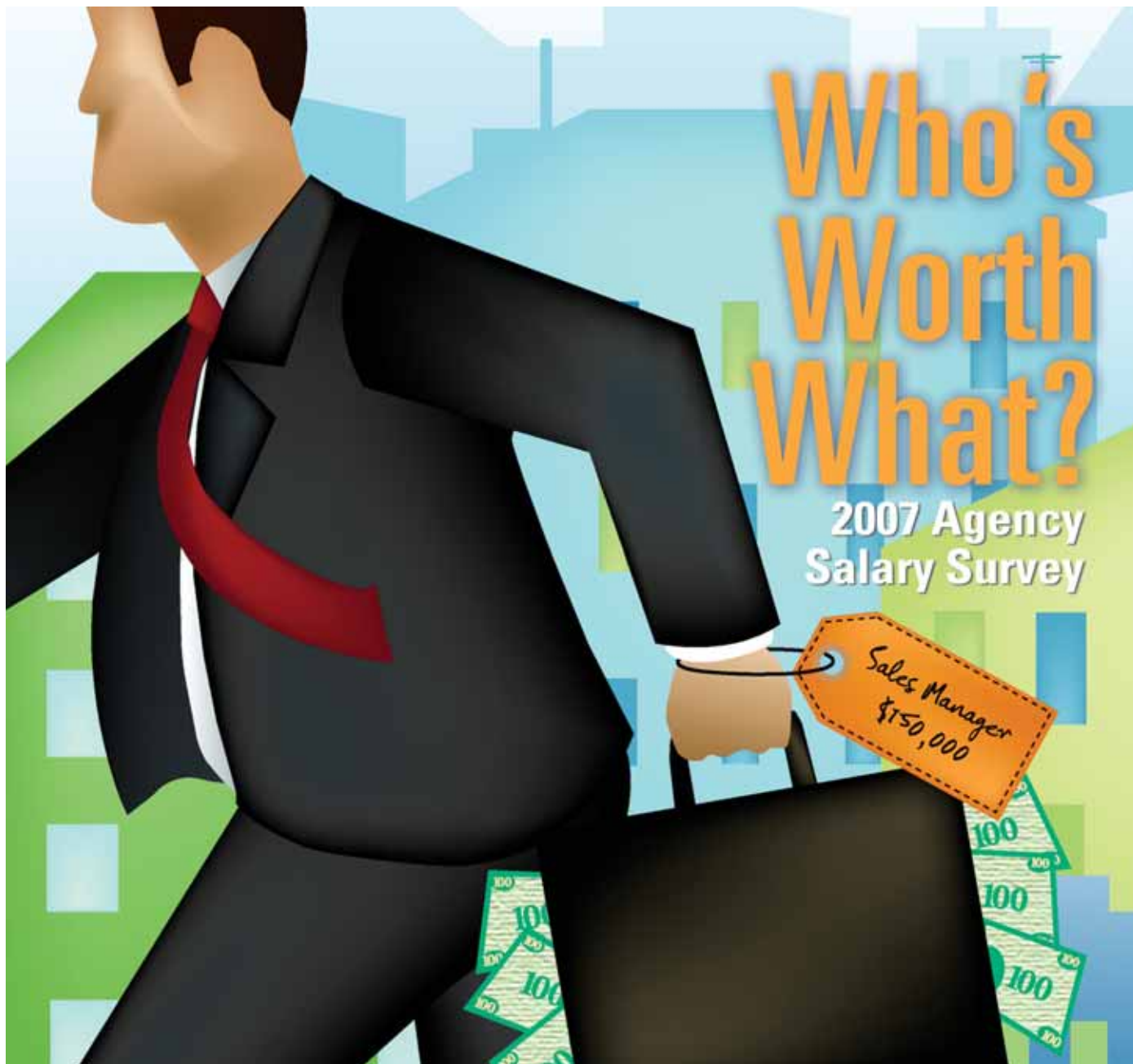


Insurance Journal's Exclusive Agency Salary Survey

Producer commissions up; service staff salaries hold steady



By Andrea Ortega-Wells

More independent insurance agencies gave salary increases in 2006 than in 2005, but still nearly half of all agency salaries nationwide stayed right where they were compared to 2005. On the other hand, producer commission rates in 2006 soared above rates in 2005. Nearly half of all agen-

cies nationwide reported increasing producer commission rates last year.

Nearly 2,000 insurance agency owners from across the country responded to *Insurance Journal's* annual online survey on agency compensation practices, providing the following insights into who's worth what in the independent agency system.

IJ's official research partner, Demotech

Inc., provided analysis and input for the 2007 Agency Salary Survey. Throughout 2007, *IJ's* editorial team and Demotech Inc. will participate in special joint reports on industry performance and financial results.

Compensation overall

Overall, 50% of the respondents said that salaries in their agencies stayed the same in

2006 compared to 2005. More than a third (36%) reported that salary increases were higher in 2006 than in 2005 and just 14% said salary increases were lower.

Nearly a third (32%) of respondents gave no salary increases to managers in 2006, but 14% gave a 3% salary increase, 9% gave a 4% salary increase, and 34% gave a 5% or more salary increase to managers.

Some 36% of sales producers received no salary increase in 2006, while 14% received salary increases of just 3%, 6% gave a 4% increase, and another 30% received increases of 5% or more.

One-quarter (25%) gave their support staff 3% salary increases, but 16% gave no salary increases to support staff in 2006. Another 16% gave 4% increases to support staff, while 28% gave increases of 5% or more in 2006.

Most survey respondents said their agency incentive plans were based on individual performance (44%), agency profits (38%), productivity (35%), revenue growth (30%) and contingent commissions (13%). About 19% reported not offering incentive plans.

Agencies offering group health as a benefit option to employees in 2006 dropped 11% from 2005. Some 80% of agencies reported offering group health insurance in 2006 while 91% reported offering the coverage in 2005. Only 56% of

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Agency Salary Survey

P/C Premium Volume	President/CEO	Office Manager	Sales Manager	Accounting Manager	Personal Lines Mgr.	Commercial Lines Mgr.	Marketing Manager	Avg. Comm. and Fee Income
Under \$1 million Average Salary	\$79,033	\$54,133	\$55,345	\$44,423	\$40,313	\$64,474	\$47,656	\$199,606
\$1 million - \$5 million Average Salary	\$106,294	\$47,652	\$59,865	\$37,841	\$36,192	\$45,048	\$46,100	\$457,864
\$5 million - \$10 million Average Salary	\$203,521	\$65,694	\$94,864	\$45,972	\$48,622	\$65,296	\$65,859	\$1,511,806
\$10 million - \$25 million Average Salary	\$260,742	\$82,036	\$124,610	\$62,628	\$55,427	\$70,294	\$70,000	\$3,240,611
\$26 million - \$50 million Average Salary	\$319,894	\$89,414	\$142,557	\$66,192	\$55,919	\$84,444	\$71,271	\$5,197,746
\$50 million - \$100 million Average Salary	\$417,321	\$111,897	\$160,000	\$87,577	\$69,592	\$92,850	\$94,048	\$10,998,641
\$100 million or more Average Salary	\$519,643	\$134,879	\$214,861	\$115,336	\$108,947	\$144,025	\$140,667	\$24,336,957

P/C Premium Volume	Personal Lines CSR Salary - High	Personal Lines CSR Salary - Low	Avg. Personal Lines CSR Years of Experience	Commercial Lines CSR Salary - High	Commercial Lines CSR Salary - Low	Average Commercial Lines CSR Years of Experience
Under \$1 million Average Salary	\$33,098	\$26,364	5.6	\$36,862	\$31,571	5.9
\$1 million - \$5 million Average Salary	\$33,569	\$24,697	6.6	\$40,851	\$32,229	7.3
\$5 million - \$10 million Average Salary	\$40,468	\$29,583	7.3	\$47,146	\$37,056	8.7
\$10 million - \$25 million Average Salary	\$44,407	\$32,072	7.6	\$54,622	\$39,313	8.8
\$26 million - \$50 million Average Salary	\$45,020	\$30,662	7.5	\$57,796	\$38,928	9
\$50 million - \$100 million Average Salary	\$45,791	\$33,533	7.5	\$61,267	\$39,754	8.7
\$100 million or more Average Salary	\$47,118	\$35,650	7.7	\$66,557	\$45,457	8.7

Average Salaries - Largest States

	California	Florida	New York	Texas	All Other
Average Agency Size - Premium	\$27,908,654	\$40,004,902	\$29,018,421	\$24,244,949	\$24,028,125
President/CEO - Salary	\$284,268	\$286,763	\$285,114	\$183,719	\$210,913
Office Manager - Salary	\$81,239	\$72,910	\$94,635	\$67,950	\$73,309
Sales Manager - Salary	\$116,078	\$111,622	\$147,500	\$82,339	\$126,202
Accounting Manager - Salary	\$67,995	\$57,450	\$77,357	\$57,727	\$67,311
Personal Lines Manager - Salary	\$62,093	\$55,804	\$62,647	\$42,125	\$55,015
Commercial Lines Manager - Salary	\$86,577	\$66,915	\$85,903	\$55,000	\$76,490
Marketing Manager - Salary	\$76,932	\$63,362	\$107,976	\$65,119	\$88,958
Average Years Experience Personal Lines CSR	6.6	6.3	8.0	6.5	7.1
Average Years Experience Commercial Lines CSR	7.8	7.7	8.6	8.1	8.2
Average Agency Raise - Management	3.6%	4.8%	3.2%	3.1%	3.4%
Average Agency Raise - Sales	3.1%	4.5%	2.5%	3.2%	3.2%
Average Agency Raise - Support	3.4%	4.0%	3.2%	3.0%	3.4%
Average Agency Size - Employees	9.9	11.9	10.1	9.3	9.8
% of 2006 Agency Revenue from Contingent Commission	6.1%	3.7%	6.5%	5.8%	7.1%

the survey respondents offered a 401(k) retirement plan in 2006 compared to 65% in 2005. Half or more of all agencies offered dental (50%), group life/disability (56%), and education reimbursement (52%) as employee benefits.

Of the large states, Florida has the largest average agency size by both volume and staff. New York is well above the national average for experience for both personal and commercial lines CSRs. Florida is well below the average for contingent commissions. Texas lags behind the national average for salaries at all positions.

Contingent commissions

More than a third of respondents (37%) believe that contingent commissions based upon favorable loss ratios and production minimums will not be eliminated in the future, according to the survey. Almost an equal number (35%) are not sure, while 28% of agencies believe contingent commissions will not be an option in the future.

More than a third of agencies (38%) reported that contingent commissions made up 5% or less of their agency revenue in 2006. Another 26% reported contingent commissions made up 6% to 10% of their 2006 agency revenue, while 16% said it made up 11% to 20% of revenue. Only 4% reported contingent income made up more than 20% and 15% reported receiving no contingent income.

An equal number of respondents reported that they have (39%) or have not (39%) received word from their agency's insurance companies that contingent commissions will be eliminated in 2007.

Management

President and CEO salary averages ranged from \$79,033 in agencies with less than \$1 million in P/C premium volume to \$519,643 for agencies with more than \$100 million in premium volume.

Sales managers were the next highest paid employee, according to the results. Sales manager salary averages ranged from \$55,345 in agencies with less than \$1 million in P/C premium volume to \$214,861 for agencies with \$100 million or more in premium volume.

Personal lines managers were paid an average of \$40,313 to \$108,947, while commercial lines managers were paid an average of \$64,474 to \$144,025, the survey revealed.

Marketing managers were paid an average of \$47,656 to \$140,667, while office managers and accounting managers were paid an average of \$54,133 to \$134,879 and \$44,423 to \$115,336, respectively.

Sales

Most sales producers were paid by commission only (39%) or commission plus salary (38%), according to the survey results. Some 19% of producers were paid salary only while just 4% were paid through other methods. The majority of respondents reported paying new policy commission rates from 11% to 15% for personal lines, small commercial and large commercial. The majority also reported paying renewal policy commission rates from 11% to 15% for personal lines, small commercial and large commercial.

Nearly half (49%) said producer commis-

sions increased in 2006 compared to 2005, while 38% said they stayed the same and 13% said they decreased.

Customer service reps

Personal lines customer service representatives' salary averages ranged from a low \$26,364 in agencies with less than \$1 million in P/C premium volume to a high \$47,118 for agencies with \$100 million or more in premium volume. Most personal lines CSRs had more than seven years of experience, according to the survey.

Commercial lines CSRs' salary averages ranged from a low \$31,571 in agencies with less than \$1 million in P/C premium volume to a high \$66,557 for agencies with \$100 million or more in premium volume. Most commercial lines CSRs had more than eight years of experience.

The survey found that personal lines CSR experience is highest in small cities or those with less than 100,000, and lowest in cities with 100,000 to 500,000. Commercial lines CSR experience is highest in cities with 100,000 to 500,000, and lowest in cities with more than 500,000. Nearly one-quarter (24%) offered additional compensation to personal lines CSRs on new business, but 38% said they offered no additional compensation. Nearly half (45%) of all respondents did not offer additional compensation to commercial lines CSRs but 24% did offer additional compensation on new policies.

Demographic profile

Agency owners in all 50 states responded to the salary survey, but more than half of all

Average Salaries by Population Size

City Size	President/CEO	Office Manager	Sales Manager	Accounting Manager	Personal Lines Mgr.	Commercial Lines Mgr.	Marketing Manager
Less than 10,000	\$165,975	\$53,822	\$92,014	\$51,974	\$45,175	\$59,545	\$70,893
Between 20,000 - 50,000	\$192,239	\$67,028	\$102,049	\$55,889	\$46,377	\$65,495	\$67,744
Between 50,000 - 100,000	\$230,617	\$68,856	\$128,000	\$61,591	\$53,824	\$65,380	\$74,076
Between 100,000 - 250,000	\$238,615	\$76,916	\$107,009	\$57,870	\$53,000	\$83,289	\$72,330
Between 250,000 - 500,000	\$256,490	\$76,219	\$150,385	\$75,885	\$59,500	\$78,509	\$77,557
Between 500,000 to 1 million	\$274,226	\$81,326	\$112,500	\$72,100	\$56,850	\$77,700	\$82,426
More than 1 million	\$310,042	\$101,316	\$150,256	\$85,180	\$76,211	\$98,218	\$99,930

New Policy Commission

Paid by % of Agencies

Commission % Paid	Personal Lines	Small Commercial	Large Commercial	Life	Health
0%	14%	8%	8%	17%	21%
1% to 5%	4%	3%	3%	6%	16%
6% to 10%	13%	16%	18%	7%	19%
11% to 15%	38%	35%	33%	3%	5%
16% to 20%	9%	13%	7%	3%	6%
21% to 25%	5%	3%	3%	5%	4%
26% to 30%	2%	3%	2%	4%	3%
31% to 35%	3%	4%	6%	5%	6%
More than 36%	12%	16%	20%	50%	21%

Renewal Policy Commission

Paid by % of Agencies

Commission % Paid	Personal Lines	Small Commercial	Large Commercial	Life	Health
0%	19%	13%	10%	31%	26%
1% to 5%	3%	2%	2%	26%	20%
6% to 10%	18%	18%	22%	10%	20%
11% to 15%	36%	36%	32%	5%	5%
16% to 20%	7%	10%	7%	3%	5%
21% to 25%	5%	5%	6%	4%	5%
26% to 30%	2%	4%	6%	3%	3%
31% to 35%	3%	5%	7%	4%	5%
More than 36%	7%	7%	8%	14%	10%

respondents (53.4%) were from seven states — California (15.1%), Florida (7.9%), New York (7.2%), Texas (7.2%), Virginia (7.1%), Illinois (4.6%) and Pennsylvania (4.3%). A total of 1,823 survey responses were received via the online *Insurance Journal* survey throughout February 2007.

Almost one-fifth of all respondents were from cities with a population of more than one million (18.6%); 18.3% were from cities with populations between 20,000 to 50,000; 15.3% from cities between 100,000 to 250,000; 15.2% from cities between 50,000 to 100,000; 11.6% from cities between 250,000 to 500,000; 10.3% from cities between 500,000 to one million, and 10.7% resided in towns with less than 10,000.

Nearly one-third (29.7%) of all survey respondents generated total property/casualty premium volume in 2006 ranging between \$1 million to \$5 million; 17.9% generated \$10 million to \$25 million in premium; 16.7% generated \$5 million to \$10 million in premium; 10.3% generated less than \$1 million; 9.3% generated \$26 million to \$50 million in premium; 8.9% generated more

than \$100 million in premium; and 7.1% generated \$50 million to \$100 million in premium.

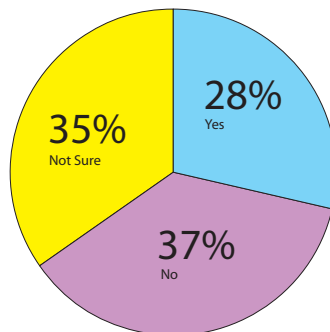
Nearly one-third (27.3%) of all agencies reported total commission and fee income in 2006 as between \$1 million and \$5 million, while 15.5% reported \$250,000 to \$500,000; 14.6% reported \$100,000 to \$250,000; 14.5% reported \$50,000 to \$1 million; and 9.3% reported \$5 million to \$10 million.

Owners and employees

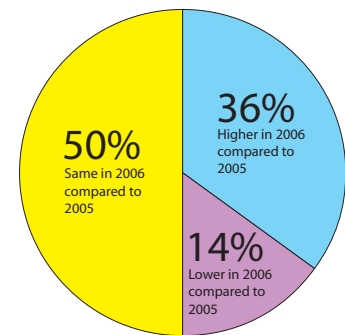
Close to half (44.7%) of all survey respondents reported having just one active agency principal in their agency; 27.6% reported having two; 11.3% reported having three; 4.9% had four; 2.5% said their agencies had five, while 9% reported as having more than five.

Most respondents said they had one to five full time employees for management (70%), sales staff (56%) and support staff (42%).

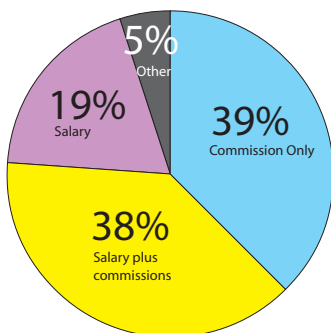
Will contingent commissions be eliminated?



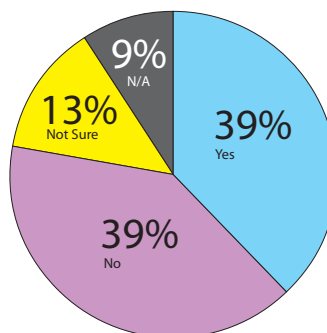
Salary Increase for 2006



Non-Owner Producer Compensation



Have insurers indicated they will eliminate contingent commissions?



Non-Owner Producer Commission

