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## BIG "I" STUDY SUGGESTS INDUSTRY MAY BE ON ROAD TO RECOVERY

*Best Practices Study shows profits held constant and minor organic growth improved.*

ALEXANDRIA, Va., Oct. 13, 2011 — The Independent Insurance Agents & Brokers of America (IIABA or the Big "I") announced today the release of its 2011 Best Practices Study which found that organic growth improved, albeit modestly, and profitability held constant across most of the study's six revenue groups.

"The results of this year's Best Practices Study indicate good news after several years of negative growth, shrinking profit margins and declining agency values," says Madelyn Flannagan, Big "I" vice president of agent development, research and education. "Most study participants benefitted from the growth strategies deployed over the last couple of years when the recession suddenly amplified the pressure of a prolonged soft market."

Other findings from the 2011 Best Practices Study include:

- **Big Picture:** Most study participants benefitted from the growth strategies deployed over the last couple of years when the recession suddenly amplified the pressure of a prolonged soft market. A strong focus on total account development, increased advertising/marketing activities, and producer hiring/development/management strategies gave most agencies a competitive advantage when the economy began to rebound in 2010, and stopped or reversed the revenue decline that first became apparent in the 2006 study. Generally, the smaller revenue-sized agencies reported flat growth, while the larger commercial agencies reported improvement over the 2010 study results. Organic growth for the \$10-25 million group increased from 0.7% to 2.4% and the more than \$25 million group increased from 1.2% to 3.3%.
- **Cutting the Fat:** As with revenue growth, the agencies benefitted from steps taken over the last couple of years to control and lower expenses. Profitability remained flat in all study groups with an average Pro Forma EBITDA margin of 26.2% for agencies with revenue less than \$5 million and 20.0% for agencies with revenue above \$5 million. Margins had decreased continuously since 2006 when they were at their highest in the study's then 13 year history.
- **Rule of 20:** In recent years, the Rule of 20 outcomes, a quick measure for determining whether an agency is creating value for its shareholders, have fallen significantly short of the desired score of 20 for most of the study groups. The 2011 results leveled off at an average score of 13.2 for the "Less than \$5 million" agencies and increased to an average 11.7 for the "More than \$5 million" agencies.
- **Revenue per Employee,** an industry standard productivity measure, also remained flat with the average for the "less than \$5 million" agencies just over \$150,000 and the "more than \$5 million" at \$172,000. These averages are down only slightly from the revenue per employee levels reached prior to the start of the soft market. The resulting drop in revenue forced agencies to concentrate on better utilizing new and existing technology to support sales and marketing efforts and to contain costs. As a result, productivity remained stable.
- **Personal lines,** once again, had positive growth rates (an average of 3.1% for the less than \$5 million and 3.8% for the more than \$5 million). However, group medical grew more last year with an average of 3.0% for the less than \$5 million and a strong 4.2% for the more than \$5 million, up more than 3% from last year.
- **Commercial lines** continued to see negative growth but far less negative than last year. Many agents said they are starting to see some commercial insurance rates hold at their current levels. This could indicate that the 2012 results are bound to improve providing the economy doesn't stall again.

"While the 2011 results are not stellar, they do indicate that Best Practices agencies are rebounding from the devastating effects of the recession and soft market, and are poised for new growth and stronger profitability, the key components of agency value," says Robert Rusbuldt, Big "I" president & CEO. "Overall, we are pleased, but not surprised, that the independent insurance agency system remains strong and stable."

Every three years, the Big "I" collaborates with Reagan Consulting to select "Best Practices" firms throughout the nation for outstanding management and financial achievement in six revenue categories (less than \$1,250,000; \$1,250,000 to \$2,500,000; \$2,500,000 to \$5,000,000; \$5,000,000 to \$10,000,000; \$10,000,000 to \$25,000,000; and more than \$25,000,000). Agencies are nominated by either a Big "I"-affiliated state association or an insurance company and qualified based on -operational excellence. Financial and benchmarking information for the participating agencies are also reviewed and updated.

The Best Practices Study was initiated by the Big "I" in 1993 as the foundation for efforts to improve agency performance and create

higher valued agencies. The survey and study of leading independent insurance agencies documents the business practices of these "best" agencies and urges others to adopt similar practices.

Twelve insurance companies and four industry vendors provide financial support for the research and development of the Best Practices study – Applied Systems, Addis Intellectual Capital, Central Insurance Cos., Chubb, EMC Insurance Companies, Encompass Insurance, Erie Insurance, Great American Insurance Group, The Hanover Insurance Group, Harleysville Insurance, Imperial PFS, InsurBanc, Kemper Preferred, Liberty Mutual Agency Corporation, MetLife Auto & Home and Zurich North America.

Founded in 1896, IIABA is the nation's oldest and largest national association of independent insurance agents and brokers, representing a network of more than 300,000 agents, brokers and their employees nationally. Its members are businesses that offer customers a choice of policies from a variety of insurance companies. Independent agents and brokers offer all lines of insurance—property, casualty, life and health—as well as employee benefit plans and retirement products. Web address: [www.independentagent.com](http://www.independentagent.com).

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