



AGENCY UNIVERSE STUDY MANAGEMENT SUMMARY



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An Exploration and Analysis of the Independent Agency System
Growth | Technology | Staffing | Social Media | Operations



ACKNOWLEDGEMENTS

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MEMBERS OF FUTURE ONE

The 2022 Agency Universe Study was made possible by Future One and the participation of the coalition's member companies and organizations. Future One is comprised of the Big "I" and the following carriers.

National General, an Allstate Company	Liberty Mutual Insurance/Safeco
Amerisure	Nationwide
Central Insurance Companies	Progressive Insurance
Chubb	Selective Insurance
CNA	The Hanover Insurance Group
Foremost, a Farmers Insurance Company	The Hartford
Grange Insurance	Travelers
Hartford Steam Boiler (HSB)	Westfield Group



ABOUT THE AGENCY UNIVERSE STUDY



On behalf of Future One, a cooperative effort of the Independent Insurance Agents & Brokers of America, Inc. (IIABA) and more than 15 leading independent insurance agency companies, we are pleased to present the 2022 Agency Universe Study Management Summary, highlighting some of the key findings of the Study.

The primary focus of the Agency Universe Study is to **provide information on the size and characteristics of the independent agency system which is beneficial to developing more effective marketing and business practices**. Over the years, information from the study has been useful to independent agency principals, independent agency carriers, and the IIABA in its public information and education efforts.

Specifically, since it was first conducted in 1983, the study has had two primary goals: (a) **to track changes in the independent agency system over time**, and (b) **to gauge agents' attitudes and opinions on issues pertinent to the independent agency community**.

For 2022, the study continued to examine **agency revenue trends**, as well as **agency technology use, marketing strategies, and carrier relationships**. There was also a focus on **areas of marketing emphasis, agency perpetuation challenges**, and the **impact of emerging purchase channels and trends**.

As the study evolved, one of the findings of broad interest was the number of independent insurance agencies in the United States. During the past 20 years, these numbers have been estimated in a number of ways, including using a variety of insurance carrier listings, IIABA member listings, and publicly available information from a number of business data repositories. The current method is based on information obtained from a leading insurance industry-focused database provided by MarketStance. In 2017 MarketStance merged with the Insurance Service Office, a long-time supplier of underwriting guidance to property/casualty carriers. Through Fall 2021, MarketStance has maintained and continually updated a database of independent agencies and is regarded by the industry as the highest-quality source for this data.

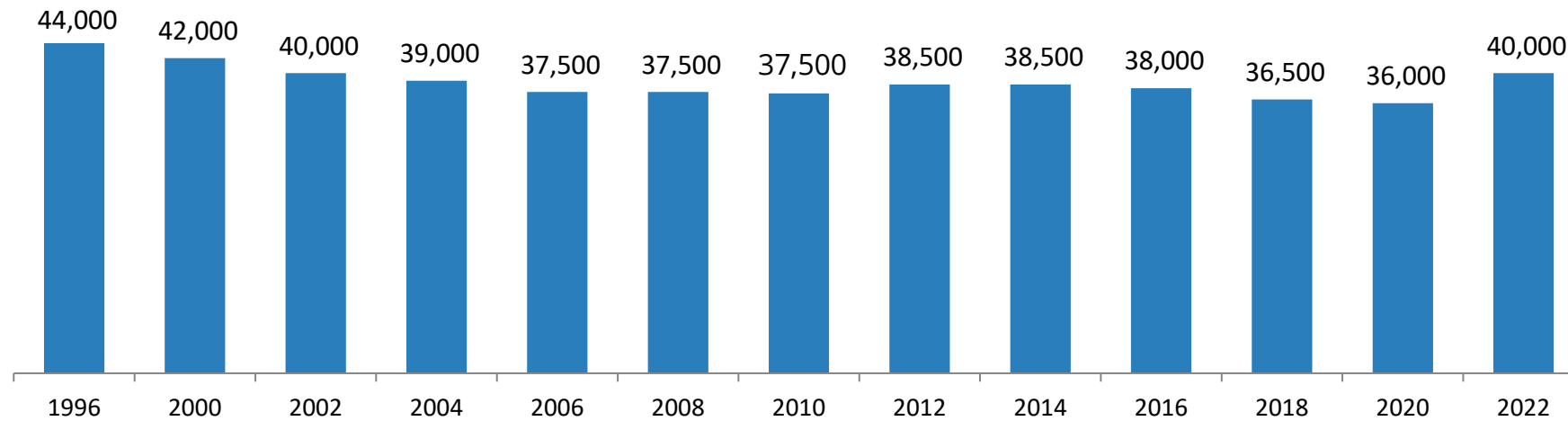




The estimated total number of independent agencies stands at 40,000. This is an increase from 2020.

- These estimates are rounded to the nearest 500 to avoid giving the impression of more precision than they actually have.

Total Number of Independent Agencies, 1996-2022

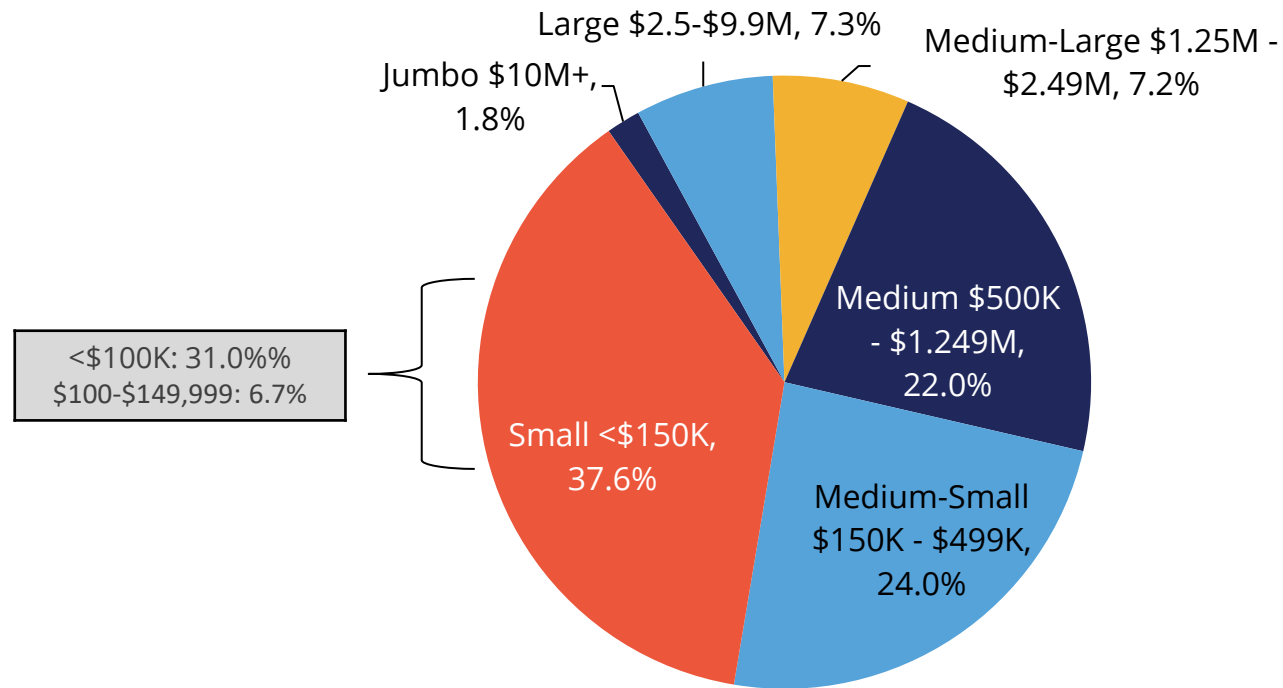




In 2022, 38% of all independent agencies and brokerages are Small, and 24% are Medium-Small.

- Note that in 2018, a new resource was used to estimate the universe size (the MarketStance database, widely considered more insurance industry-focused and reliable than the data available from D&B).

Agency Distribution by Revenue Size - 2022

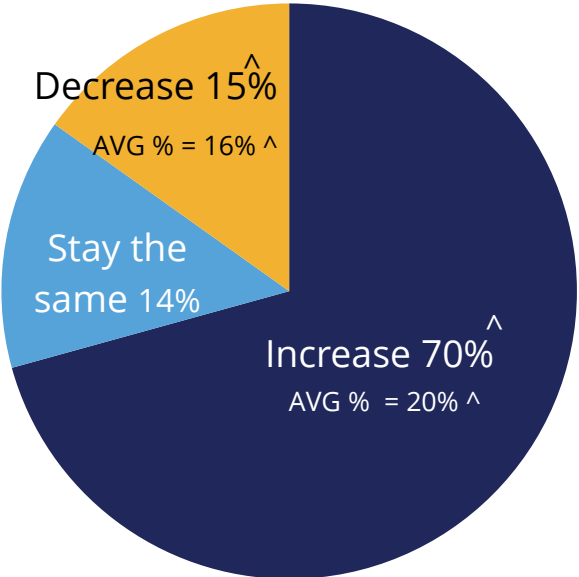




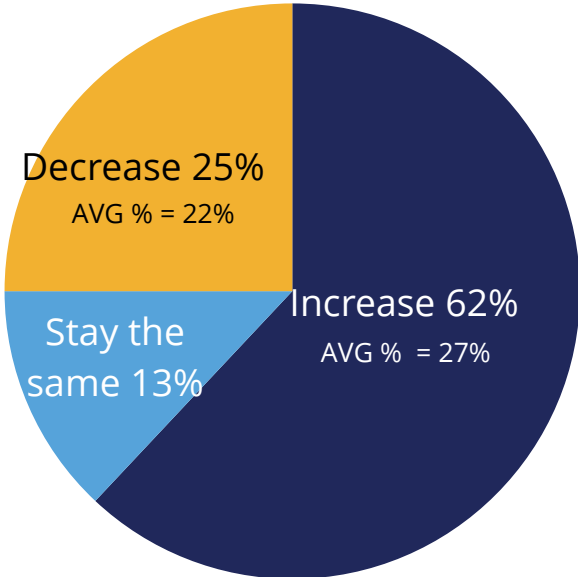
Fewer than two-thirds of agencies saw revenue increases between 2020 and 2021, significantly lower than those reporting an increase in 2018 to 2019, but the average increase has risen, at 27% between 2020-2021. At the same time, one in four (25%) report decreased revenue.

- **Jumbo** agencies are significantly **more likely** to **report an increase** (87%) than are Small agencies (59%), Medium-Small agencies (57%), Medium agencies (70%), and Large agencies (68%).

Change in Total Revenue 2018 vs. 2019



Change in Total Revenue 2020 vs. 2021



^ indicates significant difference 2020 - 2022

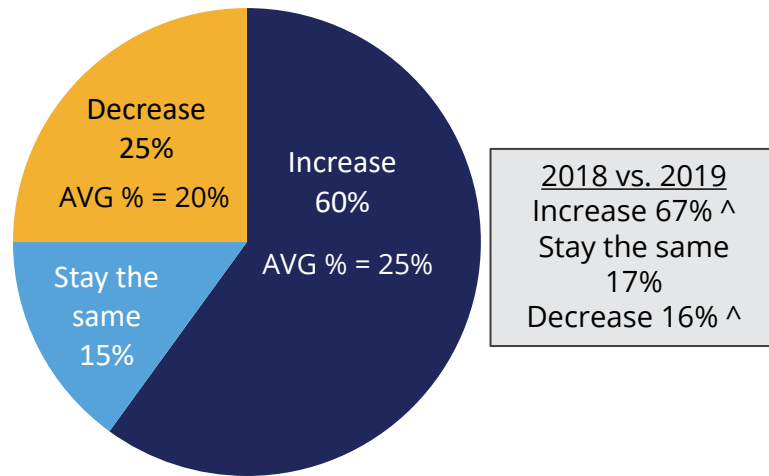




About three in five agencies report increases in personal lines revenue and commercial lines revenue from 2020 to 2022.

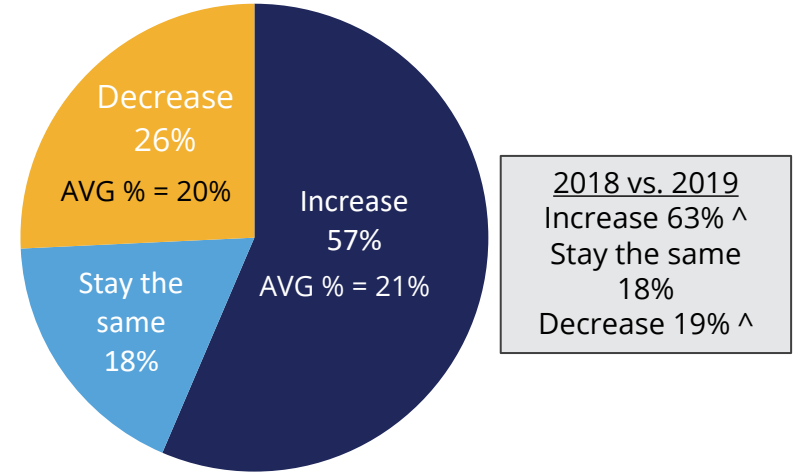
- As in past AUS studies, **Small** agencies **that saw increased revenues experienced larger increases** than others, in percentage terms.

Change in Personal Lines Revenue
2020 vs. 2021



2018 vs. 2019
 Increase 67% ^
 Stay the same 17%
 Decrease 16% ^

Change in Commercial Lines Revenue
2020 vs. 2021



2018 vs. 2019
 Increase 63% ^
 Stay the same 18%
 Decrease 19% ^

^ indicates significant difference 2020 – 2022

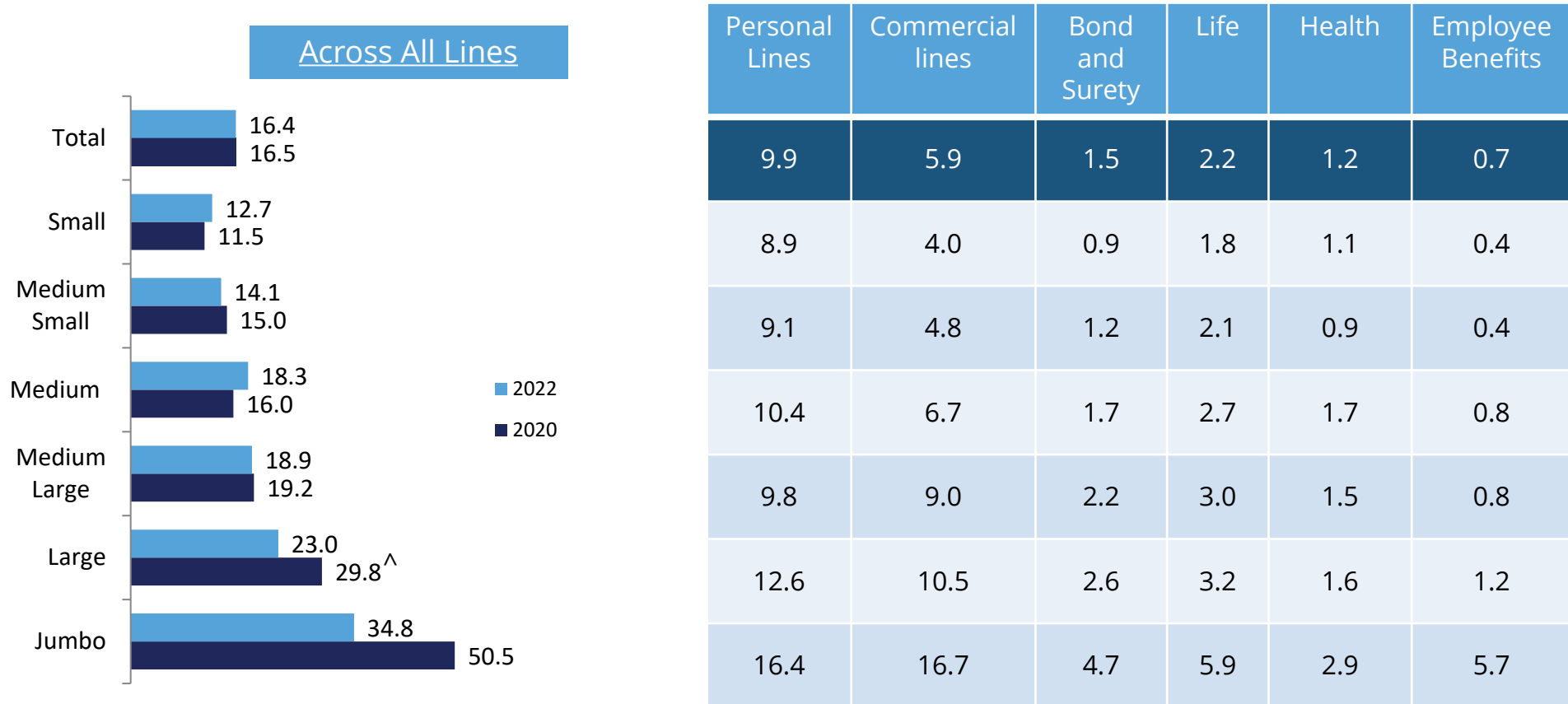




Agencies have appointments/contracts with an average of 10 standard personal lines carriers and six standard commercial lines carriers.

- For all lines, the **number of appointments/contracts increases with the size of the agency.**

Average Number of Carrier Direct Appointment or Contracts



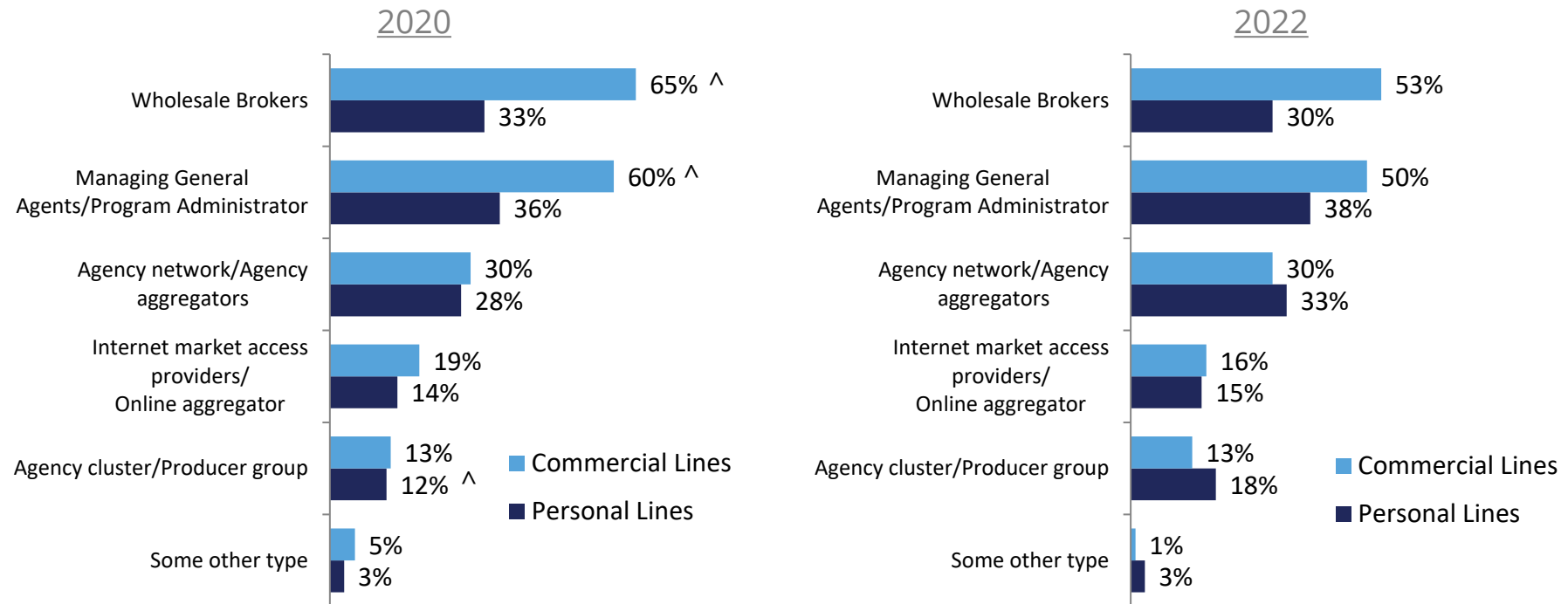
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About half of agencies use MGAs and wholesale brokers for commercial lines, though both have significantly decreased since 2020.

- **Smaller** agencies are **less likely** to use **wholesale brokers**, while **Large** agencies are the **heaviest users of wholesale brokers** for both personal and commercial lines.

Market Access Providers Used



^ indicates significant difference 2020 – 2022

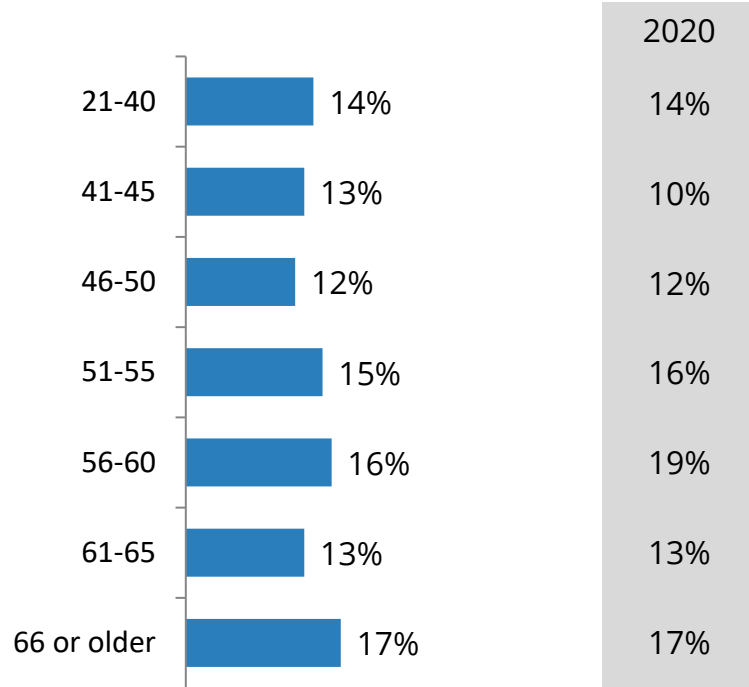




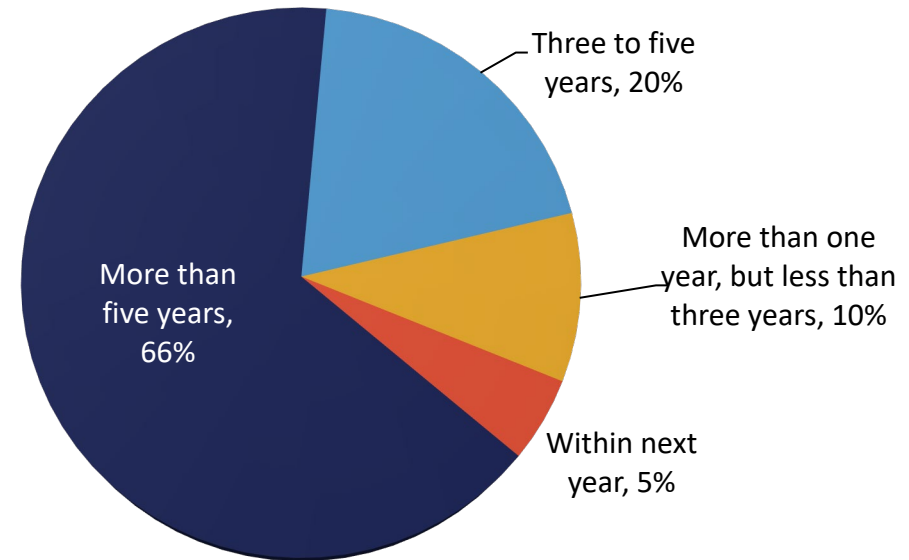
Almost four in ten anticipate some type of ownership change in the next five years, but only a few expect a change in the next year.

- The average age of principals with 20% or more ownership in their agencies is **54 years old**, with **17% of those principals age 66 or older**.
- However, even when at least one agency principal is age 66 or older, fewer than **one in three (32%) anticipate an ownership change** in the next three years.

Age of Principals With 20+% Ownership



When Agencies Anticipate Major Ownership Changes (involving at least 20% of agency ownership)



^ indicates significant difference 2020 – 2022

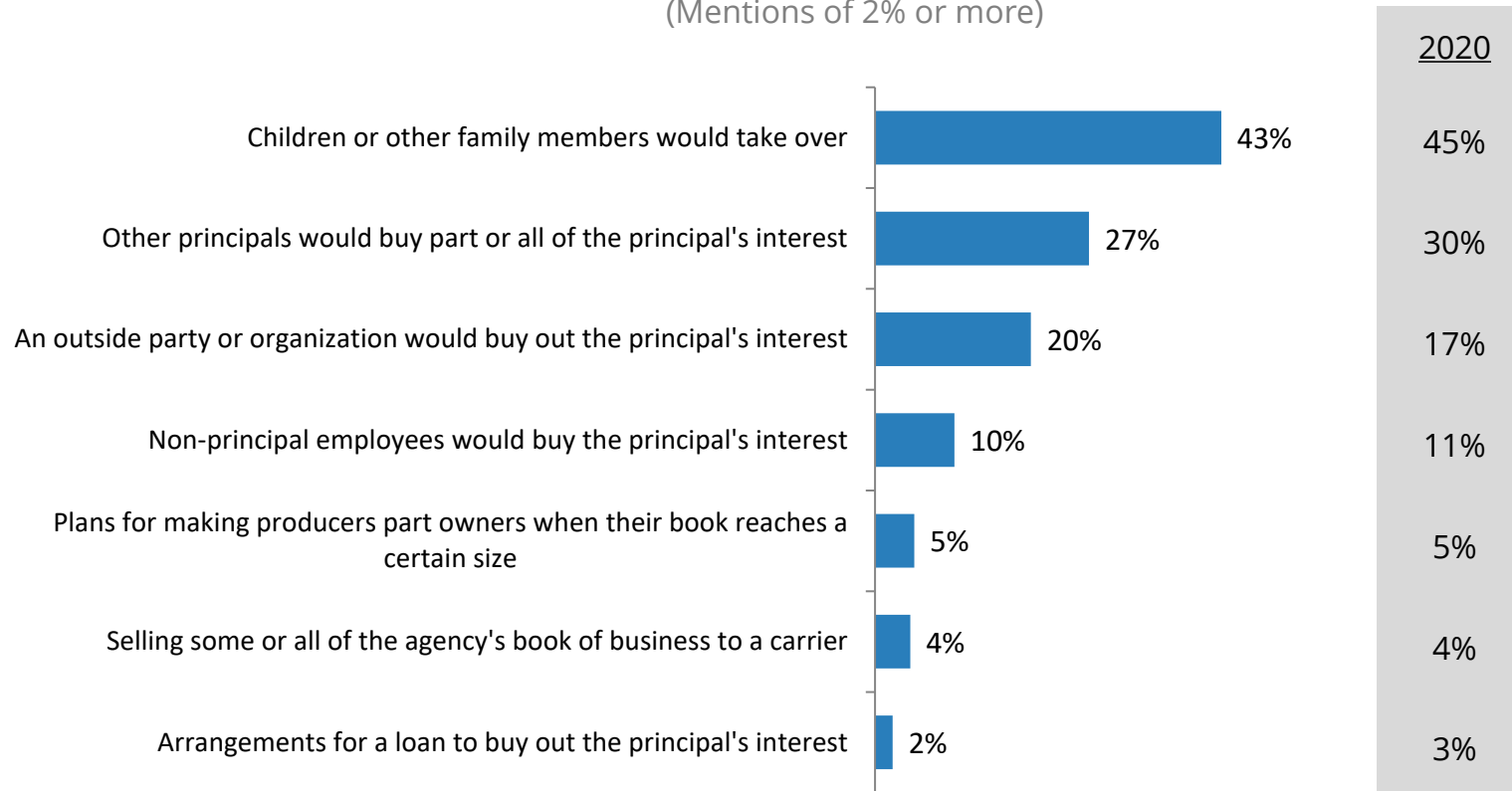




More than eight out of ten (85%) agencies have some type of agency perpetuation tool or plan in place, comparable with 2020 (89%).

- Only **four plans/tools** are currently in place at **10% or more** of independent agencies.

Agency Perpetuation Tools In Place
(Mentions of 2% or more)

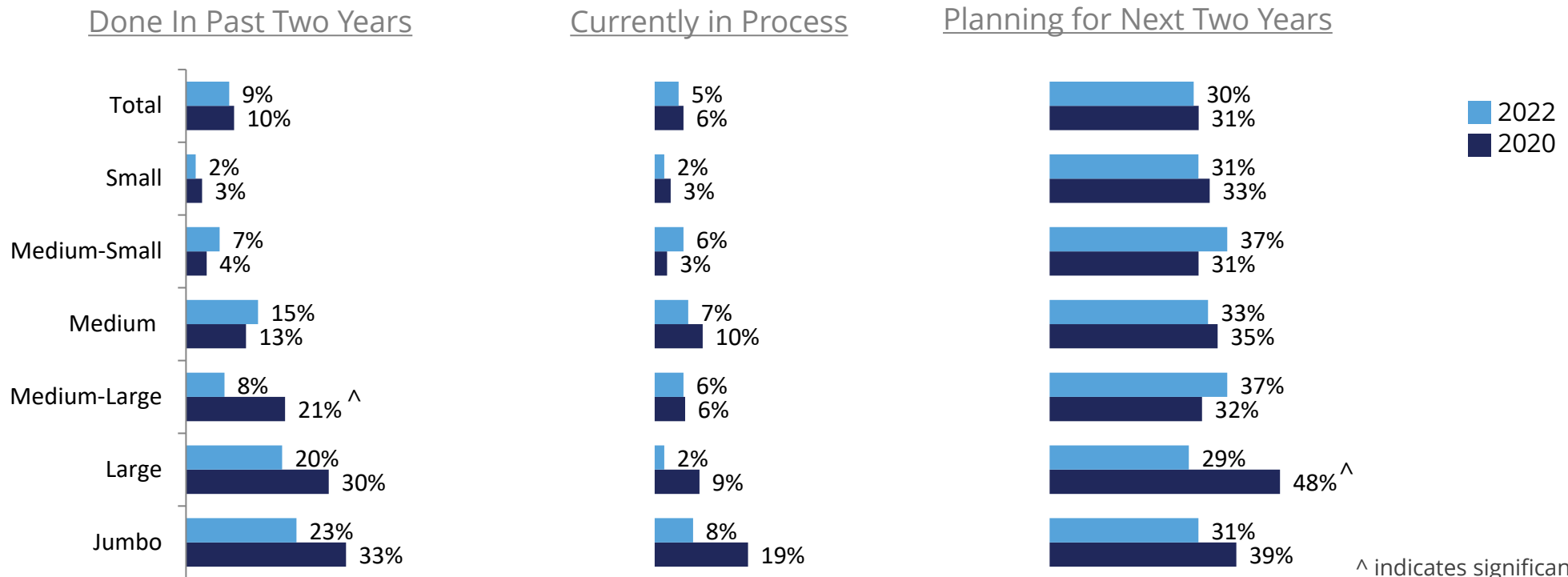




Ten percent of agencies have been involved in acquisitions or mergers within the past two years. Overall acquisition/merger activity is widespread among Medium Large, Large and Jumbo Agencies.

- Overall, **9% have been involved with acquisitions** (5% have acquired another agency's book and 4% have acquired another agency's book and operations), 2% have merged with another agency, and another 8% have converted from exclusive/captive to independent agencies.
- Nearly **one-third of agencies have plans for merger/acquisition activity in the next two years**; 21% plan to acquire another agency's book and operation, 15% plan to acquire another agency's book. 5% anticipate being acquired by another agency.

% Involved in Acquisitions and/or Mergers



[^] indicates significant difference 2020 - 2022

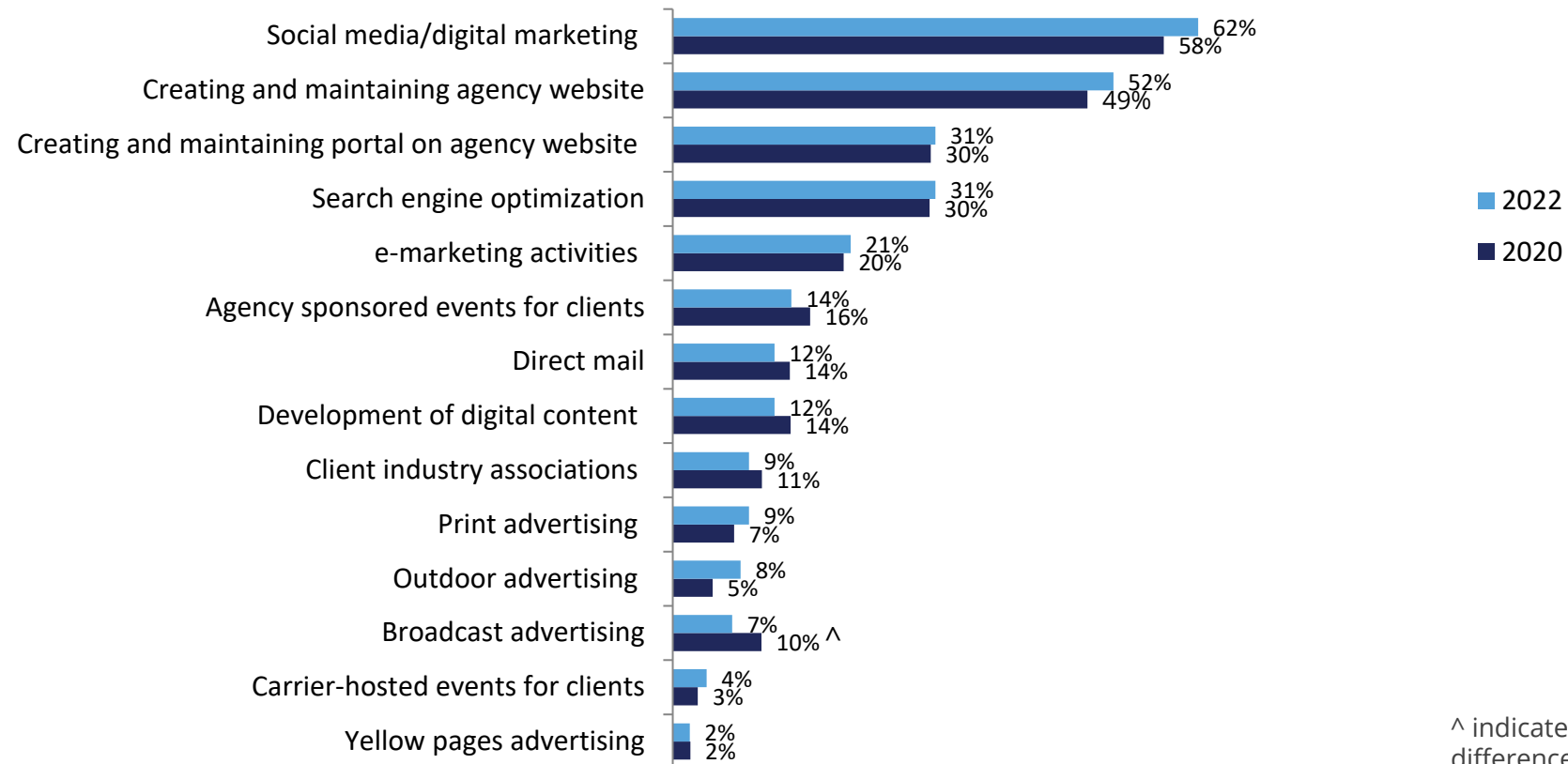




About two-thirds cite social media activities and half cite agency website maintenance among their top three marketing activities, followed by portal technology and search engine optimization.

- Nearly **all (91%)** engage in at least one marketing activity.
- **Small** agencies tend to place more importance on **social media marketing**, and **Large** agencies are highly focused on **portal tech**. **Newer agencies** are **more likely** to engage in at least one marketing activity.

Selected as One of Top Three Marketing Activities

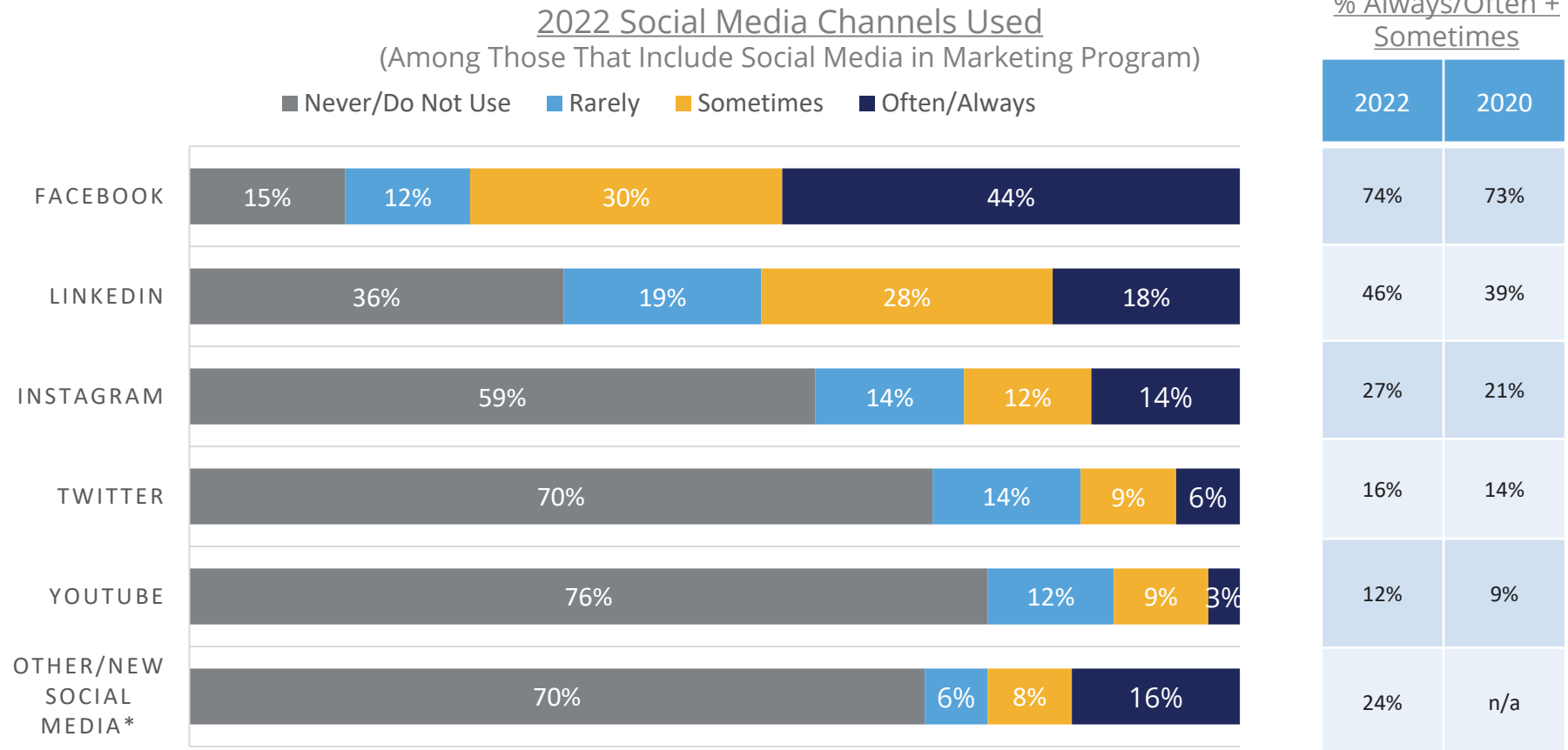




Facebook is the primary social media channel used, followed by LinkedIn. The proportion of agencies using LinkedIn and Instagram “always/often/sometimes” directionally increased from 2020 to 2022.

(By “directional,” we are referring to differences that are not large enough to be statistically significant.)

- **Jumbo** agencies are more likely to use **LinkedIn** (81%), **Instagram** (50%), and **Twitter** (38%) (“sometimes + always/often”).



^ indicates significant difference 2020 – 2022

*new item in 2022

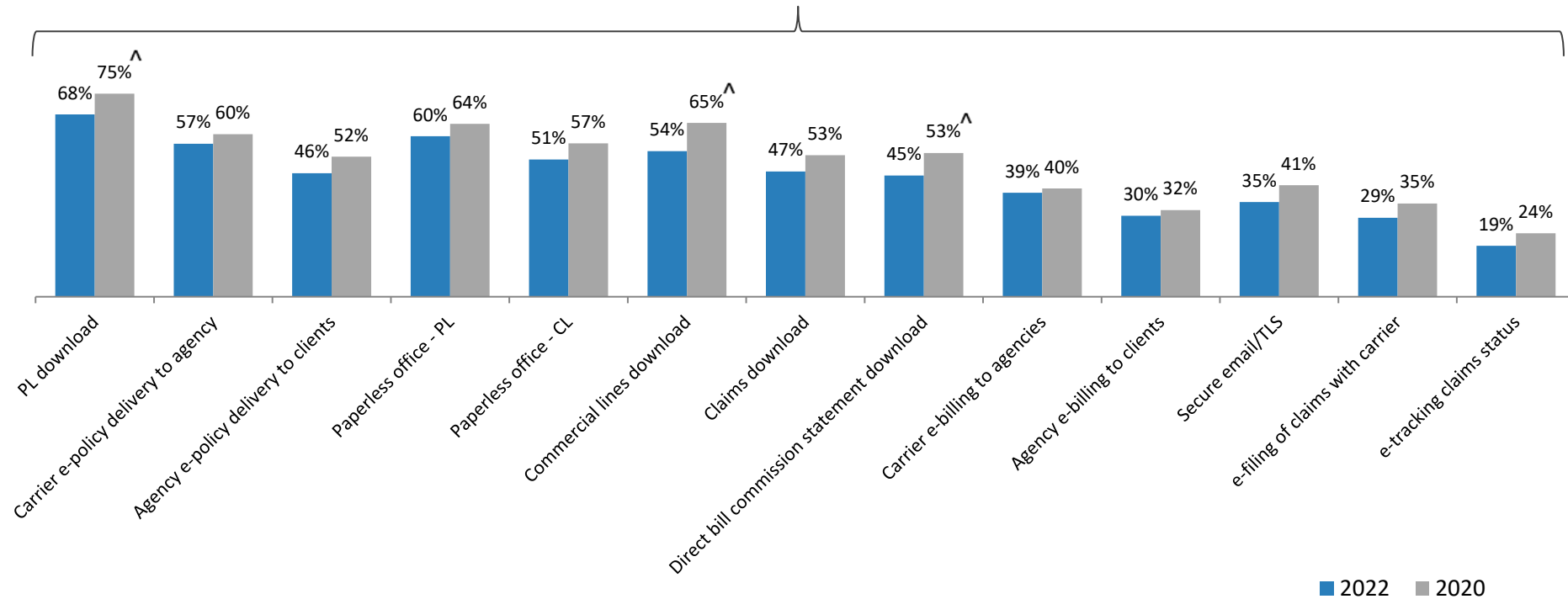


The use of processing technology overall dipped slightly in 2022. Two in three agencies use personal lines download tools and half use commercial lines download tools – both dropped significantly in 2022.

- Use of all **processing technologies** is at least **slightly down** in 2022.
- **E-policy delivery** is more common than **e-billing**.
- For most processing technologies, **usage increases with agency size**, with Jumbo agencies particularly likely to use the technologies.

Processing Technologies Used

Use at least one type of processing technology: 2022=91%; 2020=94%



■ 2022 ■ 2020

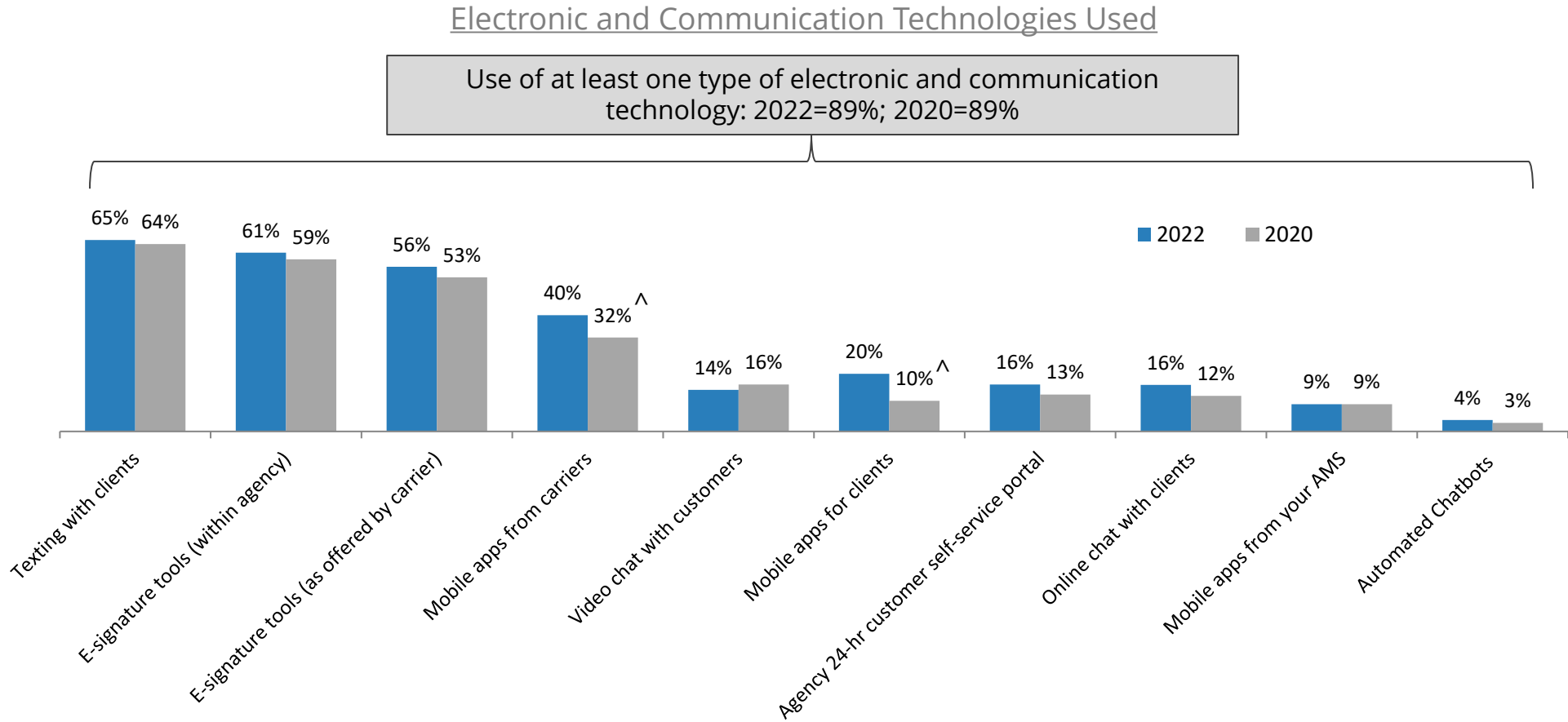
[^] indicates significant difference 2020 – 2022





The overall use of electronic communications technology is stable in 2022.

- The use of **mobile apps** from carriers and for clients have **increased** significantly in 2022.

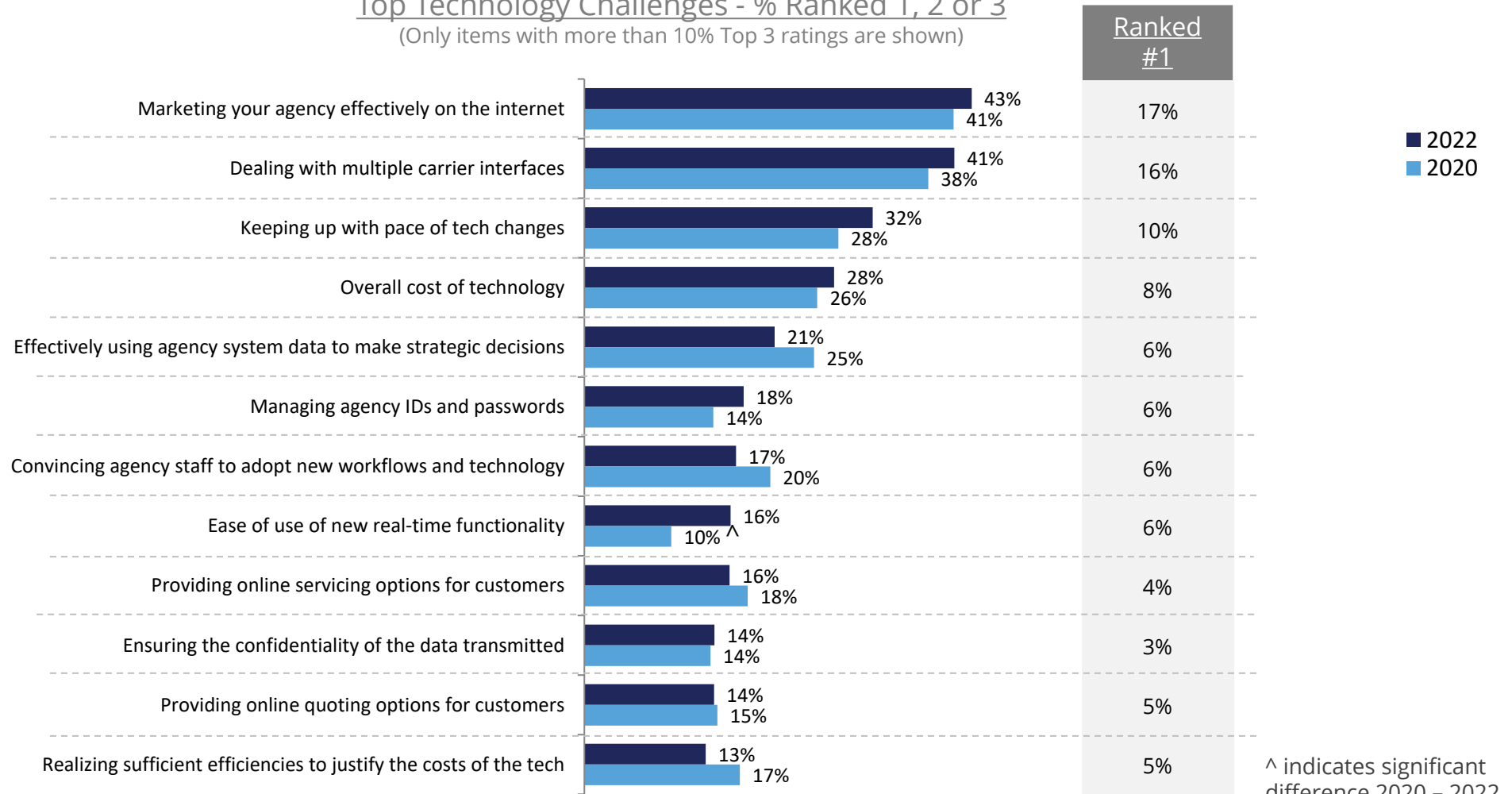




Marketing the agency effectively on the Internet and dealing with multiple carrier interfaces are the top technological challenges.

- **Small to Medium** agencies feel particularly **challenged to market their agency on the Internet**; **Larger** agencies are most likely to be **challenged in staff adoption of new workflows/technologies**.

Top Technology Challenges - % Ranked 1, 2 or 3
(Only items with more than 10% Top 3 ratings are shown)



[^] indicates significant difference 2020 – 2022





Agency staffing breakouts by gender and ethnicity are generally comparable to 2020; however, the percentage of agencies with a least one male as principal/senior manager has declined while the percentage of agencies with a least one female as principal/senior manager has increased slightly.

- Most (86%-100%) agencies in the **Medium size category or larger** have at **least one male principal/senior manager, significantly more than the proportion of Small and Medium-Small agencies** with male principals or senior managers (53% and 72%).

% of Agencies With Each Employee Type by Gender and Ethnicity

	Agency Principals/ Senior Mgrs	Non-Principal Agency Managers	Non-Principal Producers	CSRs	Other
Gender					
Men	68%	40%	62%	26%	29%
Women	47%	74%	66%	88%	81%
Ethnicity					
Caucasian/Non-Hispanic White	83%	84%	84%	79%	72%
Latino/Hispanic	10%	11%	19%	17%	14%
African-American/Black	5%	4%	11%	11%	4%
Asian Indian/Other South Asian American	4%	3%	4%	5%	5%
East Asian-American/Pacific-Islander	<1%	1%	2%	3%	2%
Native American or Alaska Native	<1%	0%	1%	<1%	0%

^ indicates significant difference 2020 – 2022

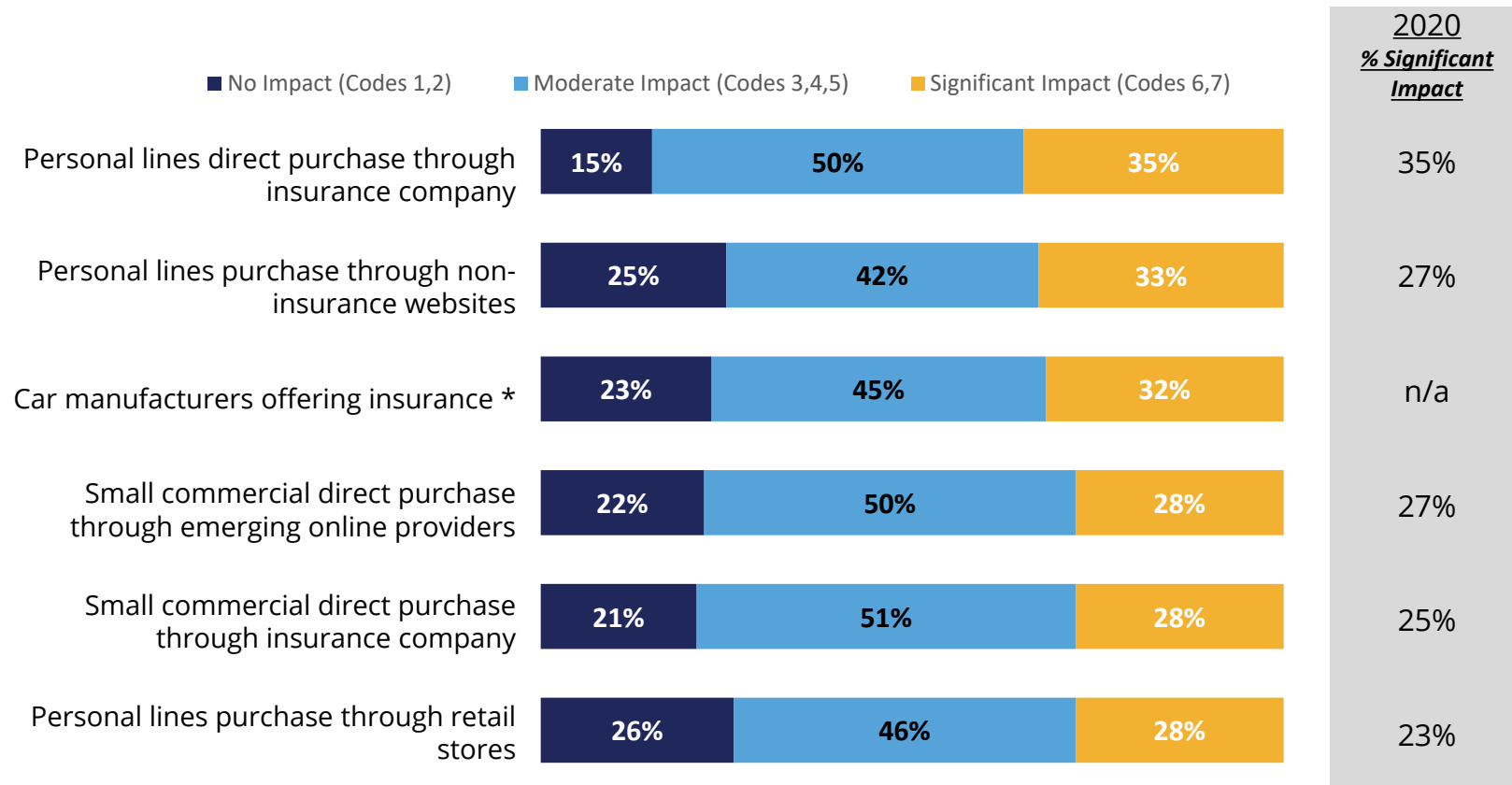




More than one-third of agencies believe direct purchase through insurance companies will have a significant impact on their agency within the next two years.

- There are no significant differences by agency size.

Anticipated Impact on Agency of Emerging Purchase Channels and Trends (Over Next Two Years)



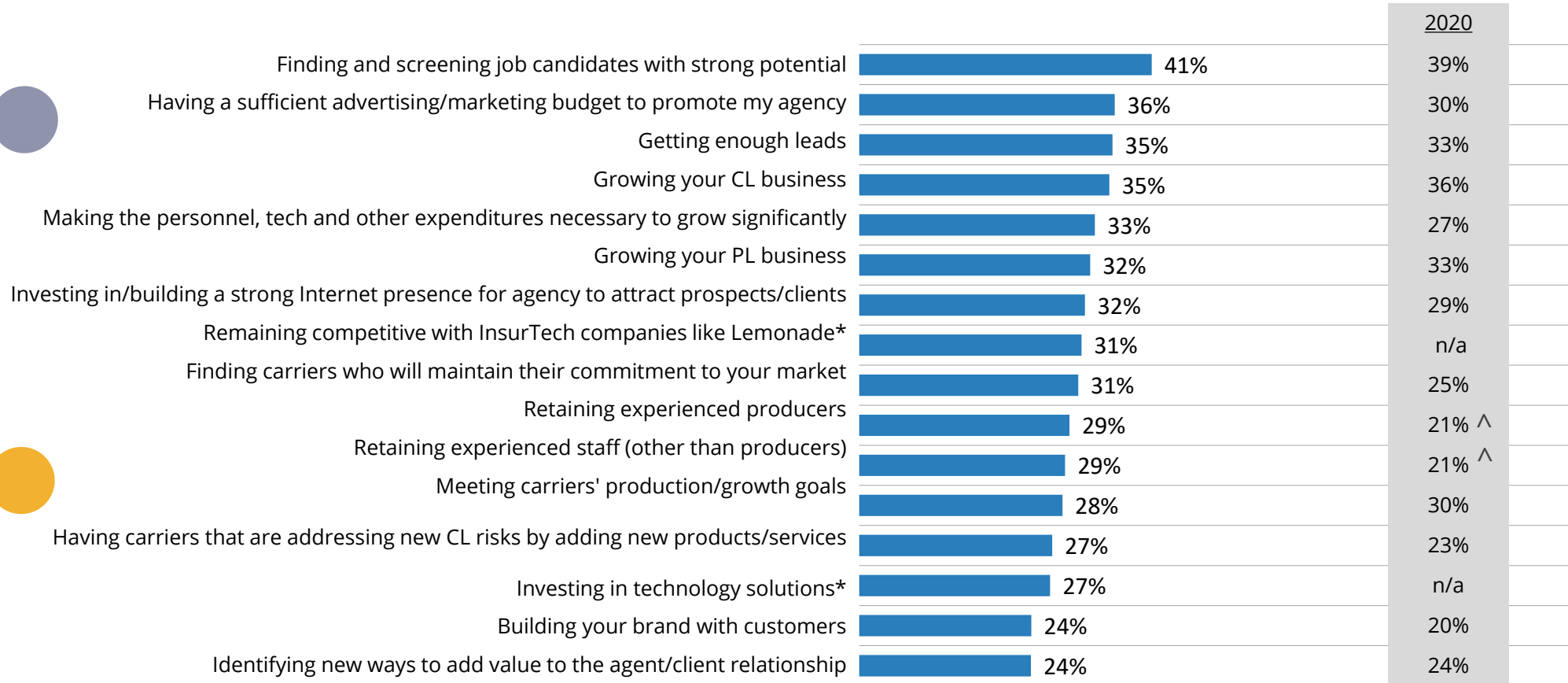
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Finding qualified job candidates continues to be the key challenge for agencies; growing personal and commercial lines business also continue to be a concern.

- **Retaining experienced producers and experienced staff** is more of an issue in 2022.
- **Small** agencies are more concerned about *getting enough leads, having a sufficient marketing budget, and making the personnel, tech expenditures necessary to grow significantly.*

Extent to Which Agencies Find Each Item Challenging
6/7 on 7-point scale, 7=extremely challenging



^ indicates significant difference 2020 - 2022

*new item in 2022

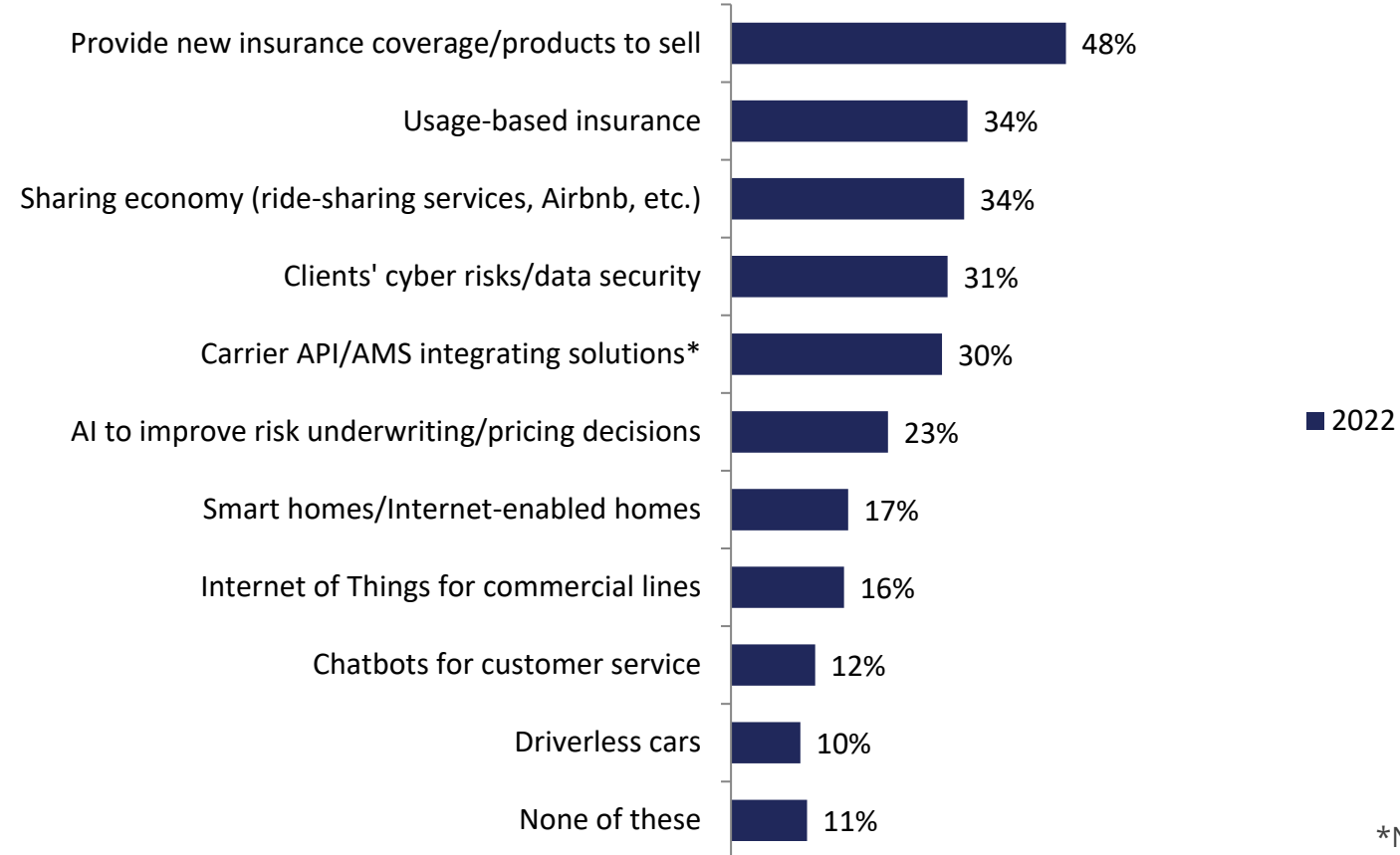




Providing new coverages/products remains the most important issue; the need for carrier API/AMS integrating solutions emerges in 2022.

- Interest in having carriers address client **cyber risks increases with size of the agency.**

Most Important Issues for Carriers to Address
(mentioned at least 10%)



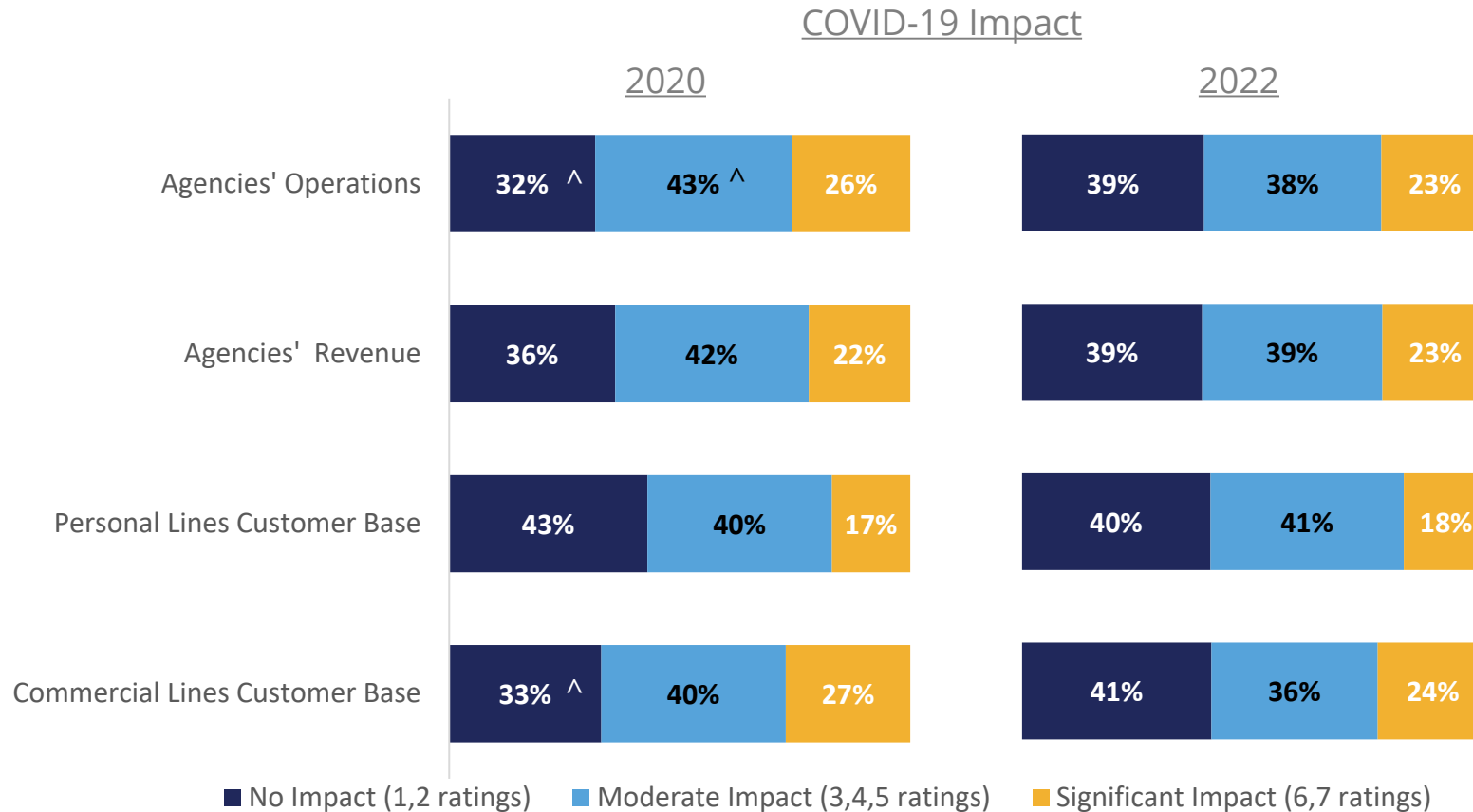
*New item in 2022
Note: Cannot trend due to addition of new items





About one in four agencies report COVID-19 had an impact on their operations, revenue, and commercial lines customer base in 2021.

- **Small** agencies are more likely to report a **significant impact on their revenue** (34%), their **agency operations** (33%) and **personal lines customer base** (28%).
- **Newer** agencies are more likely to cite an impact on **revenue** (43%) and **personal lines customer base** (35%).



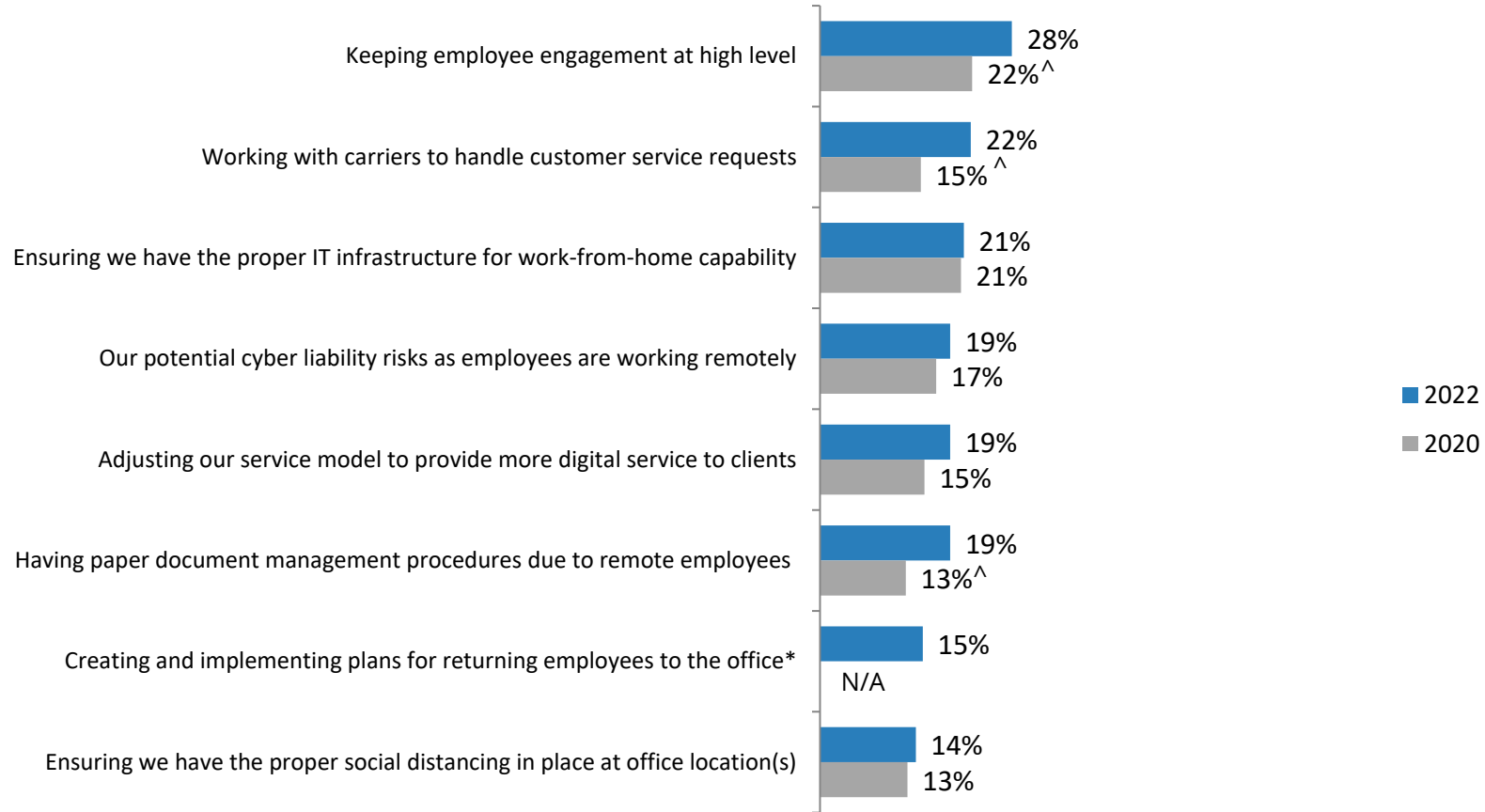
^ indicates significant difference 2020 – 2022





Maintaining employee engagement, working with carriers to handle customer service requests, and having the IT infrastructure to support work-from-home capabilities are the top challenges amid COVID.

Challenges Amid COVID-19
% Extremely Challenging (6,7 Ratings)



[^] indicates significant difference 2020 – 2022
*new item in 2022

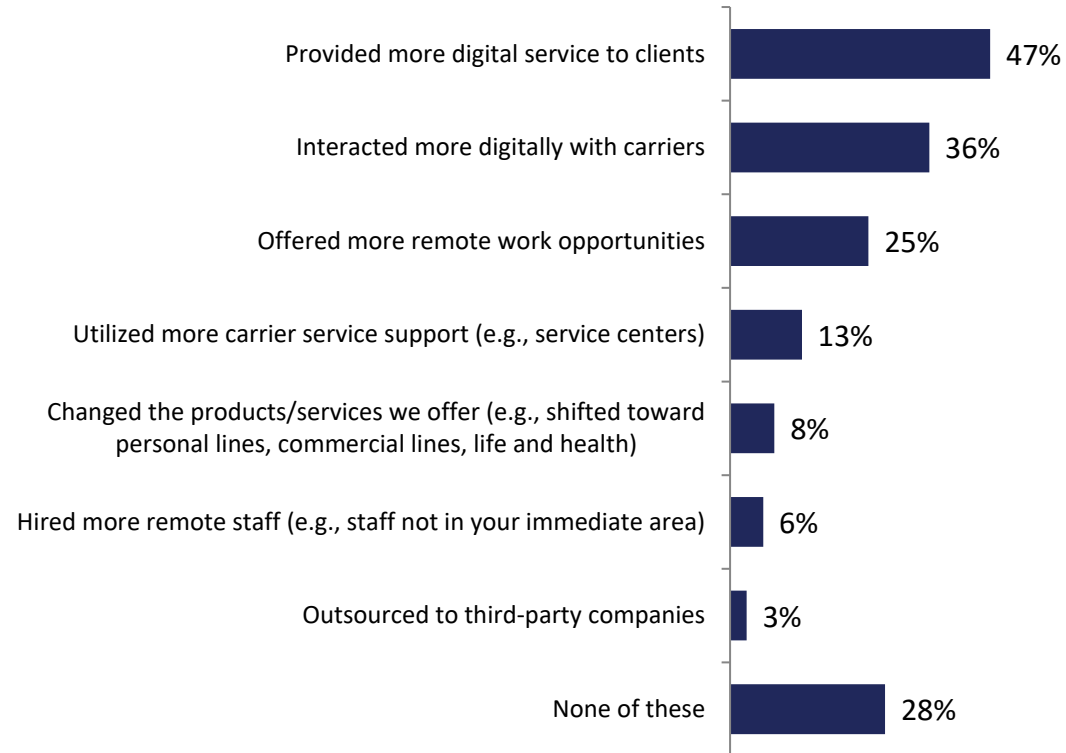




Digital service and digital interaction are the biggest operating changes agencies made due to COVID-19.

- **Jumbo** agencies are most likely to **offer more remote work opportunities** (58%) and **Small** agencies are most likely to have **changed the products/services offered**.
- **Newer** agencies are more likely to have provided **more digital service** to clients (54%) and to have **interacted digitally with carriers** (45%).

Biggest Operating Changes to Agencies Due to COVID-19*





Identifying operating efficiencies is the most important factor to succeed in 2022. Building an online presence for marketing and implementing/improving online business tools are also among the most important factors in 2022.

- **Building an online presence** is more important for **Small** (57%), while **Jumbo** agencies cite **identifying ways to attract and retain staff** (63%).
- **Newer** agencies are more likely to **cite building an online marketing presence** as important (56%).

Most Important Activities for Success in 2022
% Selected as Top 3



TOP 10 FINDINGS

1

In 2022, the estimated total number of independent property/casualty agents and brokers in the United States stands at 40,000.

This is an increase from the 2020 number (36,000). Although M&A activity continues to impact the agency universe, the increase appears to be in the Small segment, as agents continue to establish their own agencies or move from the captive to the independent space. One in five agencies were established in the last five years, significantly higher than 2020 (14%), and one in six converted from captive to independent in the past two years.

3

Despite the pandemic and related challenges, business conditions continue to be generally favorable.

The majority of agencies (62%) report increases in total revenue between 2020 and 2021, but this proportion is lower than in 2020 (70%); in particular, fewer agencies report personal lines increases in 2022 (60% vs. 67%). However, those with an increase report a larger increase than in 2020 (27% vs. 20%).

However, a sizable minority (25%) do report a decline in revenue, with an average decrease of -22%. More than one in five say the pandemic has impacted their operations and revenue.

2

Small agencies now make up 38% of the population, Medium agencies 22%, and Jumbo agencies about 2%.

Small agencies seem to be moving away from smaller towns and rural areas, as only one in ten are in a rural area/small town vs. 2020, when nearly one in five Small agencies were in rural areas/small towns.

4

On average, agencies are appointed with 10 standard personal lines carriers and six commercial lines carriers, with larger agencies leveraging more carrier appointments. About half of agencies use MGAs and wholesale brokers for commercial lines, which is a decrease from 2020.

Smaller agencies are less likely to use wholesale brokers, while Large agencies are the heaviest users of wholesale brokers for both personal and commercial lines.

TOP 10 FINDINGS (Cont'd)

5

Aging of the agency principal population is fairly stable. The average age of agency principals is 54 years old, with 17% age 66 or older.

More than eight in ten agencies have a perpetuation plan (on par with 2020), though it often centers around children/family or other agency principals. Four in ten anticipate some ownership change in the next five years, with one-third planning changes in the next two years. Large and Jumbo agencies are more likely to report M&A activity in the past two years.

Large/Jumbo agencies are the most interested in information/support around plans to offer producers part ownership.

Agencies continue to leverage technology in their operations and customer service as well.

Nearly half (47%) say they have offered more digital solutions to clients because of the pandemic. The use of mobile apps from carriers (from 32% to 40%) and apps for clients (10% to 20%) has increased. Most agencies would be comfortable allowing clients to self-serve for policy documents/ID cards (77%), and two in three are open to self-service for billing inquiries and claims filings. Nearly half are at least planning to offer online purchase and quoting to customers in the next two years.

As in past waves, 41% of agencies cite dealing with multiple carrier interfaces as a challenge. Most use a comparative rater for personal lines, and while only 7% currently use a commercial lines rater, nearly one in four (23%) are planning to do so. One-third see the need for more carrier API/AMS integration, and half (51%) are looking for more operating efficiencies to help service customers.

Finding qualified staff and growing the business continue to be key agency challenges.

Four in ten find it challenging to find and screen job candidates with strong potential, and more than one-fourth say that keeping staff engaged during the pandemic has been a barrier. Other key concerns are having sufficient budget for marketing, obtaining enough leads, growing commercial and personal lines business, meeting carrier production/growth goals, and marketing effectively through the internet. Agencies are most interested in carrier support in providing new products to sell, followed by usage-based insurance, the sharing economy, and addressing clients' cyber/data security risks.

6

Social media and digital marketing strategies continue to dominate agency marketing.

All of the top marketing strategies cited in 2022 continue to be digital: social media/digital marketing (62%), creating/maintaining the agency website (52%), portal technology on the agency site (31%), search engine optimization (31%), and e-marketing activities (21%). The majority use Facebook and more than half leverage LinkedIn.

Jumbo agencies are more likely to use LinkedIn (81%), Instagram (50%), and Twitter (38%).

For the second consecutive wave, marketing budgets have decreased directionally.

The impact of emerging purchase channels remains a concern, particularly for personal lines.

One-third of agencies believe personal lines direct purchase through the insurance company (35%), through non-insurance websites (33%), or through car manufacturers (32%) will have a significant impact on their agency over the next two years. More than one in four express similar concerns about small commercial direct purchase, or purchase through emerging online providers

8

Non-white and female agency principals continue to be under-represented in the independent agency universe, although diversity has increased slightly. In 2022, 47% of agency principals are women, and 83% are Caucasian.

Medium-sized or larger agencies are especially likely to have male principal/senior managers. One in four agencies have added staff this year, and 19% are leveraging independent contractors, primarily producers.

10

9

28