

SPECIAL REPORT

Agency Salary Survey

WHO'S WORTH WHAT IN
THE INDEPENDENT
AGENCY SYSTEM

AGENCIES UNDER STRESS



Employee Pay Up But Morale Down

By Andrea Wells

Agency employees are not happy when it comes to compensation, and money isn't the problem.

Despite some reported increases in salaries and total compensation, many employees continue to be unsatisfied when it comes to overall compensation, according to *Insurance Journal's* annual Agency Salary Survey 2015.

Compensation satisfaction declined in 2014 compared with 2013, according to the survey's "Compensation Satisfaction Index." While agency staff reported increases in both salary and total income for 2014, their happiness for overall compensation fell in all three categories of personnel surveyed.

According to the 2015 Agency Salary survey:

- Management/agency owners/agency principals reported a compensation satisfaction score of 3.62 in the 2015 survey, down from

3.68 in the 2014 survey, based on a scale of 1-to-5 where "5" equaled "most satisfied."

- Producers/sales reported satisfaction of 3.12 in the 2015 survey, down from 3.19 in the 2014 survey.

- And support staff/CSR/account executives reported a satisfaction score of 2.73 in the 2015 survey, down from 2.90 in the 2014 survey.

"The agency is growing, but not adequately staffing. ... Been here 10 years, no incentives for support staff, no reports pulled to consider retention rates or new business sold," one survey respondent commented.

Another said: "We are understaffed. We are always asked to do more work for no additional compensation."

And another: "It seems like every agency I've ever worked in, including this one, has underpaid and overworked staff."

While all three categories — management/owners/principals; producer/sales; and support staff — reported positive

salary and income adjustments in 2014 the increases overall were less than 2013 adjustments, the survey revealed.

There's more to job satisfaction than just salary, says Chris Burand, founder and owner of Burand & Associates LLC, a consulting services organization for the property/casualty industry, based in Pueblo, Colo., and author of *Insurance Journal's* "The Competitive Advantage" column.

"Everybody is making more money — whether it's a little bit or a lot — the industry and carriers made a fortune last year," Burand said. "The agency owners I know seem to be making plenty of money right now, too."

However, Burand says, the money is coming with a lot more work attached.

"My thought is that any decrease in satisfaction has to do with how much harder agencies are having to work — for the same amount of money," he said. "Staff and owners are having to work much harder for their money right now."

According to Burand, agencies and their staff are stressed now as carriers continue to place additional work on their agencies. "That's putting a lot of strain on people. The pressure on the agents to grow faster is really intense," Burand contends.

He has seen agencies that have generated good business in the last year and achieved excellent loss ratios

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Agency Compensation Satisfaction Index*

	2015	2014	2013	2012
Management/Agency Owner/Principal	3.62	3.68	3.51	3.28
Producer/Sales	3.12	3.19	3.03	2.87
Support Staff/CSR/Account Executive	2.73	2.90	2.75	2.58

* 5 = Most Satisfied; 1 = Least Satisfied

Average Agency Total Income Change*

	2014	2013	2012	2011
Management/Owner/Principal	6.7%	7.2%	4.5%	3.9%
Producer/Sales	5.7%	8.8%	5.5%	3.3%
Support Staff/CSR/Account Executive	3.5%	2.8%	2.3%	2.2%

*Includes all income changes in year

Average Agency Salary Adjustment

	2014	2013	2012	2011	2010	2009
Management/Agency Owner/Agency Principal	3.9%	4.3%	2.8%	1.1%	-0.6%	-1.2%
Producer/Sales	4.4%	5.1%	2.9%	1.6%	-0.2%	-0.8%
Support Staff/CSR/Account Executive	3.4%	2.5%	2.2%	2.1%	0.6%	-0.1%

Agency Salary Survey

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receiving a note come year-end from a carrier partner that says: "That's great, but you didn't grow fast enough." That's really driving a lot of the stress in agencies. Everybody is under intense pressure to find some growth and while the economy is coming back, it's not growing fast enough to satisfy the companies' growth appetites."

Pay Up, Spirits Down

Amid the waning compensation satisfaction, agency personnel at all levels received a salary boost of between 3 percent to 4 percent on average in 2014:

- Agency owners, principals and management reported salary increases of 3.9 percent in 2014, compared with 4.3 percent in 2013.

- Producers/sales reported average increases in salary of 4.4 percent in 2014, compared with 5.1 percent in 2013.

- Agency support staff reported a 3.4 percent increase in 2014, compared with 2.5 percent in 2013.

The 2015 Agency Salary Survey revealed higher bumps as well in total income, which includes profit sharing, bonuses and other income:

- Agency owners, principals and management reported the largest jump in total income for 2014, which increased by 6.7 percent, compared with a 7.2 percent increase in total income for 2013.
- Producers/sales reported a 5.7 percent increase in total income for 2014, compared with 8.8 percent in 2013.

- Agency support staff reported a 3.5 percent increase in total income for 2014, compared with 2.8 percent in 2013.

Al Diamond, president of the Cherry Hill, N.J.-based Agency Consulting Group (ACG), an independent agency valuation and consulting firm serving organizations nationwide, says that while agencies are showing growth, he agrees that employee satisfaction with pay is down.

Compensation for employees is not moving forward the way employees expect it to, Diamond says. "The past 40 years or longer we have been in an era of regular pay increases," he says. "Now, there's a great deal of stress on agency commissions and agency contingencies so the growth [in salaries] that has happened in the past is not as consistent."

Everett W. Shaw, president of Cheshire, Conn.-based B.H. Burke & Co. Inc., says compensation trends are mixed in agencies today. "In the last year or so some agencies have begun to institute increases going back to the pre-2008-2009 period while others have not," says Shaw, whose firm offers business-valuation and consulting services for independent insurance agencies and brokerages on matters of agency finance, operations, technology and management.

Diamond's Agency Consulting Group's own data shows a similar mixed trend. ACG has collected data and published composite groups of insurance agency operating performance since 1987. His data show that for small agencies under \$1 million, compensation has been relatively flat. But the story is different for larger agencies.

"The latest composite group productivity table and compensation per employee grew by one-tenth of a percent," Diamond says. "However, in the larger groups, the agencies over \$2 million, \$3 million, \$4 million in revenue, compensation is growing and growing consistently."

What's different is the method by which many agencies compensate employees today, according to Diamond.

Compensation growth no longer comes from simple cost-of-living pay increases — but is now measured in many cases by

How Agencies Base Compensation Incentive Plans

Agency profits	34.8%
Productivity	30.7%
Revenue growth	25.7%
Contingent commissions	15.5%
Individual performance	42.1%
No incentive plan	24.8%
Other	5.3%

Average Agency Salaries By Experience

	Manager/Owners	Producers	Staff
Less than 3 years	\$56,429	\$44,877	\$43,122
3-5 years	\$90,850	\$69,469	\$45,944
6-10 years	\$84,167	\$76,832	\$45,286
11-20 years	\$169,437	\$65,194	\$53,610
21-30 years	\$143,556	\$74,117	\$60,637
More than 30 years	\$142,755	\$71,535	\$61,366

Average Agency Salaries by Region

	Manager/Owners	Producers	Staff
East	\$154,144	\$70,875	\$57,345
Midwest	\$127,827	\$52,965	\$50,926
South Central	\$132,024	\$32,583	\$53,591
Southeast	\$108,600	\$67,757	\$50,863
West	\$177,094	\$68,219	\$61,310

Compensation Satisfaction Index* vs. Cost of Living Increase

No, do not receive annual cost of living increase in pay	3.08
Yes, receive annual cost of living increase in pay	3.72

* 5 = Most Satisfied; 1 = Least Satisfied

employee productivity.

For instance, in ACG's intermediate group — the \$2 million to \$3 million agencies — productivity by revenue per employee grew by 5.5 percent in the last year, and compensation grew by 5.4 percent in those agencies. He says that means compensation is tracking almost the same as productivity in those agencies.

"The same thing happened in large agencies where compensation grew almost equal to the productivity growth," he said.

However, in smaller agencies, those with less than \$2 million in revenue, compensation actually slipped or stayed stagnant.

In the future, Diamond sees agency compensation being measured more and more by productivity.

"My recommendation to agency owners is to start measuring your productivity gains ... look at your compensation in terms of productivity gains for individuals," he says. "I think you are going to see in the next five to 10 years a strong growth in productivity-based compensation instead of longevity-based compensation. You don't get more money because you've been here for another year. You get more money because you've been more productive."

According to the 2015 Agency Salary Survey, employees who received a cost-of-living pay increase were significantly more satisfied with their compensation than those who did not. (see chart above). Employers in the East region were almost twice as likely to offer a cost-of-living adjustment as the South Central region.

Paul Osborne, senior consultant for Demotech Inc., *Insurance Journal's* official research partner who assisted with analysis of this year's survey results, says one reason compensation satisfaction might be trending down could be that some employees believe that salaries are being set capriciously or unfairly.

"Managers also commented in the survey that bonuses are set by whatever they think is right," Osborne said. "Sometimes it's not the amount they are paid, but what they think they are losing to someone else or missing out on."

Agencies That Give Annual Cost of Living Increase

East	43.4%
Midwest	36.0%
South Central	24.8%
Southeast	26.3%
West	28.2%

CSR Salaries and Hours

	Average Salary Paid	Average Hours Worked
Commercial lines CSR	\$59,561	38.75
Personal lines CSR	\$42,737	38.92
Support staff average	\$53,183	37.99

CSR Average Salaries

	Commercial Lines	Personal Lines	Support Staff
East	\$61,062	\$46,422	\$57,123
Midwest	\$55,783	\$39,150	\$44,608
South Central	\$57,025	\$49,250	\$46,400
Southeast	\$58,059	\$29,828	\$63,561
West	\$65,468	\$48,014	\$60,333

What Strategies Agencies Implemented in 2014 vs. 2013

	2014	2013
Cut benefits	6.6%	5.9%
Shift health plan costs to employees	13.0%	15.1%
Increase benefits	6.4%	5.5%
Force reduction of employees	6.6%	5.2%
Postpone hiring	30.8%	29.2%
Postpone raises	20.1%	24.6%
Increase hiring	29.8%	34.3%
Increase compensation	38.2%	36.5%

What Producers Want

Producer pay is one of the most important areas in agency compensation. Producers pay attention to how they are treated, rewarded and supported.

"Number one, producers want to know they are receiving fair cash compensation for writing new business and handling the book of business they have written," says Shaw of B.H. Burke. "They want to know they are being treated fairly in terms of cash compensation."

In the more sophisticated commer-

cial-oriented agencies, producers are paid from 40 percent to 50 percent on new business for the first year commissions, Shaw says. On renewals, 25 percent to 35 percent is the rule of thumb.

Agencies paying much below those marks could find it difficult to attract experienced, sophisticated producers, he says.

Number two, the more sophisticated producers want to know there are resources behind them. "They want to know there is some backroom support, they want an

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What Strategies Agencies Plan to Implement in 2015

	2015
Cut benefits	2.7%
Shift health plan costs to employees	7.0%
Increase benefits	4.5%
Force reduction of employees	3.7%
Postpone hiring	18.9%
Postpone raises	11.4%
Increase hiring	48.8%
Increase compensation	41.3%

What Benefits Agencies Offer

	2015	2014	2013	2012	2011
Group health insurance	75.4%	80.6%	77.7%	76.8%	79.9%
Health Savings Account	37.7%	38.3%	32.2%		
Dental	56.3%	57.2%	52.5%	48.9%	50.1%
Group life/disability	55.6%	56.6%	53.7%	56.6%	56.1%
401(k)	60.0%	63.4%	57.7%	55.0%	53.9%
Profit Sharing	17.5%	18.9%	17.8%	17.4%	20.1%
IRAs	11.2%	8.4%	10.4%	9.1%	8.4%
Pension Plan	5.9%	6.0%	5.7%	5.4%	5.0%
ESOP	4.8%	4.4%	4.6%	4.5%	4.3%
Stock Options	5.3%	4.9%	4.5%	1.8%	2.6%
Flexible Savings Account	28.2%	29.3%	24.4%	14.0%	12.3%
Education reimbursement	30.5%	32.8%	28.0%	44.6%	48.2%
Childcare/Daycare*	3.2%	2.2%	3.0%		
No Benefits Provided	13.7%	10.5%	11.7%	12.6%	10.0%

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experienced staff, they want to know they are with an agency that has a good reputation and has been around the block a number of times with similar accounts they want to write,” Shaw contends.

Third, according to Shaw, the best producers are looking for some sort of equity position in the book of business they produce.

“That could be deferred compensation, phantom stock, book equity — it’s called a whole bunch of different things but ultimately they are looking to gain some sort of interest in the book of business that they produce,” he says.

Agency owners who provide those plans will not only retain good producers, but also will attract quality, new producers, Shaw says.

Owner Awareness

When it comes to producer compensation and even staff compensation, it’s important for agency owners to know what’s going on around the agency, says Brian McNeely, partner at Atlanta-based Reagan Consulting, a management consulting and merger-and-acquisition advisory firm for the insurance distribution system.

“It’s always important to understand what’s going on around you in the market and what your competitors are paying. It will give you guidance on how you should pay your employees,” McNeely says.

McNeely adds that when it comes to producer compensation, it’s not just about pay.

“If I had one area of advice to give owners regarding producer compensation it would be that producer compensation is largely not going to impact the performance of an individual,” he says. “People will often call us and say, ‘Hey if I pay them more in commission splits will their book automatically grow?’ We have found that is not true. Someone’s core behavior is not going to change just by changing their compensation,” McNeely said. “Compensation is not going to materially impact someone’s performance from a production perspective. Paying above market is not going to improve someone’s performance.”

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Health Insurance: % Paid by Agency for Employee

East	73%
Midwest	71%
South Central	73%
Southeast	78%
West	80%

Health Insurance: % Paid by Agency for Employee

Under \$1 million	27.4%
\$1 million - \$5 million	50.1%
\$5 million - \$10 million	69.4%
\$10 million - \$25 million	74.6%
\$25 million - \$50 million	78.7%
\$50 million - \$100 million	75.1%
\$100 million or more	76.8%

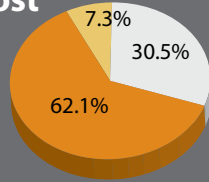
Changes to Health Insurance Plan in Past Year

Increased employee contribution	41.5%
Increased deductible limits	63.8%
Implemented higher co-pays for participants	39.9%
Reduced drug benefit	11.0%
Reduced other benefits	10.4%

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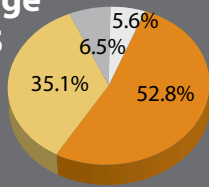
Agency Gives Annual Cost of Living Increase

- Yes
- No
- Not Sure



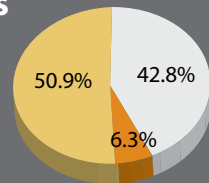
Agencies' Plans to Change Payroll Expense in 2015

- Reduce payroll expense
- Increase payroll expense
- Keep the same
- Not sure



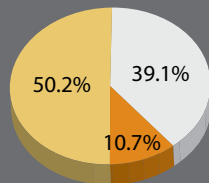
Agency Salary Increases in 2014

- Higher than 2013
- Lower than 2013
- Same in 2014 compared to 2013



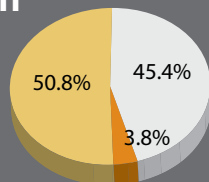
Agency Staff Size in 2014

- Increase
- Decrease
- Stayed the same



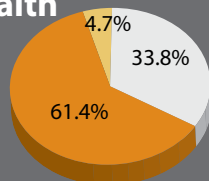
Anticipated Agency Staff Size in 2015

- Increase
- Decrease
- Stay the same



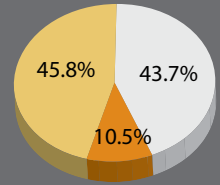
Change in Agencies' Health Plans in Past Year

- Yes
- No
- Not Sure



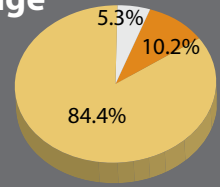
Producer Commissions in 2014

- Increase
- Decrease
- Stayed the same in 2014 compared to 2013



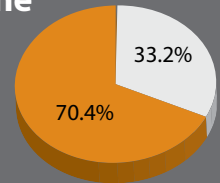
Agencies' Plans to Change Commission Structure

- Changed in 2014
- Will change in 2015
- No changes



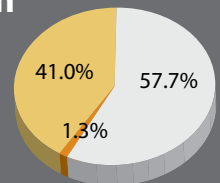
How Agencies Determine Fees

- % of Premium
- Flat fee based on account type



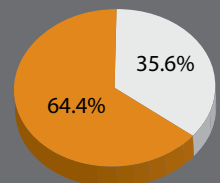
Producer Compensation and Fees

- Producer receives % of fee
- Producer receives all of fee
- Producer doesn't receive fee



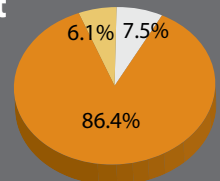
Producer Bonus for Exceeding Sales Goal

- Yes
- No



Owners Thinking About Selling the Agency

- Yes
- No
- Not applicable

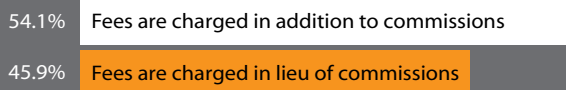


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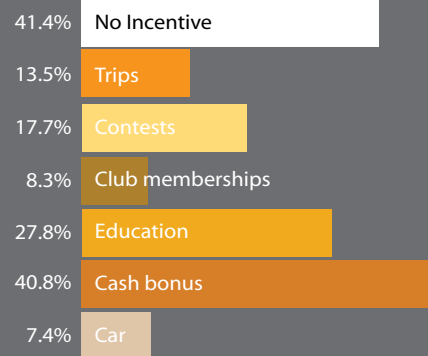
Non-Owner Producer Compensation



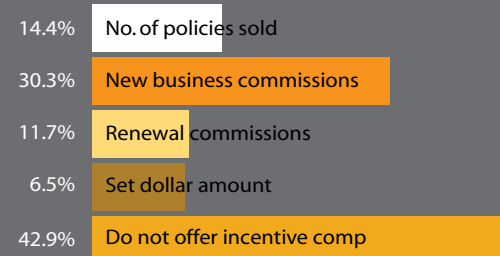
How Agencies Charge Fees



Incentive for Non-Owners Producers



How Incentive Compensation for CSRs is Determined



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Happier Employees

McNeely says in his view compensation packages overall are still competitive in independent agencies.

“If there’s any area that people are constantly evaluating that’s their health insurance premiums which is more of a macro-economic issue more than anything.” Other than that McNeely sees compensation and agency staffing moving in the right direction.

Increased staffing levels in agencies is one good sign for the industry. “Agencies are having to invest more because their clients are requesting more and more of them and they are having to hire people to meet those requests,” McNeely says.

According to the 2015 Agency Salary Survey, 39.1 percent of respondents reported that agency staff size increased in 2014, and 45.4 percent of agency managers/owners reported they plan to increase their agency’s staff size in 2015.

Growth is both a function of a growing industry and an increasing level of services that clients are demanding. “It’s a great thing to see that trend happening,” McNeely says.

ACG’s Diamond says keeping employees happy is both simple and very complicated.

“Frankly, the way to make employees happy is to appreciate them and that isn’t necessarily in tangible ways,” Diamond says. “Agency owners aren’t the best human relations managers that we’ve seen and we are trying to convince them to identify the best employees for what they do and give them credit; they are not just drones in a factory. Those that do I find the employees are much more satisfied.”

Shaw says agency owners should make every effort to understand the needs of the staff by listening and asking questions about what’s important to them.

“Have you ever asked your employees what they would like? You may not be able to give them what they are asking for but at least ask them. They will appreciate it,” Shaw says.

Burand sees agency owners putting more thought into how they can make their agency a better place to work.

“Whether it’s a better break room, maybe bowling party, or even better computer monitors,” Burand says.

Owners are struggling to find the right balance when it comes to compensation, workload and people, he says. “They are trying really hard to not hire any more people than they absolutely have to. There’s just a higher level of consciousness to pay the right amount, limit hiring and not overpay.”

Burand’s bottom line: “It’s not one specific thing but overall the workload for a lot of different reasons really has increased. I could see that being the cause of stress and lower satisfaction — not just pay — but all of the little things that are adding up.” ■

Insurance Journal’s Agency Salary Survey collected 1,342 responses from independent insurance agencies and brokerages nationwide via an online survey. Demotech Inc., Insurance Journal’s official research partner, assisted with analysis of this year’s survey results.