

Who's Worth What?

Agency Salary Survey

Survey reveals fewer pay raises in 2007 but most agencies' salaries hold firm



By Andrea Ortega-Wells

Fewer independent agencies gave salary increases to managers, sales producers and support personnel in 2007 compared to 2006, while half of all agencies reported that salaries stayed the same in 2007 compared to 2006. Of those agencies that did offer salary increases, pay raises were somewhat lower in 2007.

This is according to nearly 1,750 independent agencies from across the nation that responded to *Insurance Journal's* annual online survey on agency compensation trends, providing valuable information on who's worth what in the independent agency system.

Demotech Inc., *IJ's* official research partner, provided analysis and input once again for this year's Agency Salary Survey.

The decline in pay raises for agencies in 2007 is no surprise to industry veteran Madelyn Flannagan, Independent Insurance Agents and Brokers of America's vice president of education and research. "Bonuses, salary increases, and those little extra perks always tend to fall off when the market takes a turn," she said. "But they also go back up," she added.

While the nation faces tougher economic times, Flannagan attributes the cutbacks mostly to the soft market, not the economy. "It's a soft market trend," she noted.

Even though salaries may be down somewhat, job security is not usually an issue in a soft market, according to Flannagan. "Typically job stability is not a problem because they (agencies) are not losing clients; they are just losing revenue from premium volume. They still have the same amount of work to do, but they don't have those increased premiums," she said. Agents may be fighting a tougher battle to keep the business but the business is not gone, she added.

agency personnel lucky enough to receive a pay increase in 2007, overall, 49.6 percent of survey respondents reported that salaries stayed the same in their agencies in 2007 compared to 2006. Less than a third (31 percent) reported salary increases were higher in 2007 than in 2006, while 19.4 percent reported salary increases were lower in 2007 compared to 2006.

This result differed slightly from the previous year's survey where 36 percent of respondents said salary increases were higher in 2006 compared to 2005.

While respondents reported an average salary increase for agency management at 2.9 percent in 2007, more than one-third of agency management (37.4 percent) were given no salary increase in 2007.

A near majority of sales staff, 40.9 percent, also received no salary increase in 2007. However, for those receiving salary increases, the average salary increase for sales staff in 2007 was just 2.7 percent.

Support staff received the highest increases in salary in 2007. Salary increase for support staff averaged 3.2 percent in 2007. More than a third (37 percent) reported service staff salary increases of between 1 to 3 percent, while 28 percent gave raises of 4 to 5 percent, and 12 percent

continued on page N16

Average Salary Raise in 2007

Management	2.9%
Sales Staff	2.7%
Support Staff	3.2%

The survey also found that while more than half (54.5 percent) of agencies reported that staff size stayed the same in 2007 compared to 2006, some 29.7 percent increased staff size and 16 percent decreased staff size overall.

The majority of respondents (58.7 percent) anticipate keeping staff size the same in 2008 as well, while 34.6 percent plan to increase and just 6.7 percent plan to decrease agency staff size.

Compensation overall

Despite lower salary raises for those

Average Salaries by Agency Premium Volume (Management)

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	\$98,817	\$38,136	\$57,596	\$35,556	\$30,789	\$46,667	\$37,273	\$372,051
\$1 million - \$5 million	\$118,012	\$47,176	\$60,500	\$43,920	\$40,477	\$47,183	\$70,625	\$477,732
\$5 million - \$10 million	\$182,207	\$56,638	\$82,045	\$49,282	\$47,800	\$59,259	\$61,313	\$1,756,203
\$10 million - \$25 million	\$254,721	\$80,817	\$111,721	\$59,538	\$58,479	\$73,633	\$64,279	\$3,182,946
\$26 million - \$50 million	\$335,257	\$111,017	\$118,818	\$76,044	\$66,128	\$89,970	\$82,966	\$5,006,507
\$50 million - \$100 million	\$361,346	\$95,446	\$156,410	\$83,423	\$69,796	\$103,491	\$90,972	\$10,234,375
\$100 million or more	\$557,595	\$140,685	\$185,688	\$113,333	\$99,130	\$141,287	\$158,030	\$23,018,849

Average Salaries by Agency Premium Volume (Support Staff)

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	\$28,038	\$22,156	5.5 years	\$46,931	\$27,143	6 years
\$1 million - \$5 million	\$32,730	\$25,828	7.6 years	\$41,601	\$31,958	8.2 years
\$5 million - \$10 million	\$36,691	\$28,517	8.1 years	\$50,982	\$36,448	9.9 years
\$10 million - \$25 million	\$38,528	\$31,131	9 years	\$57,655	\$42,760	10.1 years
\$26 million - \$50 million	\$39,336	\$32,359	9 years	\$61,526	\$43,841	10.4 years
\$50 million - \$100 million	\$39,346	\$33,573	8.7 years	\$63,354	\$44,881	9.7 years
\$100 million or more	\$37,576	\$31,829	8.2 years	\$63,248	\$46,361	9.4 years

gave raises of more than 5 percent.

Most (42 percent) survey respondents said their agency incentive plans were based on individual performance while agency profits (36 percent), productivity (35 percent), revenue growth (29 percent), and contingent commissions (13 percent) were also cited as factors. About 18 percent reported not offering incentive plans.

Susan Henry, senior vice president, The Jacobson Group, Jacobson Solutions division, says that in the agency-brokerage world it feels like everybody is hiring and that everybody is struggling to find talent.

"I've never seen things quite so competitive between workers as they are right now," she said. Everything from customer service reps to account managers, to licensed producers, agents and brokers, "seem to be hot" right now, she said.

Henry noted that support personnel, including CSRs and account managers, are the most competitive.

"I'm seeing a lot of movement among that customer service and account manager group," Henry noted. "Account executives, account managers, and customer service roles are leaving. They're willing to consider employment elsewhere, for not very much more money," she added. In today's agency, service reps value other types of benefits, beyond cash compensation, including flexible schedules, work from home options, rewards programs, and other benefits that may be enticing this group to move, she said. "As long as there's a small bump in salary or total compensation," they may move, she noted.

The IIABA's Flannagan concurred, noting that she has heard from many of the Big "I's" members on this trend.

"I've received a lot of phone calls about what's driving that (trend) over the last couple of years and I wonder that myself," she said. "Does the ability to have more hands-on technology at one agency drive someone to say, 'Hey I'd like to go there and try something new.' I have heard that that's a reason for people leaving."

Flannagan also agreed that non-cash compensation benefits such as a flexible work schedule, tuition reimbursement, "all those bells and whistles of the modern work place," may be driving the trend.

Both Flannagan and Henry said that agencies today must have an understanding that with the current generation of workers what was appealing to one group in the '60s and '70s is not appealing anymore.

"Those agencies that are doing the same thing they have been doing for years, the exact same compensation plan, the exact same benefit plan and not really reevaluating it, are really struggling in attracting that 'A' level talent," Henry said.

Flannagan added that this compensation trend has put pressure on agencies for the last eight to 10 years.

Benefits

Employee benefits do not appear to be affected by the soft market environment in the same way that salaries and commissions are, according to Flannagan.

"It's the things like bonuses, those added days off, or flowers on your desk ... those are things that we see go away," Flannagan said. "But health care, retirement ... those are the norm of mainstream business" and are typically not affected by the soft market, especially in the midsized agency, she said.

Michael Marino of Watson Wyatt, a global consulting firm on human resource issues, agreed. "You don't typically see things like benefits being cut," he said. "We typically see things more like staff being cut."

I's survey's results concurred with Marino's assessment. Agencies offering group health insurance stayed the same in 2007 compared to 2006, according to the results. Some 80 percent of agencies reported offering health care coverage to employees in 2007 and 2006.

The number of agencies offering a 401(k) retirement plan dropped slightly in 2007. Only 53 percent of survey respondents reported offering a 401(k) in 2007 compared to 56 percent in 2006. About half or more of all agencies reported offering dental (48.7 percent), group life/disability (55.4 percent), and education reimbursement (46.8 percent).

Other ancillary benefits offered included: profit sharing (21.7 percent); FSA (11.5 percent); IRA (9.6 percent); pension plan (9.3 percent); stock options (3.7 percent) and ESOP (3.4 percent). Some 11.6 percent reported offering no employee benefit options.

Health care, retirement plans, profit sharing, stock plans, education reimbursement, and other ancillary benefits are viewed as central to a total rewards compensation framework in today's agency, according to Marino. "And a lot of our clients are engaging in this total rewards concept."

Henry said total rewards compensation must be met at all levels of an independent agency.

"Whether it is a customer service rep or

Average Salaries - Largest States

	California	Florida	New York	Texas	All Other States
Average Agency Commission & Fee Income	\$3,767,736	\$4,262,955	\$5,588,053	\$3,418,429	\$3,548,401
President/CEO - Salary	\$229,147	\$224,244	\$247,917	\$185,746	\$201,110
Office Manager - Salary	\$81,090	\$74,395	\$86,375	\$64,972	\$67,401
Sales Manager - Salary	\$114,551	\$92,019	\$131,719	\$81,413	\$107,730
Accounting Manager - Salary	\$76,215	\$64,032	\$75,272	\$60,079	\$65,567
Personal Lines Manager - Salary	\$70,26	\$55,417	\$62,194	\$52,500	\$54,714
Commercial Lines Manager - Salary	\$85,901	\$68,235	\$86,923	\$66,654	\$76,066
Marketing Manager - Salary	\$103,276	\$82,981	\$138,696	\$69,844	\$85,828
Average Years Experience Personal Lines CSR	6.8	6.1	8.4	7.4	8.5
Average Years Experience Commercial Lines CSR	8.4	7.9	10.5	8.8	9.2
Average Agency Raise - Management	3.0%	2.9%	2.7%	2.8%	2.9%
Average Agency Raise - Sales	2.6%	2.5%	3.1%	2.5%	2.7%
Average Agency Raise - Support	3.3%	3.3%	3.2%	2.9%	3.2%
Average Agency Size - Employees	9.6	10.2	10.7	9.3	9.4
% that believe a recession is coming	69.8%	78.4%	70.6%	68.1%	69.1%

Average Salaries by Location (Population)

Population of Agency Location	President/CEO	Office Manager	Sales Manager	Accounting Manager	Personal Lines Mgr.	Commercial Lines Mgr.	Marketing Manager
Less than 10,000	\$136,730	\$56,296	\$73,889	\$48,349	\$42,895	\$65,216	\$64,643
Between 20,000 - 50,000	\$177,045	\$58,214	\$90,137	\$55,543	\$46,901	\$63,000	\$89,128
Between 50,000 - 100,000	\$196,026	\$66,445	\$98,729	\$67,689	\$62,568	\$71,268	\$106,11
Between 100,000 - 250,000	\$165,368	\$61,729	\$126,806	\$63,438	\$49,342	\$71,923	\$82,244
Between 250,000 - 500,000	\$246,954	\$85,484	\$118,100	\$73,413	\$62,981	\$87,538	\$97,442
Between 500,000 to 1 million	\$203,333	\$74,345	\$101,818	\$70,708	\$57,908	\$79,612	\$80,156
More than 1 million	\$312,186	\$91,696	\$126,475	\$78,947	\$72,255	\$91,187	\$96,675

a full-blown producer, there needs to be some creativity in how you create a total rewards program,” Henry said. A total rewards program is beyond cash compensation, according to Henry, and should include base pay, bonuses, commissions, and other benefits that make the total compensation package unique.

“Whereas maybe in the past, I might have been inclined to say, it really is a cash business and cash is king,” Marino said. “But I think for a while now this industry (insurance) has been moving towards a total rewards framework and these types of benefits are really core to the overall rewards program.”

Management

President and CEO salary averages increased in 2007 compared to 2006, according to survey responses.

President and CEO salary averages in 2007 ranged from \$98,817 in agencies with less than \$1 million in P/C premium volume to \$557,595 for agencies with more than \$100 million in premium volume. Last year's salary averages were \$79,033 and 519,643, respectively.

Sales managers continue to be the next highest paid position in agency management, according to the survey results.

Sales manager salary averages ranged from \$57,596 in agencies with less than \$1 million in P/C premium to \$185,688 in agencies with more than \$100 million in premium volume. This compares to \$55,345 and \$214,861, respectively, in last year's survey.

Personal lines managers were the lowest paid management position with an average salary of \$30,789 to \$99,130, while commercial lines managers ranged from \$46,667 to \$141,287.

Marketing managers were paid an average of \$37,273 to \$158,030, while office managers and accounting managers were

paid an average of \$38,136 to \$140,685 and \$35,556 to \$113,333, respectively.

Sales

Most (32 percent) non-owner sales producers were paid with a salary plus commission but nearly a quarter of respondents (24 percent) were paid by commission only, according to the survey results.

Some 15 percent of respondents reported paying non-owner sales producers a salary only, while another 12 percent reported paying a draw against commission. Just 2 percent of respondents reported paying sale producers by other methods.

Most respondents (45 percent) reported that overall non-owner producer commission rates increased in 2007 compared to 2006, while more than a third (34 percent)

reported commission rates stayed the same in 2007 compared to 2006. More agencies reported decreases in commission rates in 2007 compared to 2006. Twenty-one percent of respondents said that commissions decreased in 2007, while only 13 percent reported decreased commissions in 2006, according to the survey.

In terms of new commissions rates paid, the majority of respondents reported paying new policy commission rates from 11 to 15 percent for personal lines, small commercial and large commercial accounts. The majority also reported paying renewal policy commission rates from 11 to 15 percent for personal lines, small commercial and medium to large commercial accounts.

More than three-quarters (77.4 percent) *continued on page N18*

New Business - Commission

Commission % Received	Personal Lines	Small Commercial	Large Commercial	Health & Benefits
1% - 10%	19%	21%	24%	35%
11% - 15%	40%	35%	32%	7%
16% - 20%	9%	14%	8%	6%
More than 20%	22%	23%	29%	31%

Renewal Business - Commission

Commission % Received	Personal Lines	Small Commercial	Medium to Large Commercial	Health & Benefits
1% - 10%	21%	20%	26%	41%
11% - 15%	40%	38%	32%	4%
16% - 20%	7%	12%	9%	5%
More than 20%	15%	20%	24%	25%

of respondents did not make any changes to their commission structure in 2007 but 14.3 percent anticipate changes in 2008.

Close to a third (29.2 percent) of agencies offer non-owner sales producers educational reimbursement incentives, but some 55.8 percent reported offering no additional sales incentives, such as trips, contests, car allowances or other incentives. The majority of respondents (64.5 percent) did not offer bonus programs for exceeding sales goals. However, of those respondents that did offer bonus programs, factors used to determine such bonuses included: discretionary (40.7 percent); personal production (34.6 percent); and net book growth (33.6 percent).

Support staff

Personal lines customer service representative salary averages ranged from a low \$22,156 in agencies with less than \$1 million in P/C premium to a high \$39,346 for agencies with \$50 million to \$100 million in premium. Most personal lines CSRs had more than five years of experience (63 percent), according to the survey.

Commercial lines CSR salary averages ranged from a low \$27,143 in agencies with less than \$1 million in P/C premium to a high \$63,354 for agencies with \$50 million to \$100 million in premium. Some 43.6 percent of respondents said their commercial lines CSR experience was more than 10 years.

Nearly one-third of respondents indicated they offer incentive compensation to personal lines CSRs based on new business commissions (30.4 percent) and 16.5 percent offer incentives based on the number of policies sold. Some 39.3 percent did not offer incentive compensation.

Of those agencies offering incentive compensation to commercial lines CSRs, 29.5 percent used new business and 10.6 percent used renewal business as a base, while 46.1 percent reported not offering incentives.

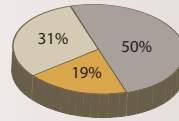
Recruitment efforts

As one respondent wrote, "the most difficult challenge for the agency is finding talent!"

According to the survey results, nearly three-quarters (74.4 percent) of agencies use referrals to find new agency sales talent, while a third (33.4 percent) use job ads, and 22.2 percent use recruiters. Just 12 percent reported using colleges to

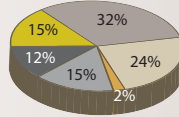
Salary Increase for 2007

- Same in 2007 compared to 2006
- Lower in 2007 compared to 2006
- Higher in 2007 compared to 2006



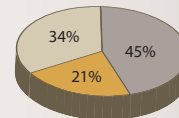
Non-Owner Producer Compensation

- Commission only
- Salary plus commission
- Salary
- Draw against commission
- N/A
- Other



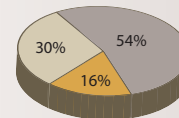
Non-Owner Producer Commission Rates

- Increased in 2007 compared to 2006
- Same in 2007 compared to 2006
- Decreased in 2007 compared to 2006



Agency Staff Size

- Increased size in 2007
- Decreased size in 2007
- Stayed the same



recruit new sales talent, while 14.4 percent use other insurance organizations and community or professional organizations (11.9 percent). More than two-thirds (66.9 percent) of respondents said they do not use employee referral programs however.

When it comes to key factors in compensation that help agencies attract and retain quality insurance professionals, IIABA's Flannagan says that incentive compensation is crucial.

What's important is that new hires get paid to produce a certain amount of new business, and that they are also paid to produce over and above that goal, she said. "Those are important because they follow the trend of other sales type businesses," she added. But what's also important, and somewhat unique to the independent agency system, is the opportunity for a producer to own their book of business.

"I think more and more agency owners are looking at that type of thing as well as working with young producers for ownership succession and perpetuation, and

talking about that at the onset of their career," Flannagan said.

Watson Wyatt's Marino cautions that agencies should be straightforward in the value proposition they discuss with new and potential sales producers.

"We think the value proposition has to be straightforward, and it has to be honest; it can't be aspirational," Marino said. "I think in the past there has been sort of aspirational-type recruiting, where it dangles the opportunity to earn big money as an insurance salesman, when at the end of the day, the people that earn that big money are probably relatively few," Marino said. In the past, the focus has been more of a sink-or-swim attitude with high expectations to get people in the door. "Then the reality sets in, which is why we technically see a high turnover in the first two years for insurance agents." Recruiting efforts for new producers should always have a realistic value proposition on what they can expect to earn, he said.

The Jacobson Group's Henry added: "If you are looking to hire young new talent, you need to address the fact that the environment, the branding, the compensation, and the whole package that is attractive to a millennial (a person under the age of 24) is very different than that same package you put together for your Baby Boomers."

Demographic profile

Agency owners nationwide responded to the salary survey; nearly half were from four states: California, Texas, New York and Florida. A total of 1,747 responses were received online throughout February 2008.

Slightly more than 22 percent of the agencies were from cities with a population above one million, while 19.5 percent were from cities between 20,000 and 50,000; 13.5 percent were from cities between 50,000 to 100,000; 13.4 percent were from cities between 100,000 to 250,000; 12.5 percent were from cities with less than 10,000; 9.7 percent from cities between 500,000 to one million; and 9.5 percent from cities between 250,000 to 500,000.

More than one-third (35.5 percent) of agencies generated \$1 million to \$5 million in P/C premium, while 31.3 percent generated \$5 million to \$25 million. Some 15.1 percent generated between \$25 million to \$100 million, while 10.5 percent of respondents generated under \$1 million. ■