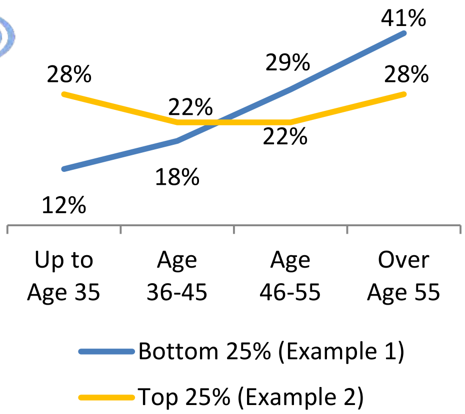
Our second example was constructed from compiled results of Reagan Value Index firms that are in the quartile with the lowest WAPA and the highest levels of performance. This firm exhibits a very healthy age distribution as a result of a steady and consistent practice of hiring producers over time. Organic growth is closer to 8-9%, with Sales Velocity closer to 15%. The WAPA is a very healthy 45.1 and the WASA is 49.7. With half of its producers under 46 and only 37% of the equity held by those over age 55, this is a firm with great options for the future. It can remain private or sell for a premium value. The amount of hiring needed to maintain momentum will be consistent with past hiring practices. The following is a snapshot of a firm positioned for a very bright future.

Example 2 - Generational Capacity: Healthy Hiring and Performance					
Age Bands:	Up to Age 35	36-45	46-55	Over 55	All
Validated Producers - #	5	4	4	5	18
Validated Producers - % of total	28%	22%	22%	28%	100%
Controlled Books - $	$1,012,314	$2,034,123	$3,145,985	$3,921,123	$10,113,545
Controlled Books - % of total	10%	20%	31%	39%	100%
Sales Velocity/New Bus - $	$325,234	$374,689	$524,312	$289,162	$1,513,397
Sales Velocity/New Bus - % of total	21%	25%	35%	19%	100%
Ownership Held (# SH in each age band)	2	4	7	6	19
Ownership % Held (% of total in each age band)	12%	21%	30%	37%	100%
Leadership - Number in Leadership Roles	2	3	4	4	13
	WAPA	45.1			
	WASA	49.7			

Source: Reagan Value Index, top 25% WAPA and performance

Generational Capacity and Its Influence on Agency Health

Age Distribution of Production Force



	Bottom 25%	*Top 25%*
WAPA	**53.6**	**45.1**
WASA	**56.6**	**49.7**
Organic Growth	**1% - 2%**	**8% - 9%**
Sales Velocity	**7%**	**15%**
Leaders under Age 46	**1**	**5**

Source: Reagan Value Index

The key difference in these two firms is simply Generational Capacity. Examining the distribution of producers across age bands shows a balanced firm versus an unbalanced one. The balance achieved by the healthier firm has led to significant gains in Sales Velocity, organic growth, shareholder value creation and future leadership development.

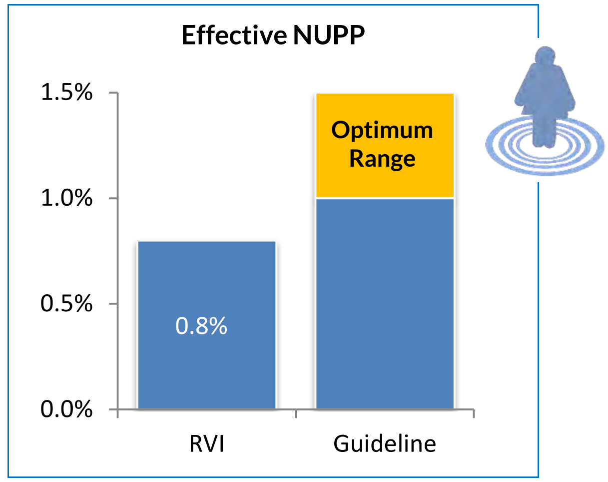
NUPP

Another helpful metric to gauge an agency's investment in producer hiring is Net Unvalidated Producer Payroll (NUPP). NUPP is a measure of an agency's investment in developing producers. Expressed as a percentage of net revenues, NUPP is the difference between what an agency pays its developing producers in direct payroll versus what the producers would earn under the agency's normal commission schedule. Generally speaking, a NUPP of 1.5 – 2.5% of net revenue represents a healthy level of producer hiring.

For example, a developing producer with a $60K book of business would be paid only $18K if the agency's 30% new/renewal commission applied ($60K x 30%). If the developing producer is actually paid a $45K salary, then $27K of the payroll is unvalidated ($45K minus $18K). This $27K represents the agency's investment in the producer. A producer becomes a validated producer when the producer's payroll is completely validated by his or her efforts as a producer. Using our example, our $45K producer would become a validated producer at the point his or her book reached $150K ($150K times 30% = $45K). Each developing producer's "investment" is summed together. This total is then divided into the agency's net revenues to determine NUPP.

Effective NUPP

While NUPP is a good measure of an agency's investment in producer hiring, it does not measure the firm's effectiveness in its hiring practices. To that end, the Effective NUPP calculation was developed. Multiplying an agency's NUPP by its producer hiring success rate results in the Effective NUPP. For example, a firm with a 2.0% NUPP and a producer hiring success rate of 56% would have an Effective NUPP of 1.12% (2.0% x 56%). An optimum Effective NUPP ranges between 1.0% - 1.5% of revenues.



Therefore, in order to have a successful producer investment program, two crucial things must happen: 1) an agency must make a significant investment (the NUPP) and 2) an agency must have a healthy producer hiring success rate.

Tying It All Together

We encourage agents and brokers to perform regular calculations of the WAPA and NUPP and, for privately held firms, WASA. These calculations provide key insights on agency health. Over time, these measures provide a great way to assess important trends that cannot be overlooked or wished away. These metrics provide invaluable assessments of overall agency "health" and, over time, can illuminate important trends affecting perpetuation and growth objectives.

We also encourage every agent and broker to focus on organic growth as a key driver for success. Find ways to maximize account retention, but focus primary efforts on increasing Sales Velocity. Find ways to maximize new business production for existing producers, but recognize that the key driver to long-term growth is hiring more producers and maintaining healthy producer age bands.

With a clear picture of organic growth targets, determine the number of producers needed based on the assumptions, objectives and realities of the agency. With a clear understanding of the Generational Capacity realities currently in place, develop a hiring and management strategy to improve the health of the organization:

- Fill producer gaps in existing age bands – work towards equal distribution.
- Increase books of business handled and new business generated by each producer and within each age band – ensure strong contributions from the producers in each age band.
- Spread ownership to position the firm to remain privately-held if that is your objective. Consider using private ownership as a means to attract, retain and motivate producers.
- Make certain that leadership talent is being developed in each age band. Top performing agents and brokers are effectively tapping into the leadership potential in every age band, particularly the early career and early-mid career age bands.

Armed with an understanding of hiring needs, attention can now be focused on who to hire.

chapter 4

Determining Who to Hire

In order for agents and brokers to execute an effective producer development initiative, many choices must be made, recognizing that each choice brings with it material ramifications. Different firms have different results, even when going after similar producer candidates. This happens for two primary reasons. The first is how effectively firms execute the hiring and development of producers (quality execution will be addressed in subsequent chapters). The second reason is whether firms are pursuing the candidates best suited for them. We will address the latter topic in this chapter.

> *"We have narrowed our focus over the last several years. Our targets are candidates in their late 20s to mid-30s from a variety of backgrounds outside the industry."*
>
> Senior Executive with Northeastern Broker

Far too many firms are "opportunistic," which on the surface sounds positive. Shouldn't everyone try to be opportunistic? To the extent that firms take advantage of great opportunities when they come along, that is good. Unfortunately, in the area of producer hiring, when things "drop into your lap," far too often adverse selection may occur. The best producer candidates are unlikely to drop out of the sky. Some may be good candidates in many respects, but not the right candidate for a particular firm and its unique needs.

The most successful firms are strategic in who they target and are willing to make necessary investments in their recruiting, hiring and development efforts to ensure the success of those hired.

This chapter addresses how to determine which candidates are right for any particular firm to pursue. We consider a number of factors including background, gender, age, and starting compensation. We also look at how the volume of hiring and the size of the firm affects hiring results. Commercial lines and employee benefits producers will often be examined separately.

Hiring by Background

We will begin by examining the overall hiring data. As stated previously, the industry-wide producer hiring success rate over the past 5 years is 56% for commercial lines and 53% for employee benefits.

Background of Producers Hired

	% Total
Experienced producer	55%
Insurance – not sales	10%
Outside the industry	29%
College hire	6%
Total	**100%**

Source: Supplemental survey

We also looked more closely at the specific details of the hiring of over 1,505 producers, from 112 firms to determine the level of hiring by background and the success rate differences in the top and bottom 25% of firms. For the top and bottom 25%, we excluded firms hiring only 1 or 2 producers. For firms hiring only one producer, the success rate will be either 100% or 0%, which makes the top and bottom quartile data less meaningful.

The table belows show the composite results for commercial lines and employee benefit producers.

Hiring Background:	% of Total Hiring	Commercial Lines – Success Rate: Bottom 25%[1]	Average[2]	Top 25%[1]
Experienced producer:				
Ins. producer – came w/out book	*38%*	*21%*	*57%*	*86%*
Ins. producer – came w/ book	*15%*	*35%*	*77%*	*100%*
Insurance – not sales	9%	15%	56%	82%
Outside the industry	32%	25%	57%	87%
College hire	6%	11%	60%	81%
Total	**100%**			

Hiring Background:	% of Total Hiring	Employee Benefits – Success Rate: Bottom 25%[1]	Average[2]	Top 25%[1]
Experienced producer:				
Ins. producer – came w/out book	41%	*21%*	*57%*	*85%*
Ins. producer – came w/ book	*22%*	*71%*	*85%*	*100%*
Insurance – not sales	*11%*	17%	58%	83%
Outside the industry	21%	6%	59%	87%
College hire	5%	N/A	42%	N/A
Total	**100%**			

[1]Average results of firms hiring three or more producers in this line of business over the past five years
[2]Average results of all producers hired from each background
Source: Supplemental survey

Lessons learned from this data include the following:

- The distribution of hiring is heavily focused on experienced sales people from the insurance industry in both commercial lines and employee benefits (53% and 63% of the total, respectively). Hiring experienced producers who need little training is appealing; and if they can be hired with a book, the success rates are better. This hiring works for individual firms, but for our

38% *Commercial Lines*

26% *Employee Benefits*

The % of total hires from outside the industry (including college) is surprisingly low.

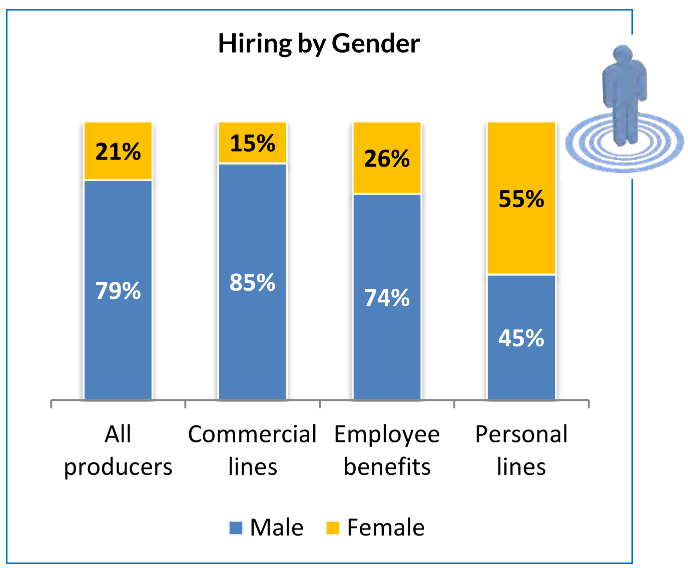
industry, one firm's gain is another's loss. There is no net influx of sales talent. This is an overall industry problem.

- The amount of hiring from college was surprisingly low, likely a reflection of some of the challenges many have faced in hiring young candidates without insurance experience.
- The success rate for producers bringing books is the highest for obvious reasons.
- The average success rate for all other categories of hiring is fairly consistent.
- Results of the top and bottom quartiles vary widely and reveal the disparity of hiring results being achieved.
- The best course of action is not necessarily where the most people in our industry hire or even where the best results are achieved. We need to look at additional data and ask relevant questions to determine the best strategy for each firm.

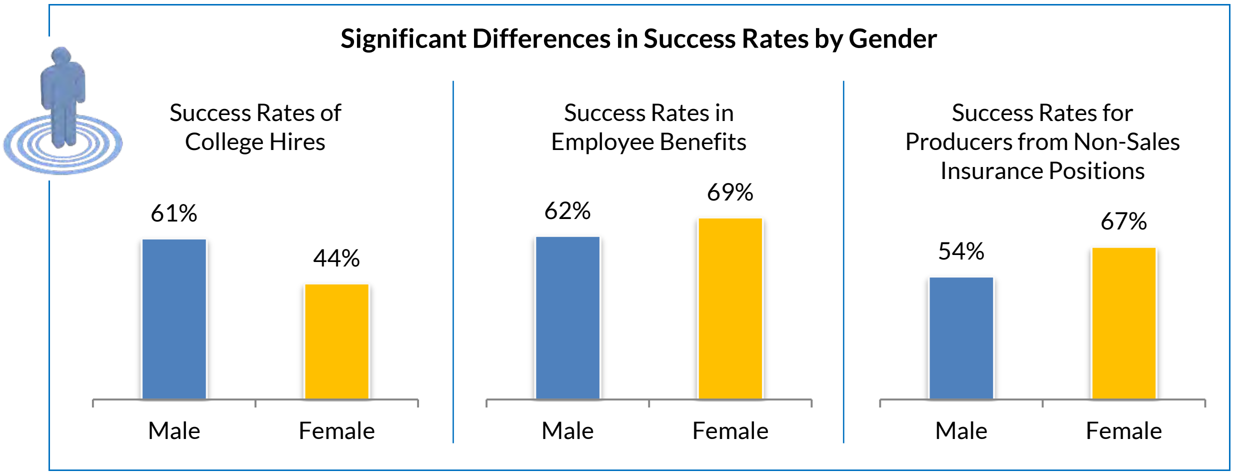
Hiring By Gender

The production side of our industry has historically been male-dominated. The data shows that hiring over the past five years has continued to be heavily weighted towards males. Feedback from top performers suggests an industry shift, perhaps more quickly in benefits and personal lines than commercial. While only 15% of commercial lines producer hires were female, over a quarter of benefits hires and over half of personal lines hires were females.

There is also very little difference in the success rates of male and female hires – males succeeded overall at a rate of 61% and females succeeded at a rate of 63%. However, there were pockets where the success rates did differ. In college hires, employee benefits, and hires from the insurance industry without sales experience, there were pronounced discrepancies in success rates between genders.



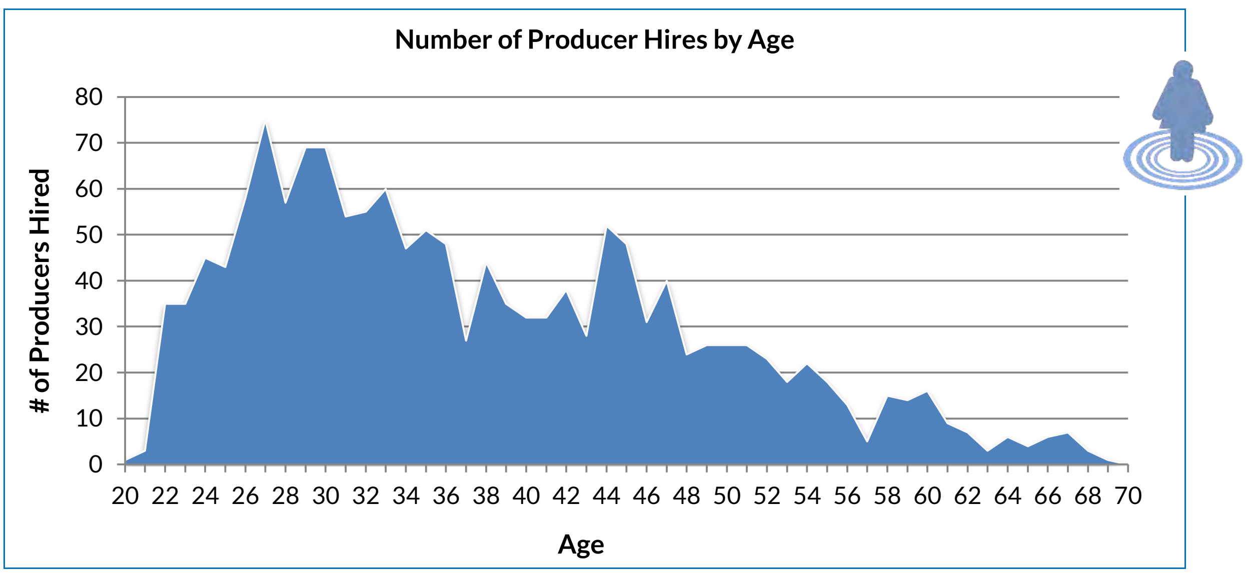
Source: Supplemental survey



Source: Supplemental survey

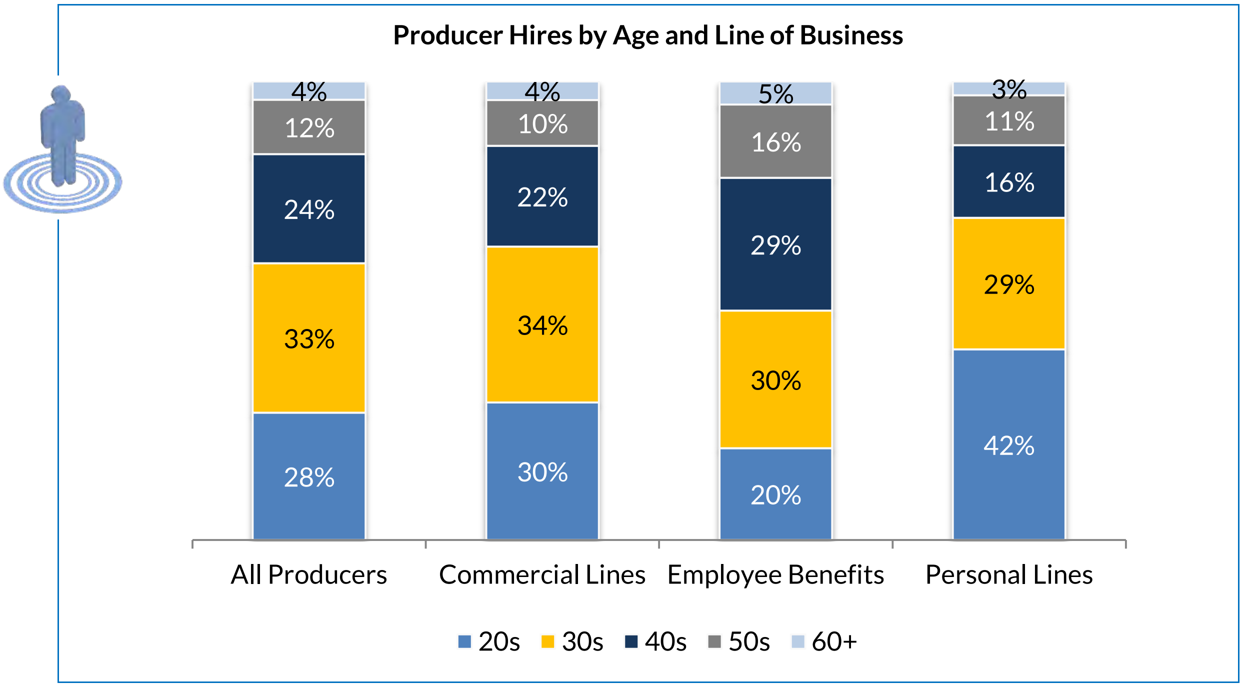
Hiring By Age

Given the multitude of hiring backgrounds, it comes as no surprise that hiring by age varies widely. College hiring tends to focus on 20-somethings, but beyond this, producers of various backgrounds come in all ages. The majority of hiring is of producers in their 20s or 30s. Over 60% of the producers in the supplemental survey were hired prior to their 40th birthday.



Source: Supplemental survey

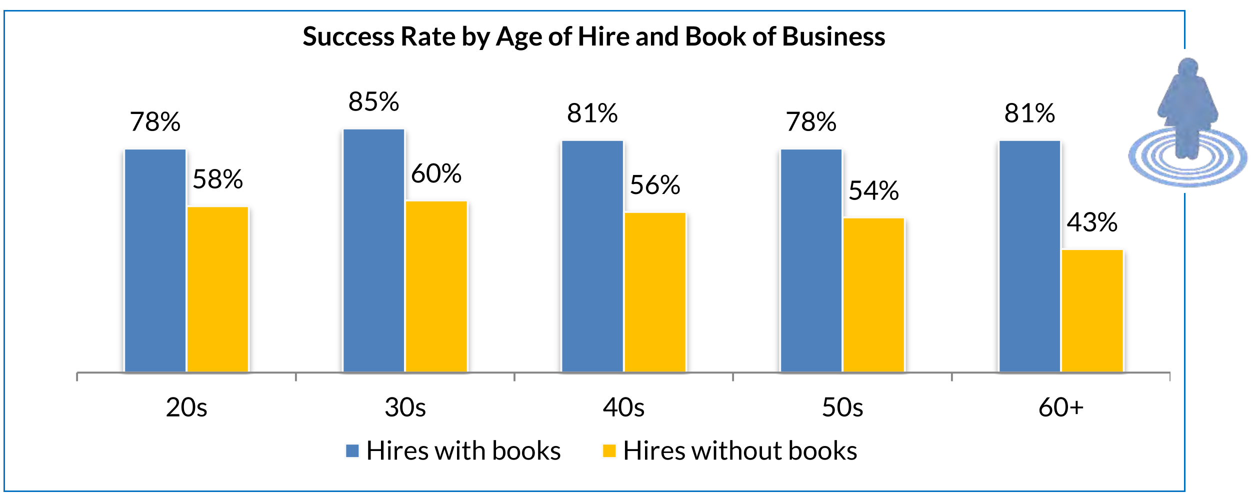
When it comes to hiring by age, there is a difference when producers are broken down by product line. Commercial lines producers tend to be younger at hire date than benefits producers – almost two-thirds of commercial lines producers were hired in their 20s or 30s versus only half of benefits producers. The youngest producers, however, are hired in personal lines. Almost three-quarters of personal lines producers were hired in their 20s and 30s.



Producer Hires by Age and Line of Business

Source: Supplemental survey

With few exceptions, the success rate increases with the age of the producer hired. This rate is impacted by the higher concentration of producers with books of business hired after age 40. Approximately three-quarters of all producers who were hired with a book of business were 40 or older when hired. In fact, when hires without a book of business are considered, the success rate actually goes down slightly after age 40 for commercial lines producers.



Success Rate by Age of Hire and Book of Business

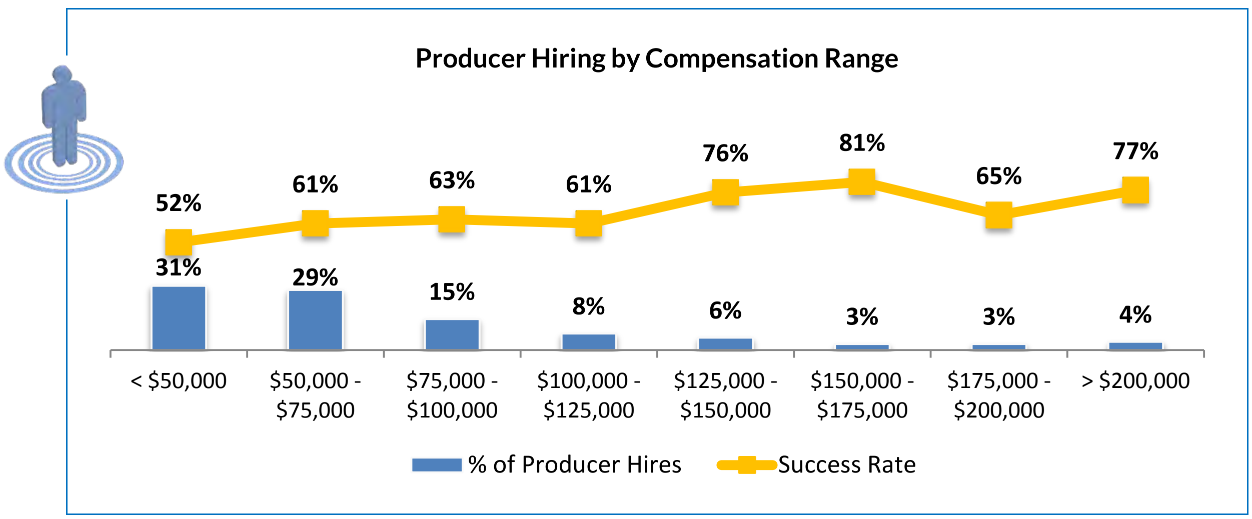
Source: Supplemental survey

When hiring producers from outside the industry, the results indicate those hired earlier in their careers are likely to have higher success rates. Producers hired from other industries prior to age 35 succeed at a rate of over 60%, while those age 35 and over succeed only half of the time.

Hiring By Starting Rate of Compensation

There is a stronger correlation between level of compensation and level of success. However, success is not determined by compensation, but the drivers of compensation (experience, aptitude, ability, book of business, proven prior success) lead to success. The more of these qualities a producer has, the more success they are likely to achieve. All lines of business exhibit a similar trend, though the correlation between success rate and starting compensation is more pronounced in commercial lines.

The higher success rates for those with higher compensation are impacted by hiring of producers with books of business. Of those producers hired with an initial starting compensation over $100,000, 36% brought a book of business, versus only 10% of those hired with compensation under $100,000. Agents and brokers will weigh the pros and cons of hiring more expensive talent. While higher success rates are probably likely, success is not guaranteed and the investment is significantly greater.



Source: Supplemental survey

Hiring by Size of Firm

Intuitively, one might assume that larger firms are better equipped to recruit, hire and train. The results do not support this premise. Here are the actual results for firms by size.

Hiring Background:	**Commercial Lines** <$10M % Hired	% Success	$10M-$25M % Hired	% Success	>$25M % Hired	% Success
College hire	6%	86%	7%	53%	7%	58%
Outside the industry	35%	71%	31%	49%	32%	56%
Total – No Insurance Experience	**41%**	**73%**	**38%**	**50%**	**39%**	**56%**
Insurance – not sales	11%	43%	7%	535	9%	60%
Experienced producer:						
Ins. producer – came w/out book	*41%*	*63%*	*44%*	*63%*	*35%*	*54%*
Ins. producer – came w/ book	*8%*	*90%*	*11%*	*77%*	*17%*	*76%*
Total – with Insurance Experience	**59%**	**63%**	**62%**	**64%**	**61%**	**61%**
Total Hiring	**100%**	**67%**	**100%**	**59%**	**100%**	**59%**
	Employee Benefits					
	<$10M		$10M-$25M		>$25M	
Hiring Background:	% Hired	% Success	% Hired	% Success	% Hired	% Success
College hire	0%	N/A	5%	25%	5%	47%
Outside the industry	17%	60%	38%	53%	*16%*	*63%*
Total – No Insurance Experience	***17%***	***60%***	***43%***	***50%***	***21%***	***59%***
Insurance – not sales	*13%*	*25%*	*14%*	*75%*	*10%*	*55%*
Experienced producer:						
Ins. producer – came w/out book	*40%*	*58%*	*31%*	*73%*	*45%*	*54%*
Ins. producer – came w/ book	*30%*	*89%*	*12%*	*90%*	*24%*	*84%*
Total – with Insurance Experience	***83%***	***64%***	***57%***	***77%***	***79%***	***63%***
Total Hiring	**100%**	**63%**	**100%**	**65%**	**100%**	**62%**

Source: Supplemental Survey

There are several conclusions that can be drawn from this data:

- The success rate for hiring is higher for smaller firms; and the differences are material. This may be due in part to the fact that larger firms tend to have higher expectations for success and terminate non-performers faster.
- Smaller firms are actually more likely to hire producers with no insurance experience in commercial lines. They are less likely to hire producers with no experience in employee benefits.
- In commercial lines, agencies with >$25M in revenues hire over two times as many producers (proportionately) with books of business than firms with revenues <$10M (17% versus 8%, respectively).

Implications of the Number of Producers Hired

If over the past five years, one agency hired two producers and another firm hired twenty producers, which one would be expected to be better at recruiting and developing? The actual results answer this question and offer some perspectives.

	Commercial Lines	Employee Benefits
Hires in Past 5 Years:	**% Success**	**% Success**
<10 hires	71%	68%
10-19 hires	58%	64%
20+ hires	57%	62%

Source: Supplemental survey

This is not necessarily what was expected, but there is a message:

- As was the case with size of firms, more (or bigger) is not necessarily better. What these results suggest is firms hiring smaller numbers of producers may give those they hire more attention and may be more selective in the hiring process.
- As was stated for the "Size of Firms" data, larger firms that hire more producers tend to have higher expectations and terminate non-performers faster.
- The message for larger firms is to find ways to positively scale the producer recruiting and development process to avoid compromising results when the numbers increase.

The Producers Within the Candidate Pools

Within all of the candidate pools we have discussed there will be a wide variety of "types" of people. Agents and brokers must prioritize the characteristics, qualities and capabilities of producer candidates based on what will offer the highest likelihood of success. Based on the feedback provided by firms that have achieved the greatest success in producer recruiting and development, we ranked the ten most important attributes of successful producers.

The Top Ten Attributes of Successful Producers

1) **Drive** – dedication, perseverance, eagerness, high energy, aggressiveness
2) **Confidence** – handles rejection, thick skinned, limited call reluctance
3) **Attitude** – teachable, team player, willing to learn, willing to listen, positive
4) **Personal Network** – current contacts, credibility in the field
5) **Personality** – sociability, people skills, community involvement
6) **Communication Skills** – ability to talk, to write, to listen
7) **Work Ethic** – willing to do what it takes, to do their part and then some, outwork others
8) **Competitive** – does not like getting beat, willing to scrap, does not give up
9) **Intelligence** – knowledge, common sense, street smarts
10) **Patience** – will take time to learn the business and the technical side of the industry

Generational Differences

Another set of issues that comes into play with producer hiring decisions is the “Generational Differences” of the people that will be hired. The candidate pool will include Millennials (currently age 14-33), Generation Xers (currently age 34-49) and Baby Boomers (currently age 50-68). The preferences that some have for one generation over another are overshadowed by the reality that top performing agent and broker producer ranks will need to be populated with talented folks from each generation.

Every generation has its unique assets and liabilities, none of which is necessarily good or bad, but just different. The key will be to recognize those differences and create an environment where the multiple generations can not only coexist but be complementary.

It will also be necessary and important in the recruiting of talented producer candidates in all three generations to tailor the message and the presentation of the job opportunities recognizing the generational differences and what will appeal to each.

Finally, the things that need to be done to position new hires from each generation for success will be different and should be tailored recognizing the difference in core values, work ethic, assets and liabilities, interaction style, means to motivate, etc.

We have included in the addenda a brief comparison of the generational differences. We encourage a more in-depth analysis and understanding of these generational differences and how they can be best addressed in the recruiting, positioning and managing of producers.

What This Means for You

In light of what we have seen and learned, what should agencies do? Well, the determination of the candidates that are best suited for each particular firm begins with an honest assessment of the firm and what that firm needs based on answering the following questions:

1) What is the level and timing of our hiring needs?
   - If a firm has an immediate need for producers due to impending retirements, this scenario warrants targeting experienced insurance producers or at least those in the industry with insurance knowledge.
   - If a firm needs a large number of additional producers but has time to develop them, this scenario may warrant a longer-term strategy which may include hiring directly from college or from other industries.
2) What can be learned from past experience?
   - If a firm has experienced great success in one area, this may support more hiring in that same area.
3) What is our capacity to train and develop?
   - Some firms have virtually no capabilities, capacity or patience to train producers. If this is the case, either investments need to be made to create that capacity or the firm needs to target producers not needing any or as much training.
4) What is our client focus?
   - If the firm writes large, sophisticated accounts and is looking for producers to do the same, this can suggest hiring younger folks but will require a longer time for training and maturation. If this is not likely, the focus may be on older and perhaps more experienced candidates.
5) What is our culture / character?
   - Many firms have a distinctive culture and know that success will come to those that can fit into that culture. Many firms focus on hiring PLUs (People Like Us).
6) What do we have to offer candidates?
   - What a firm has to offer to candidates and what their immediate competitors have to offer may affect who the firm should target. If the firm is privately held and offers equity opportunities, this may be a 'carrot' that will give the firm a hiring advantage over those that do not offer such an opportunity.
7) What is our access to different candidate pools?
   - If the firm is in a community that attracts college graduates, it will be better positioned to go after college graduates than if it is in a more rural community that will struggle to attract younger people.

The collective responses to these questions should begin to provide each firm with a picture of where the primary strategic focus should be on hiring. As stated previously, the feedback provided supports being opportunistic and open to hiring from any source; but, as a primary focus for the majority of hiring, firms will increase their odds of success by playing to their strengths.

From the interviews with the most successful firms, we also received some additional insights on how they have determined their primary focus for recruiting and hiring:

- Although some firms have "sworn off" college recruiting, many still find it fruitful and will use intern programs to help make better choices. Frequently, firms will place the new hires in an account executive or account handling position for a few years before allowing them to sell.
- There is a clear appeal to hiring young men and women who have work experience, especially when they have sold a complex product on a business-to-business (B2B) basis. The target age is most frequently in the 25-30 range.
- Those with insurance experience but no direct sales experience have also proven to be good candidates for many agencies. This is especially true in employee benefits with carrier employees who have supported the sales efforts of agents and have great technical skills but no direct sales experience.
- Experienced insurance salespeople continue to be most highly valued. Candidates that have the greatest potential to be hired are producers working for agencies where there has been a "disruption" (i.e., a change in compensation plan, new leadership, change in ownership, etc.). Those agencies that have much to offer producers (better compensation, ownership opportunities, better tools and resources, etc.) have focused on pursuing producers working in firms that are not in a position to match those offerings.

Based on what each firm has learned from their own experience (the good and the bad) and the experience documented here from many of the leading firms in our industry, it is vitally important that every firm develop a strategy and plan that establishes who each firm needs to be pursuing. Answering the questions listed in this chapter will help firms narrow their focus and determine their sweet spot.

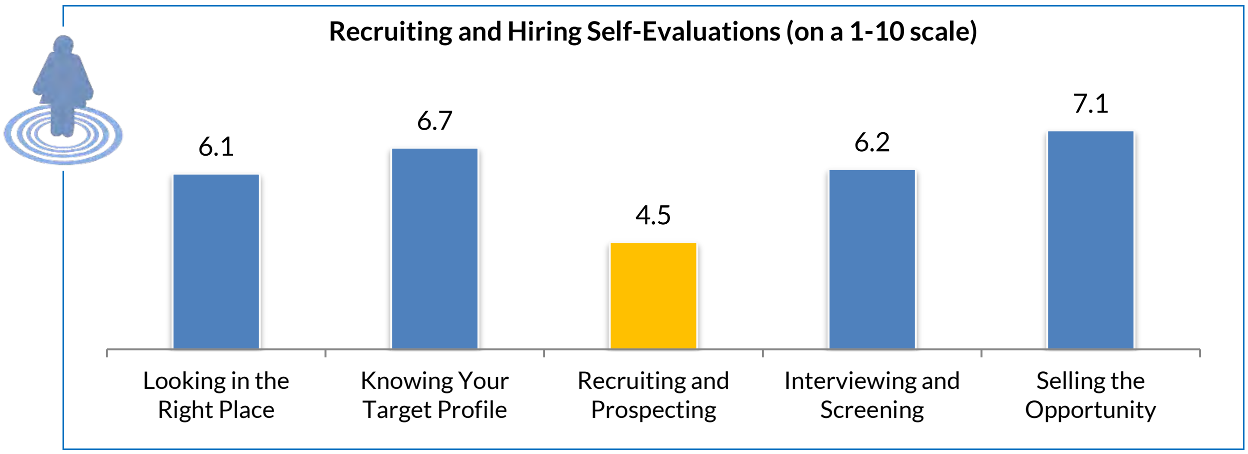
Once firms establish which candidate pools are best suited for them, they can start building and focusing recruiting, training and development efforts in such areas.

Recognizing that opportunities will likely come along in other candidate pools, each firm should consider in each candidate pool the characteristics and qualities that will be best suited for them. Establishing these parameters in advance will better position firms to respond to opportunities in all areas when they come along and will help build a pool of high quality candidates.

chapter 5

Building the Candidate Pool

There is a widespread perception that the insurance brokerage industry does a poor job of recruiting talent. Participants in our baseline survey agree – among various elements of producer recruiting and hiring, they gave themselves the lowest marks in recruiting and prospecting.



Source: Baseline survey

Building a recruiting pipeline begins with identifying how many new producers need to be hired. As discussed in Chapter 3, each firm's number of required hires is unique depending on the age of its existing producer force, its growth goals and its Sales Velocity. Of course, budgetary constraints also come into play. But the most successful firms establish clear and achievable targets for the number of producer hires they plan to make in a given year.

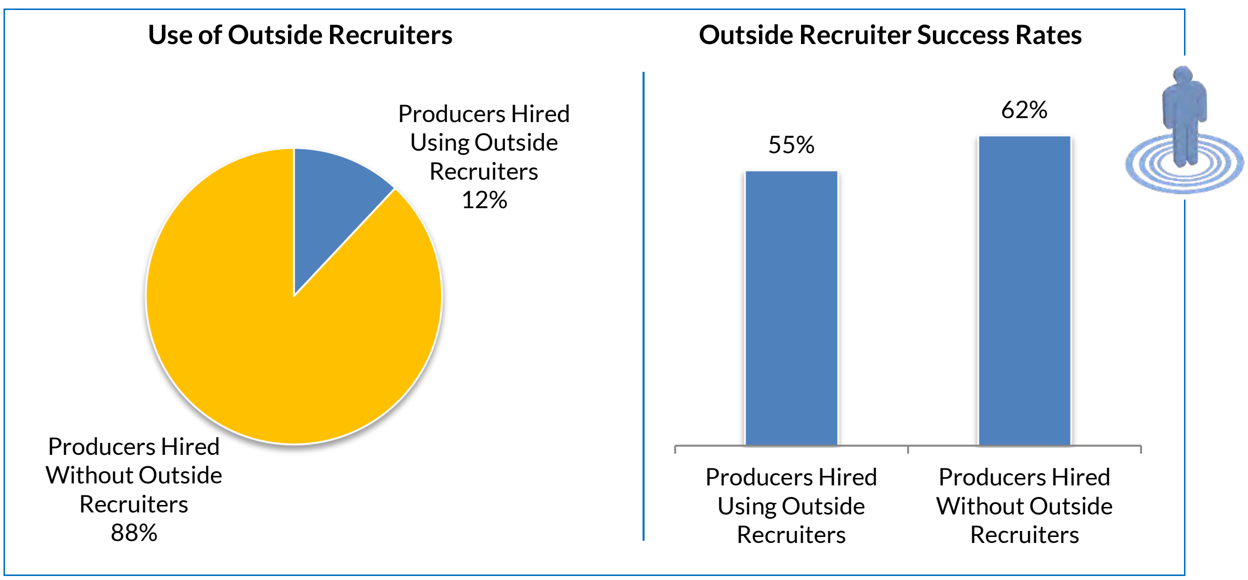
To hit these targets, top performers build their organizational recruiting plan in much the same way that a producer builds a sales plan. They begin with a target number of hires and then develop smaller steps that support the achievement of the target. For example, most firms stated they typically interview 5-10 candidates for each producer they ultimately hire. Thus, to ensure a quality pool of candidates (and to avoid settling for B-quality talent) they try to build a pipeline that is at least 5-10 times their hiring target. Firms reported that expanding their pool of candidates has allowed them to be more selective in their hiring decisions, ultimately leading to higher levels of success.

This first step, however, is often a challenging one. Agents and brokers struggle to build large pools of potential candidates. In our research, we spoke with leading firms about how they construct a recruiting pipeline large enough to meet hiring goals with highly-talented individuals. Following are best practices for building a recruiting pipeline based on survey data as well as interviews with top performers.

Prioritizing Recruiting

Often, recruiting is not done well because it is not emphasized within the organization. We heard from top performers that a valuable strategy is to designate one individual as responsible for coordinating the recruiting pipeline. In fact, recruiting should be considered a critical part of this individual's job and taken into account in the annual performance evaluation. This individual may or may not be tasked with actually *doing* the recruiting; instead their job is to elevate its importance within the agency, develop specific tasks and objectives and regularly report on activity levels and goal attainment. Recruiting should get the same amount of time and attention as other key agency initiatives.

If the individual discussed above is not doing the recruiting – someone must be. The industry uses internal and external recruiters to generate potential producer candidates. While roughly 50% of the firms in the study reported using an outside recruiter for at least one hire, only 12% of total producers were hired using outside recruiters. Further, producers hired through outside recruiters were successful at lower rates than producers hired without outside recruiters, although the differential was less than we originally expected.



Source: Supplemental survey

Despite the mixed data, outside recruiters can actually serve a useful purpose for agencies. Professional recruiters allow firms to grow their candidate pool while consuming fewer management team resources, which helps to justify the investment. Further, outside recruiters can be especially effective in finding sales talent from outside the insurance industry. Recruiters were used for nearly a quarter of these hires.

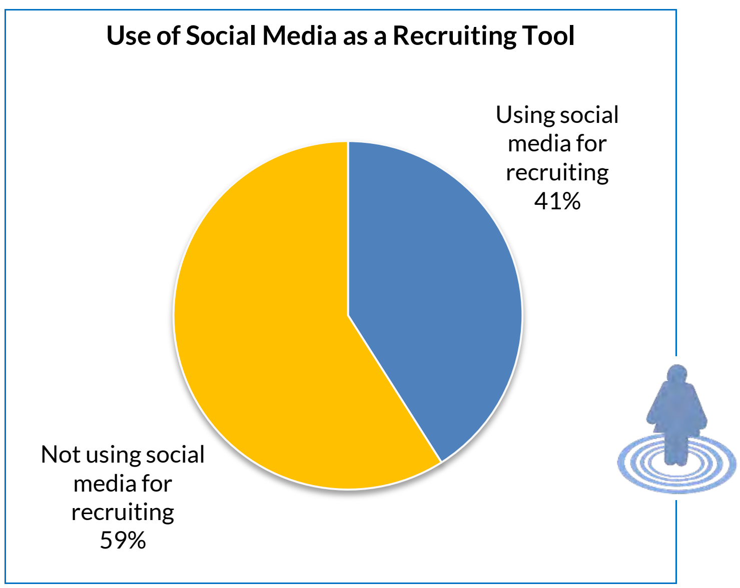
Several firms in the study are experimenting with employing their own full-time recruiter. This is obviously a strategy reserved for a small number of relatively large organizations that have a hiring need sufficient to justify the investment. However, in those cases it can be a very effective strategy, as the recruiter becomes embedded in the firm and has a complete understanding of the target producer profile. The internal recruiter's role is largely lead generation rather than closing the deal once a candidate is identified. The recruiter contacts candidates, provides some initial information and then sets up an introductory meeting with one of the firm's executives. In some cases, internal recruiters can be used to fill all types of agency positions, not just producers. Since producers typically comprise only 20%-30% of any agency's employees, an inside recruiter can provide value far beyond simply finding producers. An internal recruiter's skills can potentially be used to support client needs as well. One top performer reported that they offer, on a fee basis, their recruiter to clients for occasional search work. This allows for partial coverage of the recruiter's compensation while making a valuable service available for important clients.

Maximize Lead Sources

There are many places to look for leads on potential candidates, but top performers search for leads in as many places as possible. A leading strategy is creating a strong internal referral pipeline by regularly obtaining candidate names from employees. Employees are the best initial screeners of the types of people that fit within the firm's unique culture. Some top performing firms provide economic incentives for employees who refer candidates, reasoning that even a substantial referral bonus is still likely to be a fraction of what they would pay to an outside recruiter.

In addition to internal leads, many top performers build friendly centers of influence outside of the insurance industry that understand the agency's unique culture and care about its long-term success. These centers of influence are widely varied but frequently include local trade partners, clients, friends, fellow volunteers in non-profits, etc. Insurance carriers can be an excellent center of influence, especially specialty carriers, in finding experienced producers. Carriers often have a broader view of the producer landscape and can be a resource in identifying candidates that might fit within a firm's unique culture.

Finally, the use of social media (LinkedIn and Facebook, primarily) was mentioned frequently as an increasingly useful tool to widen a firm's exposure to candidates and pre-qualify them. Those engaged in building the recruiting pipeline reported significant use of social media. While social media by itself will not likely be a winning strategy, ignoring it completely probably isn't wise either. The strategic use of social media can complement a firm's approach to generating a pipeline of producers.



Source: Supplemental survey

While it is important to keep all lead sources open for producers that fit a firm's profile, it is also important to be proactive in identifying and deploying the unique sourcing methods for each type of hire. Experienced producers, industry outsiders with sales experience and recent college graduates are completely different types of hires that need to be sourced differently. Top performing firms focus on the likely sources of candidates for the producer profile they are seeking. Many firms looking to find employee benefits producers, for example, look to insurance carriers or other service providers within the benefits industry to find individuals with superior technical knowledge. Personal lines producers are often sourced from direct writer competitors.

Sell the Opportunity

Top performers understand the importance of selling their firm to potential candidates to generate interest and to attract high-performers. Firms that we talked with develop marketing materials specifically targeted to producer candidates that provide compelling information about the agency's unique market position and opportunity for successful salespeople. These materials can also be shared with centers of influence or posted on social media outlets or on the agency's website.

In addition, the greatest selling point can often be a firm's recent successful hires. Leading firms leverage recent successes by involving top-performing recent hires in the recruitment of additional producers. Success tends to breed success and top performers frequently do a good job of using the testimonials of their best young producers to continue to build momentum in recruiting.

> *"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

With an increased pool of candidates, we can now focus on our ability to select the winners.

chapter 6

Elevating the Ability to Select Winners

"These are the new leads. These are the Glengarry leads. And to you they're gold, and you don't get them. Why? Because to give them to you is just throwing them away. They're for closers. I'd wish you good luck but you wouldn't know what to do with it if you got it." Blake in Glengarry Glen Ross

For a salesperson, there is likely no more agonizing seven minutes of film in existence than the brutal sales meeting led by Blake (Alec Baldwin) in the 1992 film *Glengarry Glen Ross.* In it, Blake terrorizes the hapless sales team over, among other things, their collective inability to close deals, even with the quality sales leads they're provided.

The lesson is a valuable one: a good lead is much too precious to squander.

> *"We will run an 'all hands on deck' drill at the drop of a hat to sell a good piece of business. Getting my partners to show that same sense of urgency in courting a single producer candidate is next to impossible. That's ridiculous, because that one producer might sell twenty good accounts this year!"*
>
> A Large California-based Broker

This is true in sales, but when it comes to a good lead on an insurance producer, who may generate hundreds of sales over the course of his or her career, the stakes are even higher. A good lead on a potential producer candidate cannot be wasted as a result of an ineffective or underwhelming selection process. For a high-potential producer candidate, few things can sabotage a recruiting effort faster than a sloppy selection process on the part of the agency.

On the other hand, given the time, money and energy that will be expended by the agency on each producer hired, the producer selection process must ensure, to the greatest degree possible, that the wrong producers are not hired in the first place. Based on the interviews conducted as a part of this study, a firm's ability to select winners will be strengthened by strong performance in several areas.

Establish a Consistent Selection Process

The phrase "selection process" assumes, of course, that an actual process is in place. Although this may seem obvious, many agencies struggle even with the development and implementation of a consistent screening process for producer candidates. Many tend to use an ad hoc approach – figuring it out as they go.

Without a somewhat systematic producer selection process, it is much more likely that critical hiring information will fall through the cracks, opening the door to very costly and time-consuming hiring mistakes. While there is not one correct way to select candidates, the chart below presents the more frequently cited steps in the process.

Typical Elements of a Screening Process

Interviews	Testing	Other Tactics	Selling the Opportunity
Detailed discovery of background, skill set and behavior patterns	Sales, personality, intelligence, capabilities, and call reluctance testing	Reference checks, social situations, internships, etc.	Communicating the opportunity and expectations for the candidate and the firm

Throughout the process – however it is designed – it is important to know what you want to get out of it and that the process is designed to figure that out. In addition, the screening process is also a firm's chance to sell the producer on the opportunity. Firms should be thoughtful about having this discussion with producers.

Interviews

Interviews are perhaps the one constant in the producer selection process. Everyone, it seems, conducts interviews as a foundational element of the process. Although no one interview methodology is widely embraced by the industry, several common characteristics did emerge.

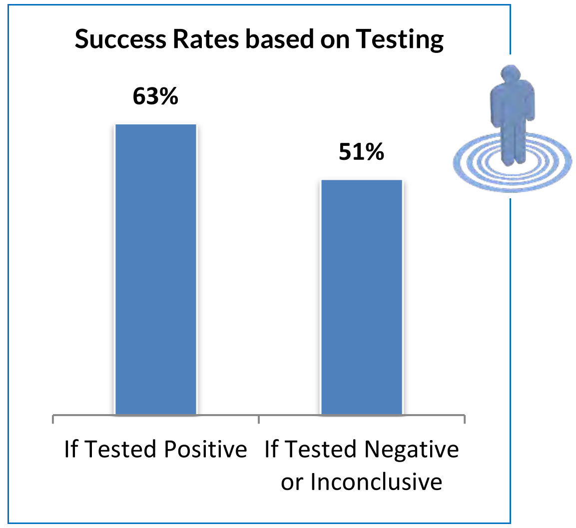
> *"Without a script, your interviewing is nothing more than voodoo hiring. You can't learn what you don't ask."*
>
> A $20 Million Broker

An effective interview process generally begins with an initial phone interview. This interview is typically conducted by a neutral HR employee or someone with no connection to the applicant. The goal of the first phone interview is for the interviewer "to have the feeling that you have found the one."

Assuming success in the initial interview, the process then continues with applicants meeting with key agency members over several subsequent face-to-face interview sessions. These interviews generally proceed "up the organizational ladder" and are terminated as soon as a poor fit is established. Consider interviewing in teams to ensure that important information is not missed or misunderstood and work with scripts to ensure that critical questions are asked at every step along the way – don't "wing it" or ask the same questions over and over throughout the interview process.

Testing

Roughly four out of five producers in the supplemental study were tested prior to being hired. As expected, the time-tested Caliper and Omnia tests were cited most commonly, but a number of other tests were also enthusiastically referenced, including tests for measuring and assessing call reluctance, employee fit, intelligence and personality profiling. Even the NFL-favored Wonderlic test has made its way into the screening process for many agencies.



Source: Supplemental survey

The data makes a fairly strong endorsement for producer testing. Producers who were endorsed for employment succeeded at a rate of 63%, 12 points higher than producers who were not recommended by the test or whose tests results were inconclusive.

Despite the imperfect predictive nature of these tests, they are a critical part of the selection process for many top performing firms. In addition, the success rate data appears to validate testing as an input into the hiring decision, especially for individuals without insurance production experience.

Evaluating candidates in real world or simulated work environments can be a helpful testing tactic, too. Consider having candidates submit to a supervised writing test to assess written communication skills. Have candidates create and present a business plan to senior management. Take candidates on actual sales calls.

Other Tactics

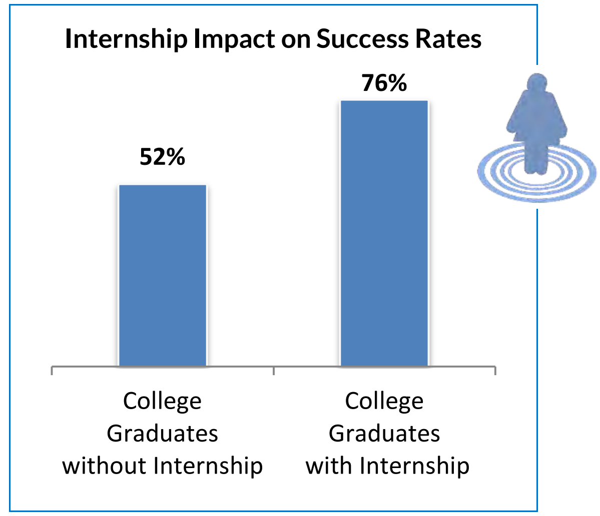
A number of other screening tactics were identified by study participants as highly effective in screening producer candidates. Tried-and-true background checks remain important. Request college transcripts, run criminal background checks and verify employment history. Be sure to check references provided by candidates. These are all inexpensive means by which to surface critical integrity or character issues.

Be sure to schedule unstructured social time with candidates and spouses to assess overall likeability and cultural fit. Finally, consider using outside professionals such as sales trainers or industrial psychologists as a part of the interview and testing processes. Their real-world experience and disinterested third-party perspective can be very helpful in screening applicants.

Internships

Although the amount of straight-from-college hiring in the study is low, it seems clear that internships have a strong impact on the success rates of those hired directly from college.

Further, an internship allows an agency to test drive producer candidates in real time to ensure the necessary qualities are in place before making an employment offer. An internship program not only can improve the success rates for those hired, but internship programs also tend to create good visibility in the community and help advance an agency's brand locally, which can increase the overall pool of candidates beyond simply those who participate directly in the program.



Source: Supplemental survey

Selling the Opportunity

An often overlooked aspect of the selection process involves selling the candidate on the opportunity and also setting clear expectations in the event the candidate is hired. Although this generally takes place as a part of the overall interview process, it is important to remember that a critical piece of the selection process is to encourage the candidate to "select" the agency. That must be done in full-light of the associated performance expectations. A well-qualified producer candidate will have many good opportunities from which to choose. Be prepared to sell the candidate with a compelling presentation on the unparalleled career opportunity before them. Do the work to ensure performance expectations are clearly understood. In our experience, setting clear performance expectations in advance can be an excellent means by which to have candidates screen themselves out of the process: "you expect me to do *what*?"

Be Professional

As with all the elements of producer recruiting and development, designate one person to be responsible for a candidate's selection process. Nothing will turn a high caliber candidate off faster than a sloppy process with poor communication. The individual coordinating the process for a specific candidate is not tasked with performing all of the functions associated with the process, but to create a clear road map for each candidate to ensure that all the pieces fall into place on time.

Many agencies find that a human resources employee is ideally positioned to play this selection process coordination role. This role involves timely communication at each step in the process, clear delegation of responsibilities to agency personnel, arranging interviews and testing with the candidate and facilitating the decision making process with agency leadership.

With a successful screening process completed and producers now on board, we turn our attention to setting these new producers up to succeed.

chapter 7

Maximizing Success for Those Hired

Perhaps no single issue has undergone a greater shift in mindset in recent years than the issue of producer training and development. For many firms, the active management and training of producers used to be viewed as remedial education for the weak. The mantra, stated by many agency owners, was “If they need to be managed, they don’t belong here.”

Today, the landscape is different. With market-leading firms investing leadership time and capital in building the production force of the future, it is recognized that the development of producers must be a high priority. Leaders have learned the hard way that failed investments in producers are extremely costly.

> *“We’ve learned that a failed producer hire costs us an average of a quarter-million dollars. If our development program averts failure for just one producer, it saves us enough to invest in three new $75K producers.*
>
> A $25 Million Midwestern Agency

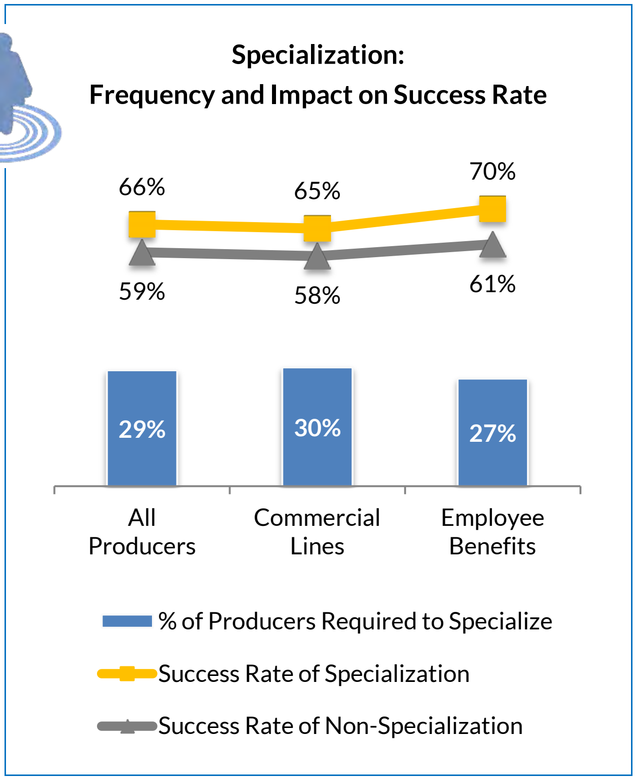
Of course, failed hires are an inevitable part of an active producer investment program, since no screening program or development path is foolproof. Yet when it comes to producer development, agencies must do everything in their power to maximize successes and minimize losses.

We gathered an extraordinary level of detail regarding producer hires and the way their firms train and develop producers. The intent was to identify patterns of success (and failure) among hundreds of individual producers to understand what development practices allow for the greatest success and what types of producers are most influenced by different training and development styles.

Specialization

Increased specialization is a long-term macro trend in the U.S. economy and in insurance brokerage. From prior research, we know that agents and brokers that specialize tend to grow faster and generate higher profit margins than generalists. In our interviews, we have also determined that producers who specialize early tend to succeed at greater rates and validate faster than those who do not.

Across all lines of business, producers that specialize have a higher success rate than those who do not. The type of hire most commonly required to specialize are those hired from within the insurance industry but without sales experience. Those from outside the industry are second most likely to be required to specialize. Specialization also seems to spur more success across all ages.



Source: Supplemental survey

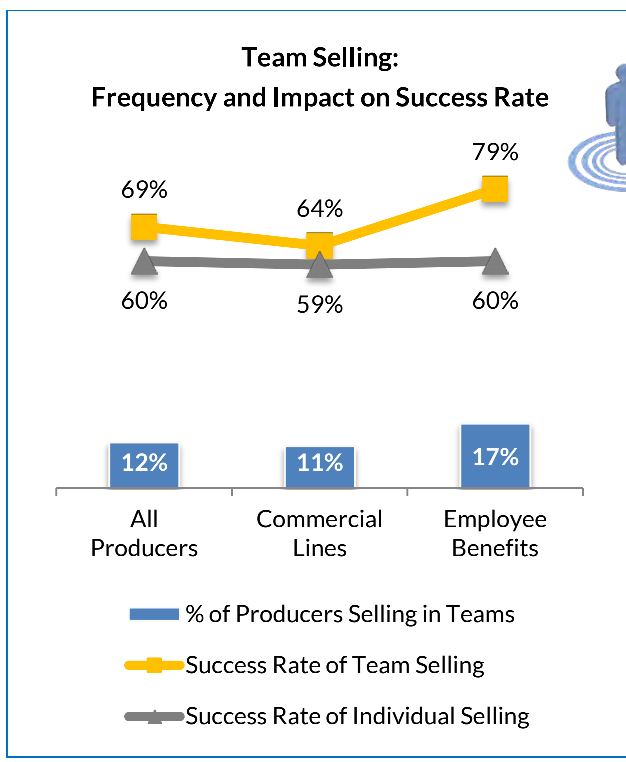
It may seem logical that specialization increasingly benefits younger producers, but the gap between the success rates for specialized producers versus non-specialized producers was actually slightly lower for producers in their 20s and 30s than for producers in their 40s and 50s, though in all cases specialized producers succeeded at greater rate.

We also examined the frequency of specialization for the leading firms in the study. The most successful firms in the study require a higher percentage of their producers to specialize than the average firms. Nearly half of their commercial producers and more than one-third of their benefits producers are required to specialize.

Team Selling

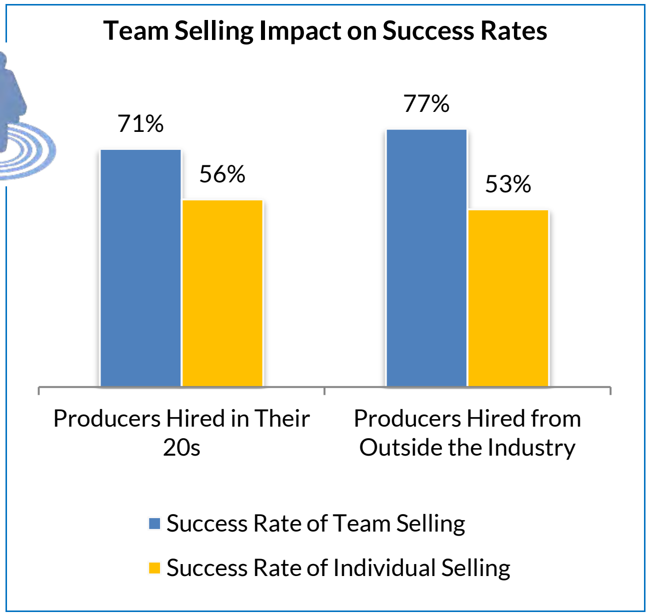
A generation ago, insurance was almost universally sold by individual producers. On large resource-based sales, they might bring in someone with specific expertise, but rarely did more than one producer work on an account.

Today this is changing. A new generation of producers and insurance buyers is making co-production more common and accepted. And agencies looking to unlock the expertise that resides within their top producers (especially those Baby Boomers nearing retirement) are turning to team selling. Team selling can disseminate knowledge more broadly within an agency and also provide for smoother succession of client relationships when the current generation retires.



Source: Supplemental survey

It also has the benefit of leading to more successful producer hires. As a development tool and sales approach, team selling produced success in 69% of producer hires versus a rate of 60% for those producer recruits selling individually. The success rate gap between team selling and individual selling is even greater than the gap between specialists and generalists.



Source: Supplemental survey

This is especially true in employee benefits, where producers hired into team selling environments succeeded at a rate 19 percentage points higher than producers hired to sell individually.

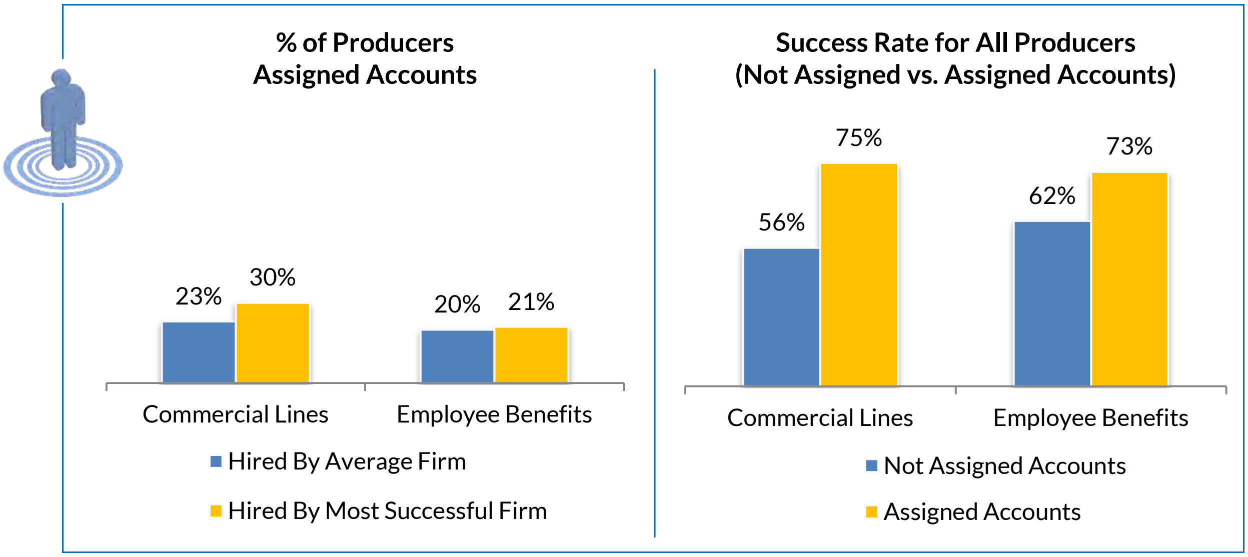
On a firm-wide basis, the most successful firms in the study also have a higher adoption rate of team selling than the rest of the firms in the study, though team-based selling remains infrequently used at all levels. Despite the apparent boost to success rates, only 12% of all producers were hired into team-based selling environments.

Team-based selling has the most positive impact on younger producers and producers hired from outside the industry. Within these two groups, team-based selling boosted success rates by 15% and 24%, respectively.

Assigning Accounts

There are two competing opinions about the wisdom of assigning accounts to new producers. Those favoring assigning accounts believe doing so provides a training ground from which a new producer can gain valuable experience and potentially derive new business referrals. Those opposed argue that although there might be some modest experiential benefits, a producer needs to learn the tricks of survival by producing his/her own new business. Thus, assigning accounts can inhibit a producer's development as a hunter.

Both of these viewpoints have merit. However, because of the nature of the action, even compelling data will not necessarily resolve the debate. In the supplemental survey, producers who were assigned accounts were more likely to succeed, but it is difficult to say whether their ability to validate, and the time required to validate, was directly impacted by the assigned accounts. In other words, the assignment of accounts may mask the new business production that determines success or failure in most other cases.



Source: Supplemental survey

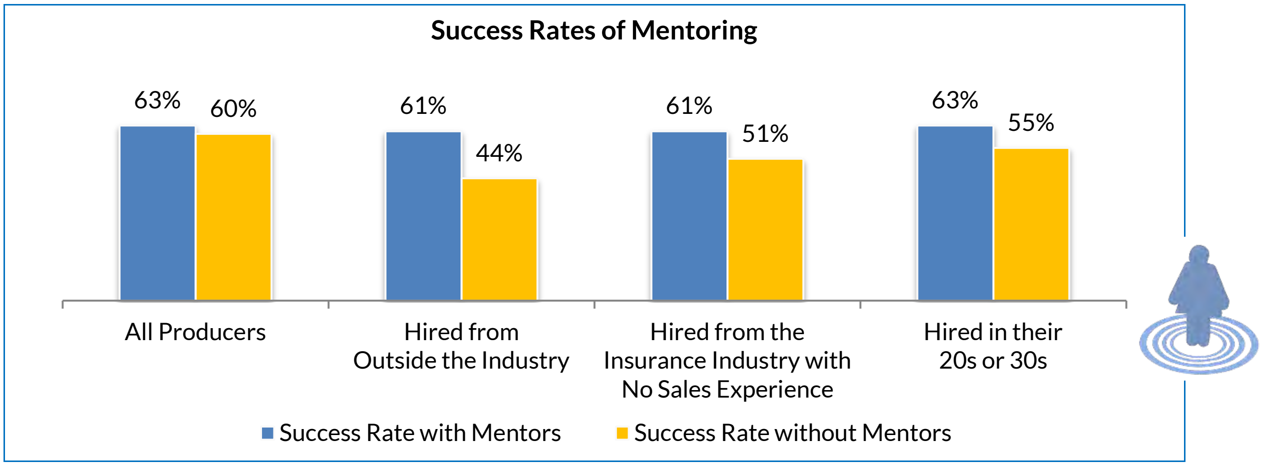
The firms in the study with the highest success rates assign accounts more frequently than the average firm, but assignment of accounts is a relatively rare practice. It is most common among those hired from within the industry without a production background.

Mentoring

Mentoring has become one of the industry's most frequently used producer-development terms. Today it is used to describe so many different things that it runs the risk of losing its meaning. For our purposes, we define it as follows: a mentor is someone who provides teaching and guidance to a less experienced producer and takes a stake (not necessarily financial) in the producer's success.

Over half (55%) of all producers in the supplemental survey were mentored. Mentoring was more prevalent in commercial lines (57% of producers mentored) than in employee benefits (46%).

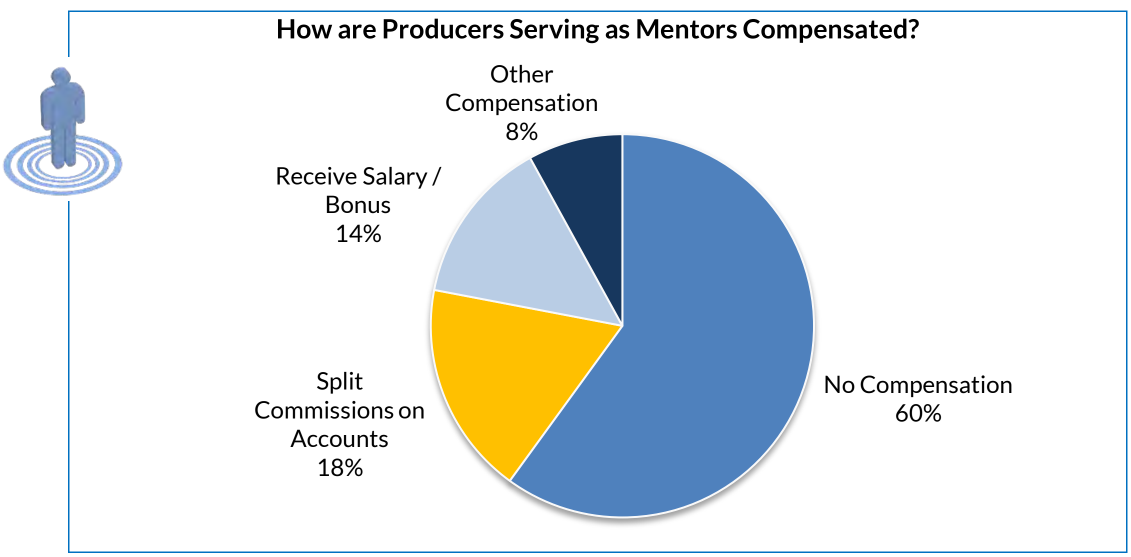
In all cases, success rates are higher for mentored producers, but the gap is not as material as team selling or specialization. Mentoring appears especially effective in boosting success rates among producers hired from outside of the industry or from within the industry but with no sales experience. Further, mentoring drove a greater level of success among younger producers.



Source: Supplemental Survey

Most often, mentoring is provided by senior producers and sales leaders. There is an ongoing debate about whether or not producers should be compensated when they serve as a mentor. The data indicates that 60% of firms provide no compensation for mentoring. Based on our interviews, many of the firms that do not compensate producers for mentoring believe that mentoring is simply one of several "good-citizen" behaviors necessary to qualify a producer for agency leadership and/or ownership.

On the other hand, 40% of firms do compensate producers for mentoring. Among those, the most common approach is to allow the mentoring producer and his/her mentee to split commissions on accounts they produce together.

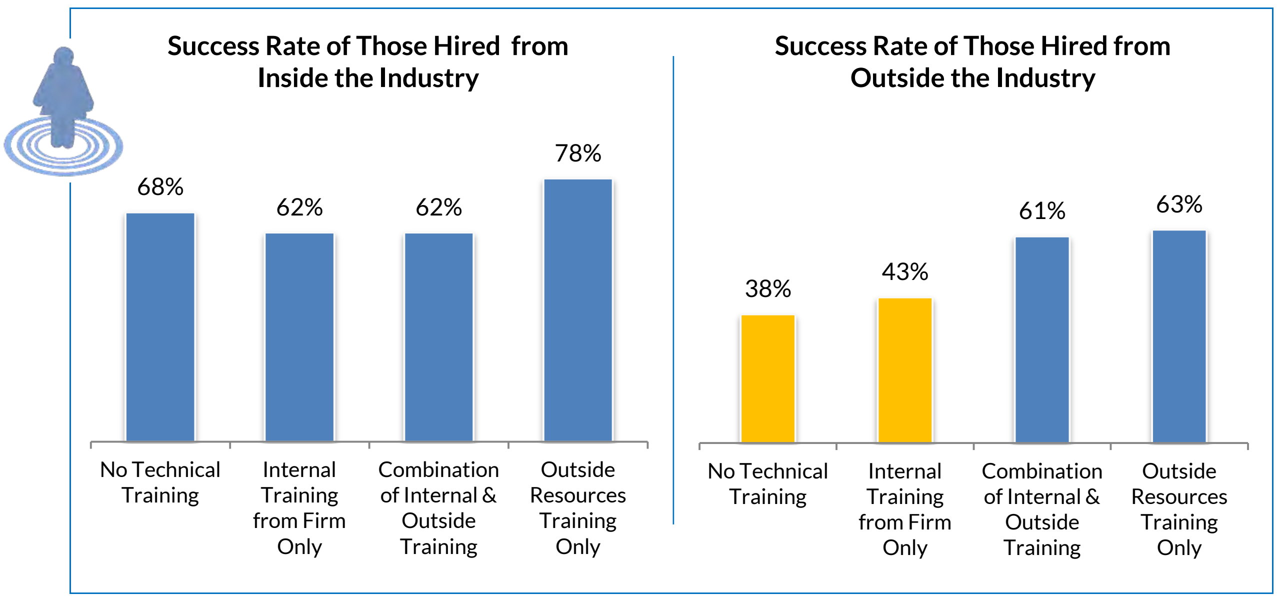


Source: Supplemental survey

Technical Training

Firms are customizing their technical training offerings based on the knowledge and industry experience level of their producer-hires. While almost three-quarters of all producer hires received some type of technical training, the frequency was 95% for individuals coming from college or coming from outside the industry. Individuals coming from outside of the industry are receiving more technical training and are more successful when they receive this training.

For producers from inside the insurance industry, success rates are generally pretty similar regardless of the level or type of technical training. However, for those hired from outside of the industry, the story is quite different. Those receiving no technical training, or relying solely on internal training resources suffer greatly, with success rates falling to alarmingly low levels. Outside training (frequently from a carrier school) seems to be a big differentiator of success for producers coming from outside the industry.

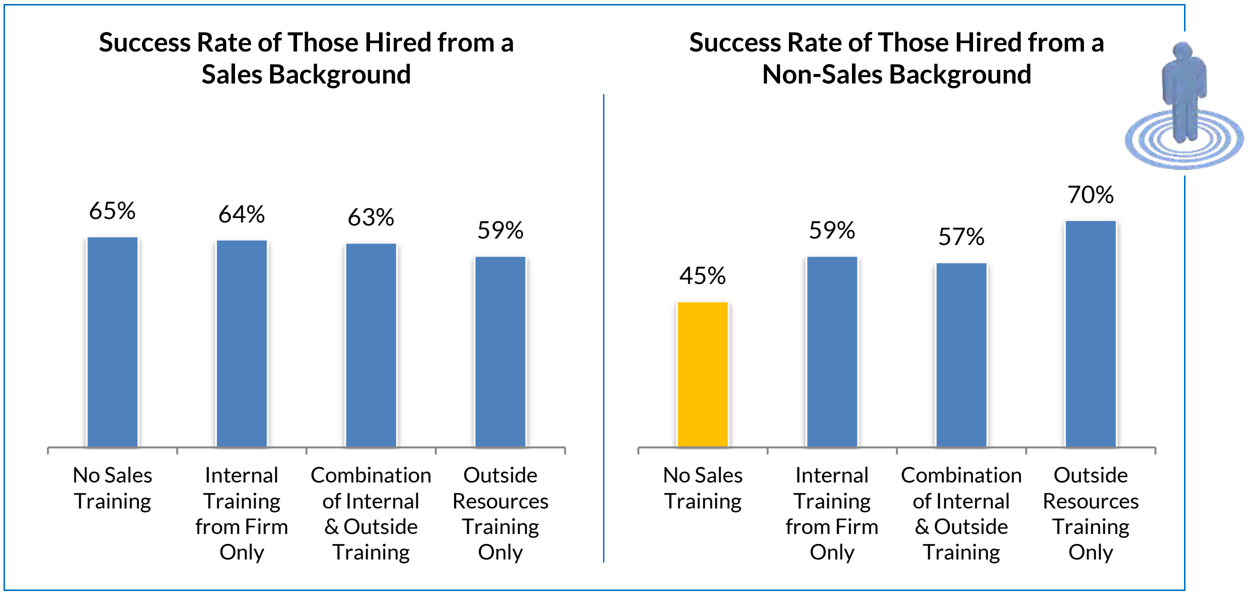


Source: Supplemental survey

Sales Training

Sales training is a discipline unto itself, and there are numerous independent organizations that have established a niche in the insurance brokerage industry. In addition, many firms have developed a sales process and systems that allow for firm-specific sales training to be conducted in-house.

Similar to technical training, firms frequently customize their sales training offerings based on the sales experience of their producer-hires. For producers with a sales background (inside or outside the industry), success rates are fairly constant regardless of the level or type of sales training provided. However, new producers without a sales background (inside or outside the industry) benefit greatly from sales training, particularly from outside resources. Any type of sales training is beneficial — internal, external, or a combination of both — but neglecting to develop a new salesperson's skills can position the new producer for failure.



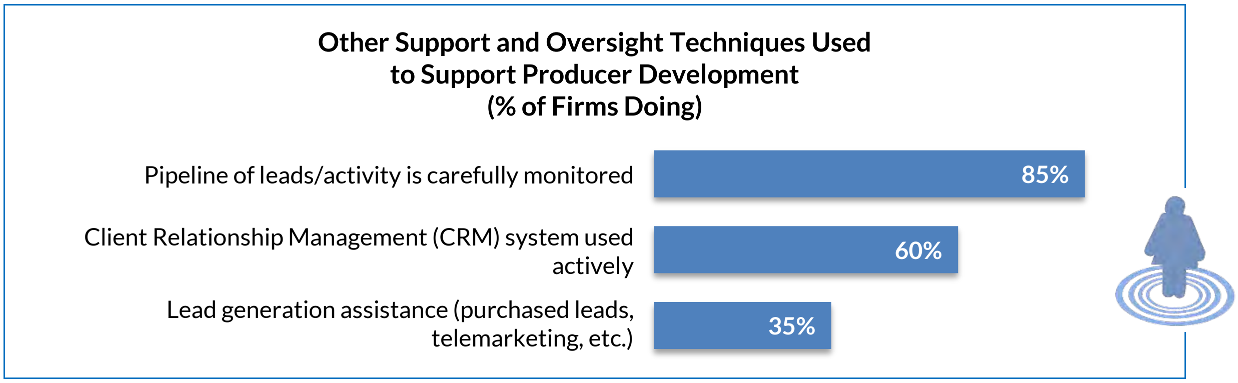
Source: Supplemental survey

Taking a combined look at sales and technical training requirements helps to explain why a majority (55%) of all the producers hired in the supplemental survey were experienced producers from another firm. Producers hired from another firm are the only type of producer hire that does not require – or succeed based on – sales or technical training.

Other Resources

We also evaluated other forms of support and oversight being provided by agencies to enhance producer development and have included the percentage of firms doing each in the graphic on the following page. Today's top firms closely monitor activity levels from day one, setting clear mileposts throughout the first several months of employment. Today's agency leaders have sped up their evaluation process for new producers. They used to assess results slowly - sometimes waiting a year or more to evaluate a new producer's progress. Today, more sophisticated activity measurement techniques allow for earlier course corrections, and in some cases, early identification of producers that are destined to fail. In these cases, cutting the cord more quickly allows for rapid redeployment of precious investment dollars into those producers who show the greatest promise.

We were a bit surprised at the number of firms providing some form of lead generation assistance. In the interviews of the top performers, it was apparent that the traditional approach of dialing-for-dollars and blindly calling for expiration dates has largely been replaced by more sophisticated initiatives that are tightly focused on targeted industry or geographic segments.



Source: Supplemental survey

Customizing the Training and Development Program

The variety of training and development methods used impact different producers in different ways. We repeatedly heard from top performers that a haphazard, make-it-up-as-you-go approach needs to be replaced by coordinated programs that are intentional and proactively managed. Several firms attributed their recent advancements in producer recruiting and development to the significant investment they have made in their development programs.

As was noted on page 25 of the study, there are generational differences between the various producers that will potentially be hired. The most effective training and development plans for each generation will tend to be different and should be tailored to recognize each specific generation's core values, work ethic, assets and liabilities, interaction style, and motivation. We have included in the addenda of this study a brief comparison of the differences between today's major generation groups (the generational differences). We encourage a more in-depth analysis and understanding of these generational differences and how they can be best addressed in their development and management.

Now that we have addressed five of the six Critical Success Factors, we will turn our attention to owning and leading the strategy for producer recruiting and development.

chapter 8

Owning and Leading the Strategy

There are countless variations of hiring and development strategies. Young producers, experienced producers (with or without books), internships, mentoring, recruiters, and personality testing: an agency's unique hiring and development approach will contemplate these variables and many more. But electing a strategy is merely the first step. Growing the production force is an execution game.

There are four key business practices to elevating and owning the recruiting and hiring process.

1) Elevating and promoting producer recruiting and development
2) Ensuring real leadership for producer recruiting and development
3) Investing the necessary time, capital and resources
4) Practicing accountability

Elevating and Promoting Producer Recruiting and Development

The first step in elevating the importance of a firm's recruiting strategy is for the agency leadership team to properly value hiring producers. Without the buy-in of the firm's executives, a producer recruiting and development strategy, no matter how well-crafted, is doomed.

Yet, as evidenced by the 55-60% of firms in our industry that are under-hiring, it is questionable how many agency leadership teams are truly convinced of the importance of producer recruiting. Our hope is that this study – and particularly the research on defining hiring needs – leads more management teams to appreciate the importance of producer hiring.

When a leadership team buys in, the agency embraces the recruiting and development strategy. At this point, top performers further differentiate themselves by their effectiveness in promoting their producer recruiting and development strategy, both internally and externally. Because the strategy is clearly defined and recognized as a critical initiative, leading firms are able to articulate it effectively to a wide variety of constituencies.

Ensuring Real Leadership for Producer Recruiting and Development

Most agencies cannot definitively answer the question of who leads their firm's recruiting and development efforts. The answer to the question is frequently a mishmash of individual names operating, often independently, without clearly defined authority, responsibilities, goals and objectives. The all-too-common "we're all responsible" approach is a perfect recipe for getting nothing meaningful done, as no one is ultimately responsible or accountable for the strategy's success in any practical sense.

The first key to ensuring real leadership is that one person must be identified and visibly supported as the producer recruiting and development leader. The fact that many agencies cannot answer the leadership question with a single name speaks volumes about the lack of strategic importance assigned to this key initiative. Without a clear understanding of who is responsible to whom for what and when, even a well-crafted strategy is likely to deliver mediocre results. Someone must lead and own the entire process.

> *"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

In our experience, the producer recruiting and development leader is typically already serving as a senior member of the agency's leadership team. In fact, if the development and implementation of the strategy is among the most critical strategic initiatives of an agency, it is somewhat foolish to think otherwise. However, the producer recruiting and development leader does not necessarily need to be the agency CEO or the President. As long as the producer recruiting and development leader is given the authority and visible support to do the job, any number of functional leaders within a firm can get the job done. Depending on the specific organizational structure of the agency, an effective producer recruiting and development leader may just as easily be an HR leader, a branch leader, a sales manager or a COO. The producer recruiting and development leader, though, must have the professional gravitas necessary to fulfil the role.

Needless to say, not every senior leader in an insurance agency is well-suited to serve as the leader. The effective leader will necessarily possess a number of professional skills and personality characteristics, including being an excellent judge of people, respected within the organization, effective in their current role, highly enthusiastic, fully committed to the strategy and possessing an ability to "sell" the agency. The leader must be one of the agency's A-players.

Depending on the size, organizational structure and geographic footprint of an agency, it is also possible that there will be many producer recruiting and development leaders within the organization (e.g., a commercial lines leader, a practice group leader, a regional leader, etc.). These individuals would have the same general responsibilities as the ultimate owner of the initiative, only on a more localized or focused basis. These individuals should, however, report to and be accountable to the senior producer recruiting and development leader. Regardless of the organizational structure, one leader must ultimately own the strategy.

Investing the Necessary Time, Capital and Resources

While one person must own the producer recruiting and development strategy, we do not mean to imply that a single person could or should be doing all the work associated with the implementation of the strategy. That would be virtually impossible. Consider for a moment the wide variety of tasks that may exist in an agency's producer recruiting and development strategy. From identifying the number of producers necessary, to building centers of influence for producer referrals, to scheduling and conducting interviews, to planning a training regimen for newly hired producers, the scope of the work involved is enormous.

For this reason, another key to successful execution is ensuring that a firm makes the necessary investments to properly carry out its strategy. Investments will come in three primary categories: time, capital and resources. Time is often the most significant investment. Firms' producer recruiting and development leaders will need to rely on others – especially production personnel – to complete many pieces of the process. All levels of agency personnel will be required to dedicate time to meeting and interviewing candidates, evaluating potential hires, and mentoring new hires. A producer recruiting and development strategy is a comprehensive strategy, necessitating time commitments from many individuals.

The capital investment involved in producer hiring is a firm's willingness to fund temporary losses on producers in anticipation of future returns. The return on investment for a validated producer has been proven to be strong, but leading firms need to be willing to have 1.5% to 2.5% of revenues tied up in unvalidated producer payroll (NUPP) alone at any given point. There are many competing uses of capital – including ownership distributions – and a firm that plans to successfully execute a producer recruiting and development strategy needs to ensure that the strategy has access to capital.

Finally, a firm must invest in the necessary resources to select and develop producers. A host of outside resources, from testing capabilities to sales training to technical training, play a role in producer success.

Practicing Accountability

Few agencies actually possess a true culture of accountability. Yet a highly successful producer recruiting and development strategy is virtually impossible without it. Our conversations with leading firms have convinced us that, because of the far-flung nature, the number of moving pieces and the consequence of a producer hiring strategy, accountability is essential.

We recommend the following strategies to develop a high degree of organizational accountability around the agency's producer recruiting and development strategy.

1) **Determine who is accountable.** Accountability starts with putting someone in charge and allocating the action items necessary to support the strategy. Individuals should be given responsibilities and be expected to deliver results.

2) **Document key tasks and responsibilities.** Maintain an up-to-date and easily accessible document summarizing actionable items included within the producer recruiting and development strategy. All "in process" tasks should be included, with the team member(s) responsible for their completion identified and deadlines assigned. In this way, the question of "who's responsible to do what and when" will be clear. The documentation process is frequently delegated to a competent administrator working directly with the producer recruiting and development strategy. Any number of project management software packages are well-suited to this task.

3) **Meet monthly to discuss the producer recruiting and development strategy.** Consider establishing a task force that meets monthly to review progress on the key initiatives and responsibilities addressed above. This monthly meeting would ideally include key team members providing succinct updates on their area(s) of responsibility and discussing key elements of the strategy itself: what's working, what's not working, pipeline management, new candidates to consider, how unvalidated producers are progressing, etc. By frequently revisiting and reinforcing key elements of the strategy, it is far less likely that important elements will fall through the cracks or die from a lack of attention.

4) **Tie *c*ompensation to success.** Interestingly, very few leaders tasked with the agency's recruiting and development efforts have their compensation tied directly to its success. More often than not, producer recruiting and development is simply cited as one of many factors considered in determining a leader's year-end bonus. This lack of specificity can undermine the importance of the strategy. We recommend tying a significant portion of the producer recruiting and development leader's variable compensation directly to the achievement of objectives identified in the producer recruiting and development strategy.

5) **Share the producer recruiting and development strategy widely.** At a minimum, provide regular updates throughout the agency to create buy-in, maintain momentum and communicate the appropriate sense of organizational urgency and importance. Consider creating an appropriately abbreviated version of the strategy to share with outsiders (carriers, recruiters, candidates, etc.) to get the word out that the agency is committed to proactive growth and the development of the next generation of sales talent. In doing so, organizational momentum around the producer recruiting and development strategy will be created that will make failure more visible and more painful.

6) **Refine the process.** A producer recruiting and development strategy will necessarily change over time. Beyond this, no single strategy will be perfect in the first place. Recognizing this, a key element to accountability is to frequently revisit the plan to address its effectiveness and

ensure that it remains relevant. Do not let the producer recruiting and development strategy become another “key initiative” relegated to a dusty three-ring-binder on the shelf.

The execution is the tactical piece of the puzzle. While perhaps not as glamorous as the creation of the strategy itself, the execution is just as important. Firms can ensure that they are tactically sound by elevating the importance of producer recruiting and development, ensuring someone owns it, investing properly and practicing accountability.

chapter 9

Hiring Personal Lines Producers

For years independent agents and brokers have waged a battle against the direct writers, direct response carriers, and now big-box retailers like Walmart, to retain and grow their local personal lines market share. Many have already ceded the line of business to those channels. Although personal lines revenue provides the "bread and butter" for many smaller to mid-sized agencies, they often lack the resources, skills or resolve to stop the erosion of their books. In contrast, larger brokers often view personal lines as an accommodation, a minor source of revenue, and fail to exploit the positive impact it can have on agency value.

But a growing number of agents and brokers, both large and small, understand the strategic importance of personal lines. They are taking a fresh look at the opportunity presented by personal lines to grow and enhance the value of their businesses and are hiring and developing personal lines producers to fight back and grow market share.

Defining the Personal Lines Producer

In this study, we wanted to focus specifically on the personal lines producer, which is often a different dynamic than commercial lines or employee benefits. In our research and experience, there are two primary types of personal lines production. The first is personal lines producers that focus on *high net worth clients.* These producers are more similar to commercial lines producers, spending a majority of their efforts identifying, developing and selling new business. Their time generally is spent outside of the office meeting with prospects and networking with centers of influence such as financial planners, wealth managers, CPAs, private bankers, realtors, lawyers and others that can serve as a good source of referrals. The high net worth personal lines producer may exploit specialty knowledge or product expertise in order to drive new business. Further, the high net worth producer likely has minimal service responsibilities, focusing almost entirely on new business generation.

The second type of personal lines production focuses on *main street clients.* These producers, who focus on smaller, general personal lines accounts, typically have different responsibilities and skill sets than producers who focus on high net worth clients. Main street personal lines producers are generally in-house producers. They are most successful when the firm is actively funneling referrals from internal sources (e.g., commercial lines and employee benefits producers, owners, other employees) and proactively driving business to the agency via advertising/marketing, social media, community involvement and other activities that provide good brand recognition to support the producer model. While the main street producer may occasionally make outside calls with commercial lines and employee benefits producers or network with strategic business relationships, they spend the majority of their time internally.

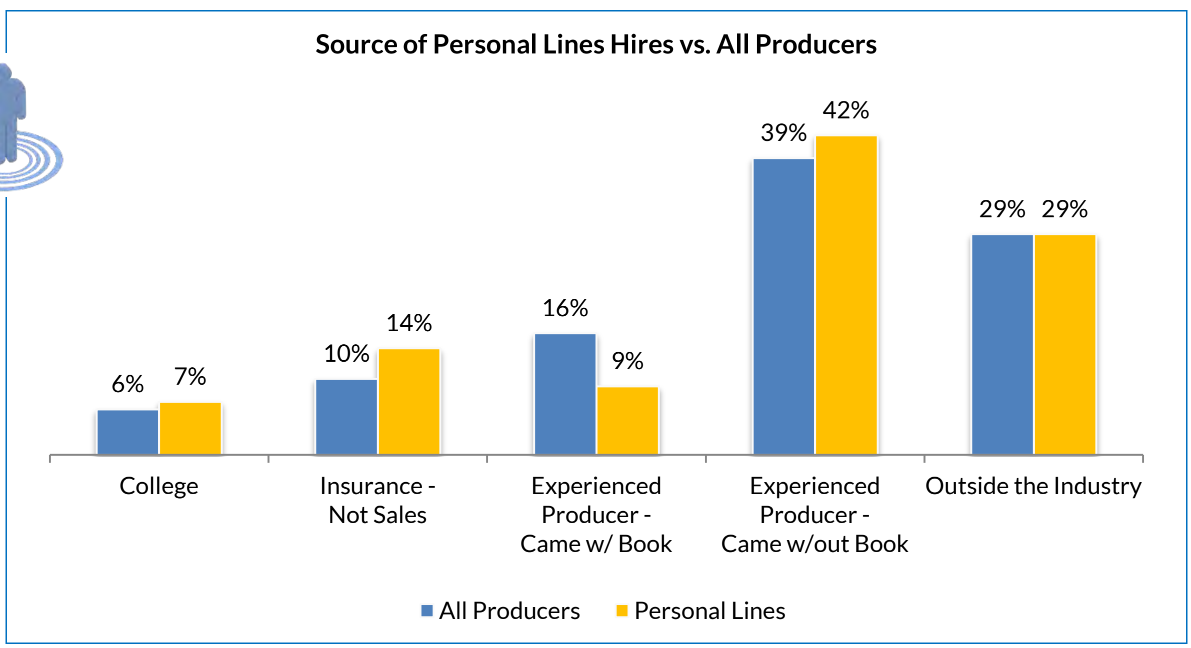
Further, the main street producer may have a service responsibility in addition to a new business generation responsibility. Often, main street personal lines producers write the account and service the account on an ongoing basis, though they are usually supported by processors that handle the more clerical functions (i.e., generating ID cards, processing carrier downloads, answering questions from title companies, body shops, etc.).

Firms often employ one or more of these producer models. Often they implement variations, such as a main street producer whose responsibilities most resemble those of a high net worth producer. The key is to adopt and adapt the model that best fits the agency's needs and resources as they strive to enhance their personal lines market share.

Recruiting the Personal Lines Producer

The best source for candidates will depend on the personal lines focus of the firm, the selling model to be utilized, and the resources available to train and compensate the new hire. Even when all three issues have been properly addressed, finding quality candidates remains a challenge. This study has discussed the key points in developing a producer pipeline and selecting a producer, but there are some important issues to note specific to personal lines.

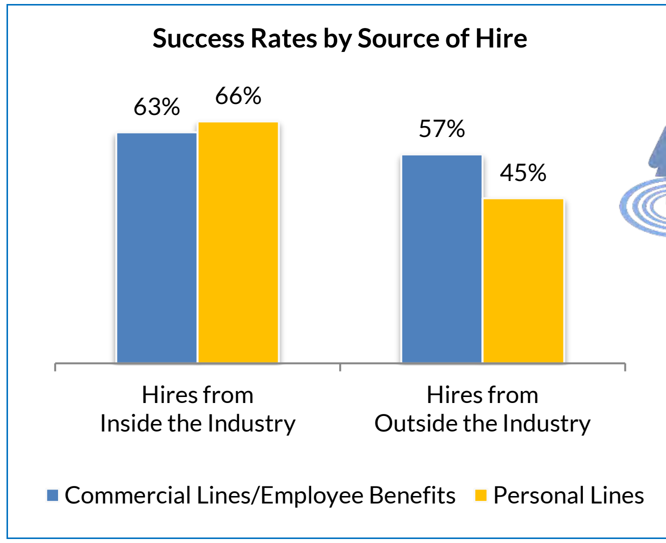
The distribution of hires is not entirely different when personal lines producers are compared to all producers. While there are some slight variations – experienced producers in personal lines are much less likely to bring a book of business with them than commercial lines or employee benefits producers – the sources of production talent are very similar.



Source: Supplemental survey

There are, however, more meaningful differences in success rates in personal lines, specifically for industry hires versus non-industry hires in the personal lines arena. While there is a slight gap in success rates between producers hired in the industry versus outside of the industry, this gap is much more pronounced in personal lines. Personal lines producers hired from outside of the industry succeeded only 45% of the time.

Interviews with study participants and other firms having strong personal lines practices revealed that direct writers continue to be fertile ground for recruiting from within the industry, especially the recruiting of experienced producers. For recruiting new producers with industry experience but without sales experience, direct writers continue to be a leading source, as well as other brokers, carrier service centers and internal moves. The most popular sources of personal lines producer hires outside of the industry are mortgage and real estate brokers, rental car companies and other service and sales industries.



Source: Supplemental survey

The secret to finding good candidates is to let employees, carrier partners, key clients, centers of influence, friends and relatives know that hiring quality personal lines producers is an ongoing priority for the firm, and to have the job description fully developed and ready to share.

Regardless of where they are found, the candidates must have the right qualities and skills to match the firms' targeted customer base and the resources of the agency or broker. The traits of any good personal lines producer parallel those of other types of producers, as discussed earlier in the study. However, a few differences should be noted. Popular industry personality assessment tests often indicate that successful commercial lines producers relish the complexity found in large accounts and are comfortable with longer sales cycles. Personal line producers on the other hand tend to prefer less complexity and shorter sales cycles. In addition, they often have a higher degree of empathy, great listening skills and are detail oriented.

The Personal Lines manager of a large multi-location, northeastern firm that employs two "outside" main street producers summarized the trait differences this way: "I looked for producers that are go-getters and want to make money, but are also nurturing, that understand personal issues and know they are providing a service to people, not just selling insurance."

While all of the basic traits required for all successful personal lines producers are the same, the high net worth producer will need the presence and knowledge to interact effectively with the network of people from whom they will solicit leads and the clients they will insure. Education, dress, and life experiences should be consistent with the clients' expectations of a professional trusted advisor.

> *"We found a sharp young guy that looks the part, great fashion sense, smart, very confident. He had some previous exposure to high net worth clients with a national broker so he knows how to talk about things. He presents well and interacts well with wealth managers who can be intimidating if you don't know your stuff."*
>
> An Agent in Colorado

The high net worth producer will also have to deal with unique issues including LLC/ownership issues, farm/ranch/hunting lease exposures, property vacancy, EPLI coverage, D&O coverage, international exposures, and others that are not usually associated with main street business.

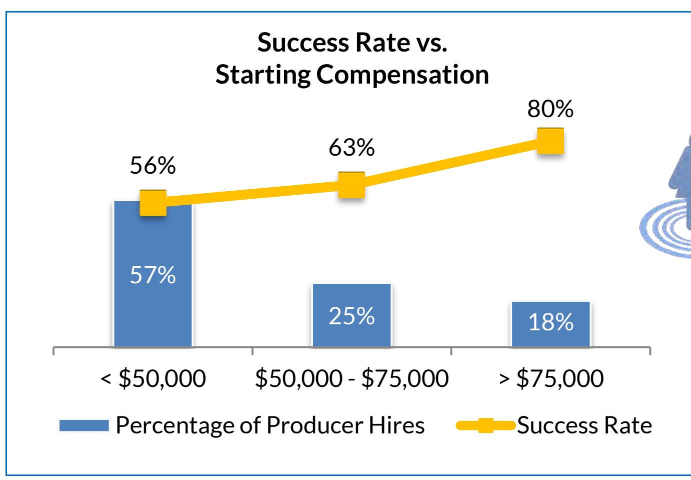
As a result, their knowledge base will need to expand as needed. The desire to learn and be a team player is critical for the firm to be able to support the high net worth client.

Regardless of the type of producer model utilized, one critical characteristic or skill a candidate should have is a large personal network and the ability to leverage it. During the interview, ask questions about the producer's roots in the community – what organizations are they involved in and what role do they play, who do they know and how would they utilize those contacts to produce new business.

One owner shared a simple way to confirm the characteristic during the interview. Ask candidates to draft and provide a business plan on how they would develop a book of business – who would they call on, how many leads would they expect to get, how many would they expect to close, what new relationships would they develop, etc.

How and What to Pay Personal Lines Producers?

Perhaps the most common question we receive regarding personal lines production concerns compensating personal lines producers. At hire, most personal lines producers are paid less than $50,000. However, success rates increase as initial compensation increases.



Source: Supplemental survey

This is not to suggest that paying producers more will automatically increase success. Producers with more strategic and valuable skill sets are those likely to succeed and they can command larger compensation packages.

The 2014 *Best Practices Study* showed that, for agencies of all sizes, the typical payroll for personal lines producers is approximately 30% of their book of business. However, firms arrive at this 30% in a variety of ways. When it comes to compensation plans, one size does not fit all.

Below are three examples of compensation models for personal lines producers that were gleaned from participant interviews and other firms with strong personal lines practices.

1) **Base salary plus incentive for new business written**. This is the industry's most common producer compensation model. It provides a base salary plus a percentage of the new business written, but no commissions are paid that are specifically tied to renewals. If business was referred internally (e.g., from a commercial lines or employee benefits producer), then a lower commission rate may be paid (typically 20 points less). The referring producer is usually paid a first year commission as a referral fee, but no renewal commission.

   Example: Base salary between $35,000 and $45,000. Commission rates of 40% to 60% of new business written, 20% deducted and paid to referring producer if applicable.

2) **Commission-based model with draw based on a percent of prior year's pay.** This model is more common for high net worth personal lines producers than main street producers since high net worth producers are often involved in maintaining the client relationships they produce. During their initial period (typically the first three years after hire), producers on this plan receive a declining base salary as they build their book of business.

   Example: Base salary of $45,000 at start that is reduced periodically to $22,500 over three years. Commission is paid when commissions earned (per the firm's personal lines producer commission schedule) exceed the base salary.

3) **Salary plus discretionary bonus based on the achievement of various goals and activities defined by management**.

   Example: Base salary of $40,000 plus incentive bonus of up to $10,000. Achievement of the full bonus is tied to various activities such as hitting a new business goal, increasing the revenue per account, adding to the list of centers of influence, providing cross-sell referrals to other departments, increasing the firm's visibility in the community, etc.

There are countless variations on the ideas presented above. Finding an appropriate compensation plan for personal lines producers remains a puzzle for even the best agents and brokers in the country. However, those that solve the puzzle are rewarded with a profitable book of business that can provide a strong contribution to an agency's value.

Helping the Personal Lines Producer Succeed

Once producers are hired, their success can be tenuous unless they are provided with the tools and guidance to succeed. Personal lines producers in this regard are very similar to commercial lines and employee benefits producers. Without training and accountability, success is unlikely.

Firms typically do a good job of training new recruits on internal operations (agency automation, processes and procedures, carrier markets, etc.). "Shadowing" a CSR, claims specialist, marketer, manager, etc. for a few days to learn about the firm is a standard procedure. In addition, technical training is available from carriers, online providers, associations, designation courses and multiple other sources. Most agents and brokers help new producers take advantage of these resources at the start of and throughout their employment.

We also suggest that firms manage personal lines producers as other producers are managed. Set production goals, monitor their pipeline, measure their performance, and reward and motivate them with the degree of interest and attention given to other producers.

In addition, include personal lines producers in sales meetings with other producers so opportunities to learn, build trust between departments, leverage cross-sell prospects and create healthy competition are not lost. While it may not be feasible or realistic for in-house producing account managers to participate in the firm's regular sales meeting, they also benefit from sales management. Time should be set aside periodically for them to meet to brainstorm sales opportunities, share success and failures and monitor and share performance results. Individual goals can be subjugated to group goals and results, but all should be reminded that they are in sales.

chapter 10

Call to Action

There are some key take-aways from this study that are a call to action.

55-60% of firms are hiring at levels that will not support desired growth

Our analysis suggests that 55-60% of firms are hiring at levels that will **not** support their ability to grow at levels targeted or at levels that will allow them to perpetuate their ownership, if it is their desire to do so. What is even more troublesome is that many of these firms do not know that they are behind, or the extent to which they are behind. This shortfall is a problem for every one of these agencies because it is limiting the growth of their value and is jeopardizing their ability to accomplish other objectives like maintaining private ownership. This shortfall is also a problem for the insurance carriers that depend on these firms to sell their products and services and that are counting on them to grow and increase their capacity to sell their products and services.

Only 35% of hires are new to our industry – this is a real problem

Sixty-five percent of those hired in producer positions are coming from inside our industry and are simply "changing seats on the insurance agency/brokerage bus." This is great for those that are winning the battle for this talent but it does suggest that, as an industry, we must elevate the number of talented men and women that are being recruited into our industry. There is a key message here for every agent and broker but it is also a message for the insurance carriers that depend on the insurance distribution system and for the organizations that serve and support agents and brokers. Individual and collective efforts need to be made to attract more talented men and women into our industry. There is no reason that cannot or should not happen based on all that our industry has to offer.

The cost of failed hires is high – you can afford to spend the money to do it right

The direct expense for failed hires represents only a fraction of the total actual loss incurred. Seventy-five percent of all firms are achieving success rates that are less, and in many cases materially less, than the success rates that the top 25% are proving can be achieved. These differences in hiring success have huge financial implications. There are the direct losses as well as in the value of the business that would have been produced (but was not) and the increase in earnings that would have been generated (but were not) if they would have had success rates that this study has shown can be achieved. Agents and brokers can afford to and should make the investments needed to do it right.

Do any or all three of these get your attention? If you own or lead an insurance agency, we hope so. Or if you are a branch manager, a sales manager or in an HR leadership role for an insurance agency or broker, we hope that it not only gets your attention but that it has also motivates you to do something about it.

If it does, let us offer a suggestion as to where to start – take a short “exam” (included on the following page) to assess how you are currently positioned. Be honest with yourself. For the Critical Success Factors for outstanding producer recruiting and development, evaluate how you are currently doing. Which of the descriptions best fits your organization or do you fall in-between and if so where? Do this for commercial lines, employee benefits and for personal lines. Start with where you are today.

What does your score mean? The gap between your score and 100 represents an opportunity to do a number of things, including:

- Address what could be a serious weakness
- Elevate what could be your most important strategic competitive advantage
- Position your firm to grow faster, operate more profitably and maximize your enterprise value
- Provide more great opportunities to more men and women and help them be more successful and have fewer of them fail
- Position your firm to better accomplish your corporate objectives, whatever those might be
- Make what you do more fun and more rewarding

How do you reduce the gap between where you are and where you need to and want to be? You can do it by:

- Drawing on the experience of 562 agents and brokers that participated in this study
- Drawing on and learning from your own experience
- Better understanding who you are, how you are positioned, and what you need to do
- Elevating the importance of producer recruiting and development and by making the investment in time, resources and effort that something of this strategic importance deserves.

PRODUCER RECRUITING & DEVELOPMENT EFFECTIVENESS ASSESSMENT

To gain a clearer understanding of your firm's effectiveness in Producer Recruiting & Development, answer each of the questions below on a scale of 1 to 10.

Question		Scale		# of Points:
1) Have you clearly defined the **number of new producers** you need to hire over the next 3-5 years based on your growth goals and the age/stage of your current production force?	Not Clearly Defined	1 2 3 4 5 6 7 8 9 10	Clearly Defined	
2) Have you clearly defined the **target profile** (age, background, sales experience, industry experience) of the producers you intend to recruit?	Not Clearly Defined	1 2 3 4 5 6 7 8 9 10	Clearly Defined	
3) Does your **recruiting process** regularly identify an attractive stream of producer candidates large enough to ensure that you hire only "A" players?	Recruiting process weak	1 2 3 4 5 6 7 8 9 10	Recruiting process strong	
4) Is your producer **recruiting strategy well publicized and clearly understood** by your employees, carriers and centers of influence?	Recruiting strategy not publicized	1 2 3 4 5 6 7 8 9 10	Recruiting strategy well publicized	
5) Are your **screening techniques** effective enough to ensure that you are only hiring the candidates that are positioned to succeed and excel?	Screening techniques poor	1 2 3 4 5 6 7 8 9 10	Screening techniques excellent	
6) Does your **producer training** include best-in-class resources customized to the needs of each hire?	Training weak	1 2 3 4 5 6 7 8 9 10	Training strong	
7) Is your firm effective in **monitoring activities** during the first 90-180 days to ensure that course corrections can be made for under-performers?	Activity monitoring poor	1 2 3 4 5 6 7 8 9 10	Activity monitoring excellent	
8) Do you have a producer **mentoring program** that is highly effective?	Mentoring not effective	1 2 3 4 5 6 7 8 9 10	Mentoring highly effective	
9) Do one or more **key employees "own" responsibility** for producer recruiting and development strategy, with their income influenced by its effectiveness?	Recruiting not owned by anyone	1 2 3 4 5 6 7 8 9 10	Recruiting clearly owned	
10) Does your firm **invest the money, time and resources** necessary to succeed in producer recruiting and development?	Investment weak	1 2 3 4 5 6 7 8 9 10	Investment strong	

Total Points:

SCORE	COMMENTS
90 – 100	Quit lying.
80 – 89	You're among the very best in the industry. Congratulations!
70 – 79	Better than average – shore up a few weaknesses and you can join an elite group.
60 – 69	You're average – with significant room for improvement. Keep fighting.
50 – 59	You need to improve, but your weaknesses aren't likely fatal. Don't get discouraged.
40 – 49	Time to get to work!
< 40	Remember the words of Winston Churchill: never, never, never give up.

Reagan Consulting

chapter 11

Additional Thoughts for Smaller Agencies

In this study, we have talked about the successful hiring and development of producers and have referenced data that is focused at times only on those firms hiring six or more producers over the past five years. In doing so, it is important to recognize that 85% of all of the independent agents and brokers in the U.S. have under $2,500,000 in commission income and 75% have under $1,250,000. Rarely would the majority of these firms look to be hiring more than one or two producers over the course of a five year period.

In light of this fact, what do the results of the study suggest to the principals of these smaller firms? Is it relevant to them? The definitive answer is a rousing "yes" – the results of this study mean every bit as much to smaller firms and may even be more important for several reasons, including the following:

- Being behind in producer recruiting and development for larger firms can negatively impact their ability to grow. For smaller agencies, the inability to bring on the "next generation" will not just limit growth but may actually preclude the ability to continue operating and will more materially impact the relative value of the smaller organization.

- For larger firms, investments in producers may represent 1½% to 2½% of the firm's revenues and will reduce their profits by 10% to 15%. For the smaller agency, the investment in a new producer may cut the agency's profits in half or more. It is a big investment for the owner. If the producer is not successful, the owner has taken a big financial hit and is still left without the producer (and agency perpetuation) that they were looking for. Producer failure is much more painful for smaller agents.

- For the smaller independent agency, the six Critical Success Factors apply every bit as much as they do for larger firms. The small agency principal will address the same issues but will focus on those solutions that are best suited for them. For instance, in the training and development of producers, smaller firms will be less likely to create training capabilities internally but will draw on the wealth of outside resources available through their carriers, agent's associations, consultants or independent vendors.

So, for the principal of the smaller firm, don't procrastinate on producer recruiting and development. You have less margin for error and more riding on your ability to bring on the right people at the right time.

Addenda

STUDY NOTES & EXPLANATIONS

Baseline Survey — Questionnaire used in the first phase of the study to gather agency profile and general producer hiring information (see page 1, *Methodology*). Data collected from 562 firms hiring a total of 4,641 producers during the last five years. New hires included commercial lines (CL), personal lines (PL) and employee benefits (EB) producers.

The following **success rates** were computed from the baseline data:

- **Industry-wide Success Rate** — percent of all producers hired during last five years that were deemed successful. Success was defined as validated (i.e., book of business generates enough commission income to cover their compensation), on track to validate, or "would be hired again" by firm if given the opportunity.
- **Firm-wide Success Rate** — average percent of producers per firm that validated (i.e., producing enough business to cover their compensation), on track to validate, or "would be hired again" by firm if given the opportunity.
- **High Success Rate** — percent of producers that were identified by the respondents as having exceeded what was expected and achieved a higher level of success than other producers hired. The determination of "High Success" was left to the judgment of the respondent, usually an agency principal.

Supplemental Survey — Follow up questionnaire used in the second phase of the study to gather additional detail information (see Page 2, *Methodology*). Data collected from 112 firms hiring a total of 1,505 producers. Success Rates computed for the Baseline Survey were also computed for the Supplemental Survey.

> ***NOTE 1:*** *When computing the "size of books generated", the results of experienced producers who brought books of business when hired and producers who were assigned books of business once employed were eliminated in order to present a more accurate success analysis.*
>
> ***NOTE 2:*** *Although detailed supplemental data exist for 1,505 producers, results were sometimes insufficient for drawing meaningful conclusions when data were cut multiple times to examine certain specific criteria. Although there were some limitations on how detailed our analysis could be, the study provides significant and exceedingly useful analyses of the data gathered.*

Performance Results

- **Top 25%** — the calculated average of the results submitted by the best 25% of all respondents that hired three or more producers in the respective line of business
- **Bottom 25%** — the calculated average of the results submitted by the worst 25% of all respondents that hired three or more producers in the respective line of business
- **Top Quartile** — the data point at which 75% of the results lie below and 25% of the results above
- **Bottom Quartile** — the data point at which 75% of the results lie above and 25% of the results below
- **Most Successful Firms**
  - **Commercial lines** — hired six or more commercial lines producers in the past five years and have a 66% or better success rate in commercial lines.
  - **Employee benefits** — hired three or more employee benefits producers in the past five years and have a 66% or better success rate in employee benefits.

Organic Growth and Profitability Study (OGP) — a real-time, quarterly survey of approximately 150 agents and brokers across North America. Conducted by Reagan Consulting since 2008 to track these two key operating and performance metrics. OGP firms have median net revenues of approximately $15 million but range from the largest brokers to local insurance agents.

Reagan Value Index (RVI) — a proprietary database containing operating and valuation statistics from a group of 30+ privately-held independent insurance agents for whom Reagan Consulting performs an annual appraisal of fair market value. Although RVI firms have average net revenues of approximately $30 million, they represent a cross section of agencies as respects performance, operating results and characteristics.

Under-Hiring Rates (Baseline Survey) — Responses from the 562 agents and brokers participants revealed the following results regarding the level of new producer hiring necessary to meet current and future production needs:

- 41% reported they were behind
- 8% reported they were ahead
- 51% reported they were on track

An analysis of these firms' past hiring levels, producer success rates, organic growth rates and current number of producers indicates that 55%-60% of the firms are materially behind in the hiring needed to perpetuate their operations and achieve the growth rates targeted.

Validated Producer — a producer whose production (i.e., book of business) is sufficient to cover his or her compensation under the firm's regular commission schedule.

GENERATIONAL DIFFERENCES CHART

	Baby Boomers	Generation X	Millennials (Gen Y)
Birth Years	**1946-1964**	**1965-1980**	**1981-2000**
Current Age (In 2014)	**50-68**	**34-49**	**14-33**
Core Values	Involvement Optimism Personal Growth Personal Gratification Team Oriented Work	Balance Diversity Entrepreneurial Fun Independent Lack of Organizational Loyalty	Achievement Confidence Highly tolerant Sociability Extremely Tech Savvy Community
Value	Success	Time	Individuality
Work Ethic	Driven	Balance	Multitasking
Preferred Work Environment	Flat Democratic	Functional, Positive, Fun Informal	Collaborative Fun, Flexible, Want Feedback
Work Is. . .	a Career	a Contract	a Means to an End
Work Assets	Anxious to Please Good Team Players	Adapt Well To Change Direct Communicators	Collaboration Multitask
Work Liabilities	Do Not Like Change Peer Loyalty	Cynical, Skeptical Reject Rules	Distaste for Menial Work Need Structure
Keys to Working with	Their careers define them Do well on Teams	Give them time to pursue interests Allow them to have fun at work	Like Team Oriented Workplace Want to Work with Friends
Interactive Style	Team Player	Entrepreneur	Participative
Motivated by	Being Valued, Needed	Freeedom and No Rules	Working with other Bright People

Source: Drawn from several non-copyrighted resources.

COMMON TASKS ASSOCIATED WITH A PRODUCER RECRUITING & DEVELOPMENT STRATEGY

While one person must *own* it, we don't mean to imply that a single person could or should be doing all the work associated with the implementation of the strategy – that would be virtually impossible. Consider for a moment the wide variety of tasks that may exist in an agency's producer recruiting and development strategy:

- ☐ Coordinating, creating, documenting, communicating and implementing the producer recruiting and development strategy
- ☐ Identifying the appropriate number of producers to hire (by line of business and location)
- ☐ Developing specific profiles for producers to be recruited
- ☐ Developing a schedule for producer hiring target dates
- ☐ Developing and monitoring a pipeline of viable candidates
- ☐ Placing advertisements in print and social media to attract candidates
- ☐ Selecting and supervising a recruiter to assist with pipeline development
- ☐ Developing agency marketing materials to tell the agency's story in a compelling fashion to candidates
- ☐ Establishing and overseeing a college intern program
- ☐ Developing / overseeing a candidate selection / screening process
- ☐ Making formal offers of employment to potential producer hires
- ☐ On-boarding new producers
- ☐ Developing and overseeing a development and training process for both experienced and unexperienced producers
- ☐ Establishing and overseeing a producer mentor program
- ☐ Developing individual producer progress benchmarks (new sales, solicitation calls made, meetings scheduled, classes attended, etc.)
- ☐ Holding producers accountable for expected progress
- ☐ Performance reviews for producers-in-development
- ☐ Sales management of producers as they work towards validation
- ☐ Terminating underperforming producers

Individual Producer Data — All Producers

Notes:

- "Success" rate and "High Success" rate percentages are both calculated from the same set of producers ("High Success" producers are included in the "Success" rate).
- The total producers for each category fluctuates based on the data provided.
- Total Producers: 1505

	ALL				Commercial Lines				Employee Benefits				Personal Lines			
	#	% of Category	Success %	High Success %	#	% of Category	Success %	High Success %	#	% of Category	Success %	High Success %	#	% of Category	Success %	High Success %
Age																
Success Rate by Decade																
20s	412	28%	58%	9%	287	30%	58%	9%	80	20%	59%	10%	45	42%	58%	7%
30s	478	33%	62%	10%	326	34%	60%	8%	121	30%	69%	17%	31	29%	58%	10%
40s	346	24%	60%	12%	211	22%	62%	12%	118	29%	58%	12%	17	16%	59%	12%
50s	172	12%	65%	11%	96	10%	60%	14%	64	16%	69%	8%	12	11%	75%	8%
60+	60	4%	67%	12%	38	4%	66%	8%	19	5%	63%	21%	3	3%	100%	0%
Gender																
Male	1166	79%	61%	11%	820	85%	60%	10%	297	74%	62%	13%	49	45%	59%	8%
Female	307	21%	63%	9%	142	15%	59%	8%	106	26%	69%	11%	59	55%	63%	8%
Sourced by professional recruiter?																
Yes	186	12%	55%	8%	133	14%	59%	7%	48	12%	46%	10%	5	5%	60%	0%
No	1314	88%	62%	11%	847	86%	60%	10%	363	88%	65%	13%	104	95%	62%	9%
Doing immediately prior? (Background)																
College	67	4%	52%	7%	47	5%	51%	4%	13	3%	38%	15%	7	6%	86%	14%
College (+ internship)	25	2%	76%	8%	18	2%	83%	11%	6	1%	50%	0%	1	1%	100%	0%
Insurance - Not Sales	144	10%	58%	5%	84	9%	56%	6%	45	11%	58%	4%	15	14%	67%	0%
Insurance Producer - Came with Book	243	16%	81%	21%	144	15%	77%	16%	89	22%	85%	28%	10	9%	90%	20%
Insurance Producer - Came without Book	586	39%	58%	10%	370	38%	57%	11%	170	42%	57%	8%	46	42%	61%	4%
Outside the Industry – Not Sales	173	12%	57%	8%	135	14%	56%	4%	22	5%	68%	18%	16	15%	50%	19%
Outside the Industry – Sales	259	17%	56%	8%	180	18%	57%	8%	64	16%	56%	8%	15	14%	40%	7%
Annual Pay When Hired																
< $50,000	461	31%	52%	7%	306	31%	50%	7%	92	22%	54%	5%	63	57%	56%	6%
$50,000 - $75,000	434	29%	61%	7%	313	32%	60%	5%	94	23%	63%	13%	27	25%	63%	11%
$75,000 - $100,000	226	15%	63%	9%	141	14%	62%	9%	73	18%	62%	10%	12	11%	75%	8%
$100,000 - $125,000	122	8%	61%	11%	81	8%	67%	11%	39	10%	51%	13%	2	2%	50%	0%
$125,000 - $150,000	95	6%	76%	16%	49	5%	69%	18%	42	10%	81%	12%	4	4%	100%	25%
$150,000 - $175,000	48	3%	81%	21%	26	3%	73%	23%	21	5%	90%	19%	1	1%	100%	0%
$175,000 - $200,000	46	3%	65%	17%	32	3%	75%	19%	14	3%	43%	14%	0	0%	N/A	N/A
> $200,000	66	4%	77%	36%	31	3%	77%	39%	34	8%	76%	35%	1	1%	100%	0%
Accounts assigned?																
Yes	308	23%	74%	12%	208	23%	75%	11%	75	20%	73%	16%	25	24%	64%	8%
No	1057	77%	58%	11%	682	77%	56%	10%	296	80%	62%	13%	79	76%	61%	9%
Required to specialize?																
Yes	441	29%	66%	13%	295	30%	65%	13%	112	27%	70%	16%	34	31%	65%	3%
No	1063	71%	59%	9%	688	70%	58%	8%	299	73%	61%	11%	76	69%	61%	11%
Sells as member of a team?																
Individually	1319	88%	60%	10%	877	89%	59%	9%	341	83%	60%	12%	101	92%	63%	9%
Member of a production team	186	12%	69%	12%	106	11%	64%	12%	71	17%	79%	14%	9	8%	44%	0%
Sales profile test																
Inconclusive	126	9%	50%	10%	76	8%	42%	8%	31	8%	61%	13%	19	18%	63%	11%
Negative	65	5%	52%	5%	44	5%	61%	5%	11	3%	36%	9%	10	10%	30%	0%
Positive	916	66%	63%	10%	618	69%	61%	9%	241	65%	67%	14%	57	55%	61%	9%
Did not take sales profile test	271	20%	66%	15%	163	18%	67%	17%	90	24%	62%	13%	18	17%	78%	11%

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Mentoring																
Mentor?																
Yes	747	55%	63%	8%	513	57%	62%	7%	172	46%	67%	11%	62	59%	60%	11%
No	623	45%	60%	14%	380	43%	58%	14%	200	54%	62%	16%	43	41%	65%	5%
If so, who?																
Other	45	6%	69%	4%	31	6%	65%	3%	10	6%	70%	0%	4	6%	100%	25%
Peer producer	55	7%	64%	7%	25	5%	76%	8%	7	4%	71%	14%	23	37%	48%	4%
Sales Leader	221	30%	66%	10%	167	33%	62%	7%	40	23%	83%	20%	14	23%	71%	14%
Senior producer	426	57%	61%	8%	290	57%	61%	8%	115	67%	61%	9%	21	34%	57%	14%
If so, were they compensated?																
No	493	60%	64%	7%	324	58%	65%	6%	118	58%	67%	10%	51	77%	53%	6%
Yes, he/she received some form of salary/bonus	133	16%	57%	12%	98	18%	53%	11%	28	14%	68%	18%	7	11%	71%	0%
Yes, he/she split the commissions on accounts	97	12%	66%	13%	60	11%	60%	8%	31	15%	77%	16%	6	9%	67%	50%
Yes, other	101	12%	66%	10%	72	13%	63%	8%	27	13%	74%	11%	2	3%	100%	50%
Technical training?																
None	363	27%	65%	15%	220	25%	66%	15%	124	33%	65%	16%	19	18%	53%	6%
Yes – combination of inside and outside	701	51%	61%	8%	490	55%	59%	8%	157	42%	61%	10%	54	51%	71%	0%
Yes – internal training from firm (only)	237	17%	59%	19%	129	14%	52%	12%	77	21%	66%	19%	31	30%	67%	50%
Yes – outside resources / providers utilized (only)	68	5%	71%	8%	54	6%	69%	9%	13	4%	77%	0%	1	1%	100%	50%
Sales training?																
None	232	17%	62%	13%	139	16%	68%	13%	76	21%	49%	13%	17	16%	71%	12%
Yes – combination of inside and outside	622	46%	60%	8%	433	49%	58%	7%	141	38%	65%	13%	48	46%	67%	6%
Yes – internal training from firm (only)	413	30%	63%	15%	262	29%	61%	15%	116	31%	72%	16%	35	33%	51%	11%
Yes – outside resources / providers utilized (only)	100	7%	63%	6%	58	7%	60%	3%	37	10%	68%	11%	5	5%	60%	0%

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