

## The Young Producer Study – Three Years Later

### Introduction

In 2009, Reagan Consulting published *The Young Producer Study* which took a close look at the hiring of young (under the age of 30) men and women into production roles in insurance agencies and brokerages. The study looked at overall hiring results and practices but also focused on a group of 91 of the insurance industry's most successful young producers. Just over 50% of these men and women were hired directly out of college with the majority of the balance having worked for several years outside the insurance industry. The study looked at these individuals' academic performance and collegiate interests, and even analyzed their personality profiles. The study also looked at how the insurance agencies they went to work for recruited them, trained them and supported them. Finally, the study documented the sales success that these individuals had achieved, and that success was quite amazing. On average, these 91 individuals had produced a total book of business in excess of \$500,000 (in commissions) by their fifth year of employment.

The purpose of *The Young Producer Study* was to present to the insurance agency/brokerage community the outstanding opportunity that exists to recruit young people into sales positions. The purpose was also to provide as clear a picture as possible of the characteristics of the best candidates and to outline the most effective practices for recruiting and developing these young people. The study was a huge success.

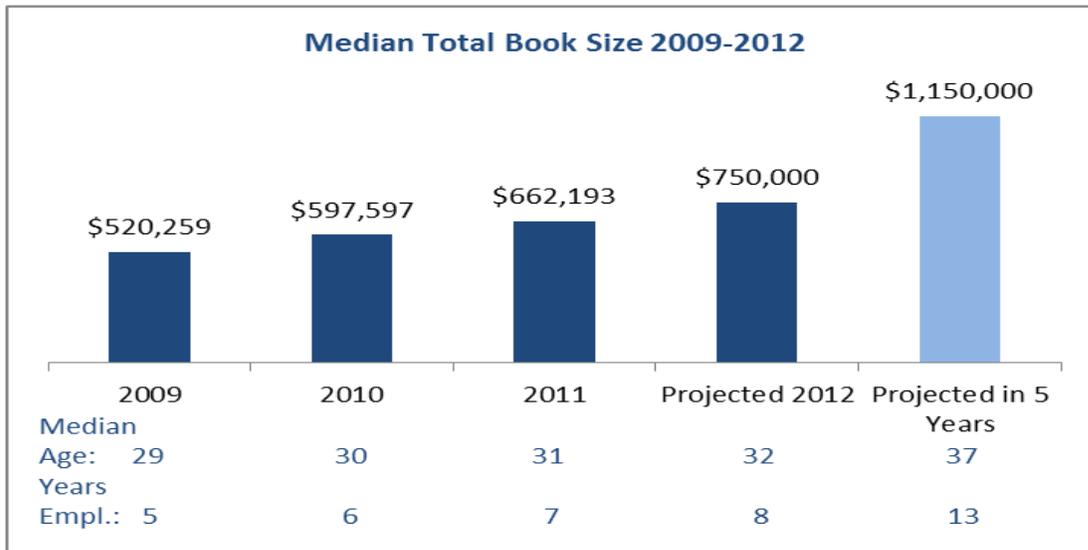
With three years having passed since we completed the study, we decided to go back and contact those 91 individuals to see what had happened to them over the last three years. As it turns out, 80 of the 91 were still employed as producers in the same agencies they worked for when the study was done. Ten of the 91 producers were still in the insurance agency business and still in sales positions, but they had moved to other agencies that, in their opinion, provided a better opportunity for them. Only one of the 91 had left the insurance industry as a result of giving birth to a child. The principal of that agency lost an outstanding producer, but wasn't even disappointed as a result of her ability to produce for him a grandson.

We contacted the 80 producers that are still in production roles in their same agencies and invited them to participate in this update of our research. Fifty of the 80 producers graciously agreed to participate, which gave us an outstanding look at how this group of young people was progressing. The 50 producers completed an in-depth survey and were also interviewed to gain additional insights and perspectives on their jobs and on the industry. Of the 50 producers surveyed, 35 were in commercial property and casualty sales, 8 in employee benefits sales and 7 sell some of both. Based on the small differences between the sales results and responses of these producers, we have reported their responses on a combined basis.

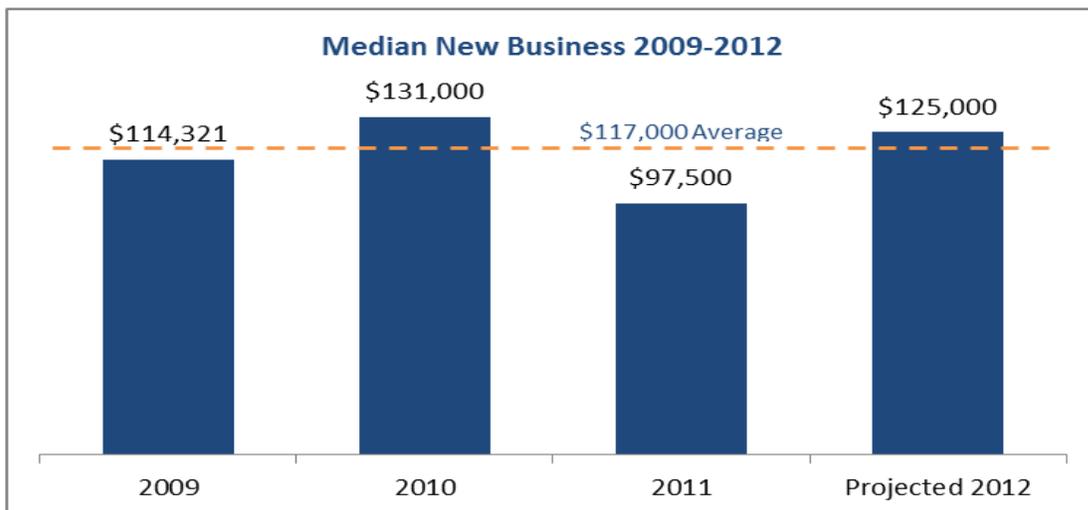
These 50 producers are working for 42 different firms. The largest firm is generating over \$1.6 billion in revenues, while the smallest is generating just under \$5 million in revenues. The median firm in this group of 42 generates \$22.7 million in revenues.

### How They Performed Since 2009

We knew these young producers had been successful through 2009 but we did have a question of whether that sales success had continued. To find out, we asked them to provide their total book of business in 2009, 2010 and 2011. We also asked them to estimate their 2012 book, as well as where their total book would be five years from now. Included in the following table are the median results for these 50 producers. We have also included the median age and length of employment for these producers. These are amazing results, especially considering that half of these 50 producers exceeded these median levels.



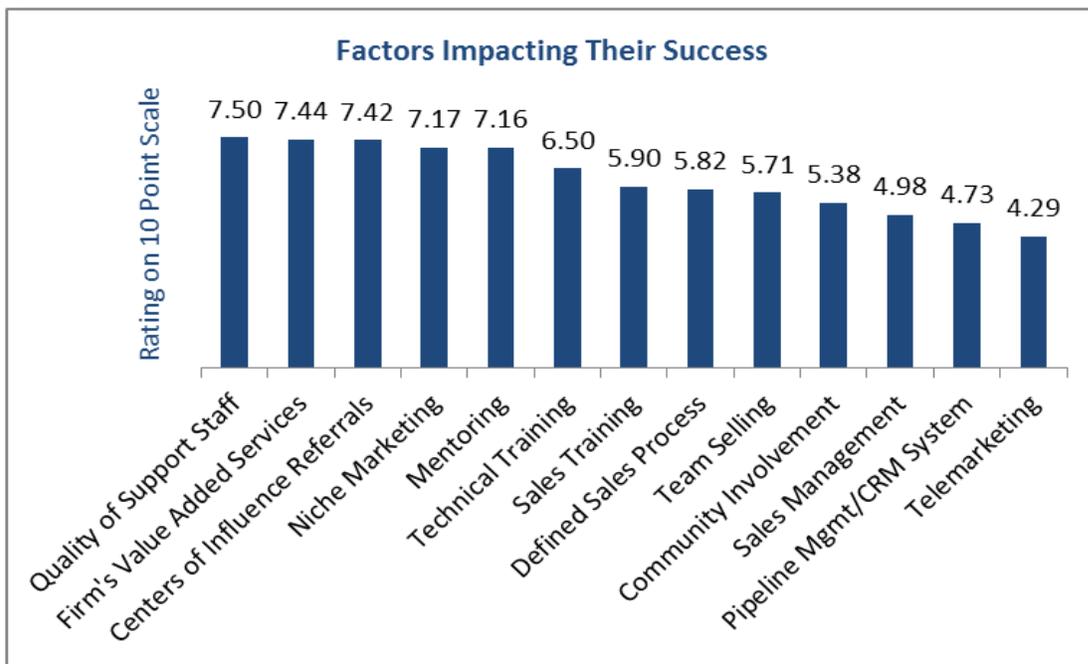
In addition to their total book of business we also asked them to provide the total new business generated in 2009, 2010, 2011 and what they projected they would generate in new business (commissions) in 2012. Once again, we have included the median results for this group of 50 producers, and once again, these are impressive results. The median producer in this group of 50 is generating average new business commissions of \$117,000 per year.



**Factors Impacting Their Success**

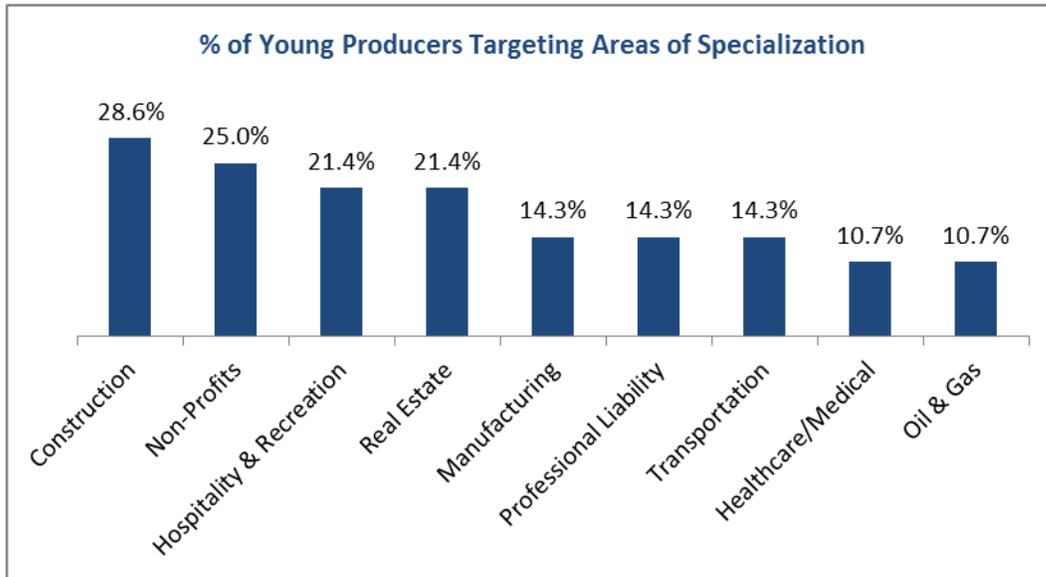
Obviously, these young producers are talented but we are also quite aware that the kind of results they are achieving could not be done without their working within agencies that gave them a lot of support and a lot of tools to work with. We asked these 50 producers to tell us what their agencies provided to them that had the greatest impact on their success. The most frequent responses were the quality of support staff provided, the value-added services offered by their firms, referrals that they were able to generate from centers of influence, niche marketing and the mentoring that was provided by senior producers within their agencies.

We asked each of the 50 producers to rank on a scale of 1 to 10 how impactful each of the factors were to their success. The chart below displays the average ranking for the 50 producers of all of the factors that impacted their success.



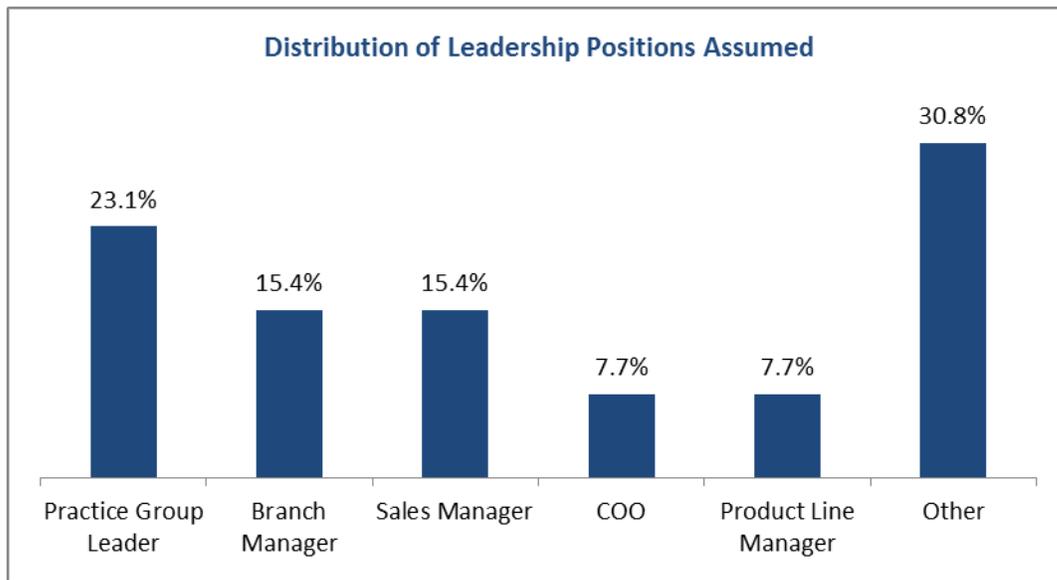
**Niches and Practice Groups**

Fifty-six percent (56%) of these producers reported that they are actively selling within specific niches or practice groups. This percentage is higher than the industry average and is most likely one of the reasons for their heightened success. The most common niches reported by these producers that are selling within niches are shown in the following table.



### Starting to Assume Leadership Roles

Since 2009, 46% of these young producers have taken on leadership roles in their firms. The most frequent position assumed was practice group leader (within a niche) with others assuming branch manager, sales manager, COO, and product line (i.e., commercial lines, employee benefits, surety, etc.) management roles. A summary of the management responsibilities assumed is included in the following table.



## Current Recruiting and Hiring Strategies

Seventy-four percent (74%) of these young producers are active in their own firm's recruiting process and their on-going efforts to attract and retain young talent. When we did the survey in 2009, we found that over half of the 91 producers that we studied had been hired directly out of college. We asked the 50 producers that we surveyed whether their firms had increased or decreased the amount of hiring that they were doing directly from college. Forty percent (40%) of those firms are doing the same amount of college hiring, while 28% are doing more and 32% are doing less.

## Conclusions

*The Young Producer Study* validated the opportunity for agents and brokers to effectively recruit and develop talented producers from college graduates and from young men and women who had been in the workforce for several years. Our update of the progress that these young people have made over the last three years further validates the opportunity to focus producer recruiting efforts in this area.

### The Success of These Young People is Sustainable

If there was a thought that the early success of these individuals was an aberration, the results of this update certainly dispel that theory. At the median (half of the producers were better and half worse), these producers saw their book of business grow from \$520,000 in 2009 to what is estimated to be \$750,000 in 2012. That is right at a 13% compound annual growth rate over a three-year period, during which there was a lot of headwind relative to the economy and soft property and casualty conditions. Whether or not these producers can hit their projected goal in five years, they have not reached a point of complacency and are still working at growing their books.

### College and Second Job Hiring Both Work

In the original *The Young Producer Study*, we found that half of the 91 outstanding producers that we studied were hired directly out of college. In the update, 30% of the 50 producers that participated in the study were hired directly out of college, with the remaining 70% being hired with work experience. The median producer out of this group of 50 was hired at the age of 24. This suggests to us that college recruiting does work but, many agencies have found better success in hiring young men and women that have several years of work experience. These hires may be a little more expensive but they typically have greater maturity and bring real-world experience.

### They Weren't Successful on Their Own

Clearly, these young people are talented and deserve a lot of credit for their success. At the same time, it is readily apparent that they would not have been able to achieve this level of success if they were not a part of organizations that gave them an outstanding platform on which to succeed. With the majority of these individuals being hired with no prior insurance experience, the ability to provide training and mentoring was imperative to their success. In

addition, as it was reported by these individuals, their organizations provided outstanding support, value-added services, sources for referrals and existing niches (or practice groups) in which a number of these producers have focused. These agencies also provided good sales leadership including training, assistance in goal setting and strategy development and a culture of accountability and sales focus.

### An Outstanding Investment

In assessing these 50 outstanding young producers, consider the median producer within that group who will end 2012 with a book of business of \$750,000. That individual is 32 years old and has been with their firm for eight years. They are starting to assume some management responsibilities including participating in the firm's efforts to recruit additional young people. That individual brings energy, vitality, creativity and is probably, by their example, motivating the senior producers in their firm to get off their "complacency" and to start producing again. This kind of asset is worth pursuing. We would encourage you to consider hiring talented producers at all ages and stages but would encourage you to make certain that young producer hiring is a part of your plan.

We would also encourage you to refer back to the original *The Young Producer Study*, which is available (free of charge) on the Reagan Consulting website ([www.reaganconsulting.com](http://www.reaganconsulting.com)). If you have not developed a strategy for recruiting young people into your organization, for all the reasons that this study and the follow-up to this research confirms, we would encourage you to do so.

## About Reagan Consulting

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In our service of the insurance distribution system, Reagan serves independent agents and brokers as well as the bank insurance sector. Reagan Consulting has provided services to hundreds of the strongest agents and brokers in the United States, including over 50 of the largest 100. We also provide services to more than 150 banks in the United States and Canada, with a primary focus in assisting banks in the establishment and management of successful insurance businesses.

Reagan provides three types of services to our clients:

Strategic Consulting	Valuation	Mergers & Acquisitions
<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Management consulting</li> <li>• Research projects and studies</li> <li>• Special projects</li> </ul>	<ul style="list-style-type: none"> <li>• Appraisals of fair market value</li> <li>• Perpetuation planning</li> <li>• Industry benchmarking</li> </ul>	<ul style="list-style-type: none"> <li>• Sell-side advisory</li> <li>• Buy-side advisory</li> <li>• Merger facilitation</li> <li>• Due diligence assistance</li> </ul>

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