

INDEPENDENT INSURANCE AGENTS OF TEXAS

SMALL AGENCY

CONFERENCE & DISCOVER MARKETS TRADE SHOW

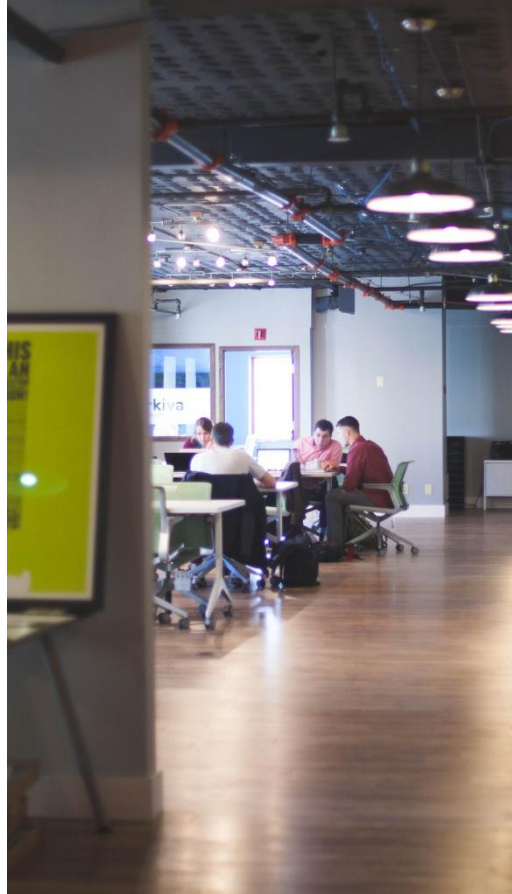


FINANCIAL & BUSINESS PLANNING





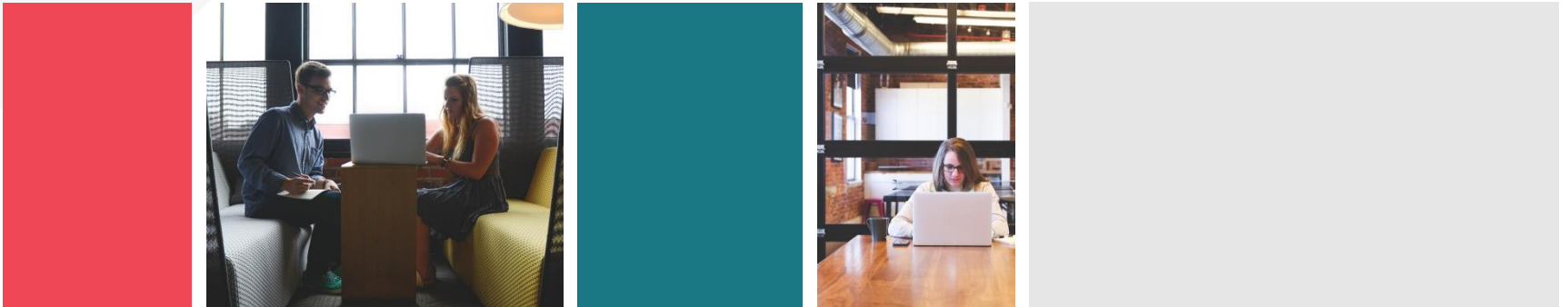
Financial & Business Planning: What Your Numbers are Telling You



Understanding Your Financials

Tactical & Strategic Reasons

- Value of Your Time
- Are you Winning or Losing?
- Validate your assumptions
- Manage cash flow
- Risk mitigation
- Maximize contingencies
- Strategic decision-making
- Allow you to invest & grow



Agenda

Key Performance Indicators

- Historical Perspective
 - Financial Position
 - Profitability
 - Analytics
- Forward Looking
 - Strategic Planning
 - Annual Budget Process
- Managing Performance

The Fundamentals: Financial Position

	Description
Agency Cash	<ul style="list-style-type: none">▪ Reconciled – Books vs Bank Balance▪ Cash less Market Payables & Producer Commission Liabilities
Equity	<ul style="list-style-type: none">▪ Retained Earnings defined as Assets less Liabilities▪ Healthy Organization – Positive Equity▪ Target growing 10% a year

Are you in TRUST?

The Fundamentals: Profitability

	Description
Revenue	<ul style="list-style-type: none">▪ Agency Commissions▪ Fees in lieu of Commissions▪ Line of Business Year-Over-Year▪ Contingencies
Operating Income	<ul style="list-style-type: none">▪ With & Without Contingencies
Net Income	<ul style="list-style-type: none">▪ Factor in Tax Obligations▪ Rolls into Equity each year

Premium vs. Commissions (Revenue)

The Fundamentals: Analytics

- **Revenue Activity**
- **Top Carriers**
- **Account Size Analysis**
- **Producer Accounts and Commissions**
- **Contingencies**

Revenue Activity

Policy Retention						Policy Growth		Revenue in \$'s		
Month	Available for Renewal	Renewed	Lost	ReWrite/ Reinst	Total	Written New Business	Written Account Development	New Business	Account Development	Lost Revenue
January	145	131	(3)	0	128	8	2	\$ 4,429	\$ 50	(\$2,101)
February	89	80	(5)	0	75	6	4	\$ 4,024	\$ 1,813	(\$10,111)
March	98	87	(7)	0	80	9	5	\$14,494	\$ 1,356	(\$15,131)
April	90	87	(1)	0	86	3	3	\$ 1,466	\$ 240	(\$75)
May	111	101	(9)	0	92	3	7	\$ 595	\$ 1,145	(\$2,962)
June	108	96	(1)	2	97	7	7	\$ 3,220	\$ 1,931	(\$2,725)
July										
August										
September										
October										
November										
December										
Totals	641	582	(26)	2	558	36	28	\$28,228	\$ 6,535	(\$33,105)
			2017 Retention		Total New/ Acct. Dev.					
			87%		64					



Carrier relationship management

BEST PRACTICES

The key is to limit your relationships to the most profitable company relationships

- *Chris Burand*

Top 25% Growth Agencies generate 31.8% of their revenue from Top 3 P&C Carriers
- Reagan Consulting

Practices

Adopt a disciplined, strategic approach with your top 3-5 carriers. Separate renewal & new business management.

Carrier Relationship Management Strategy

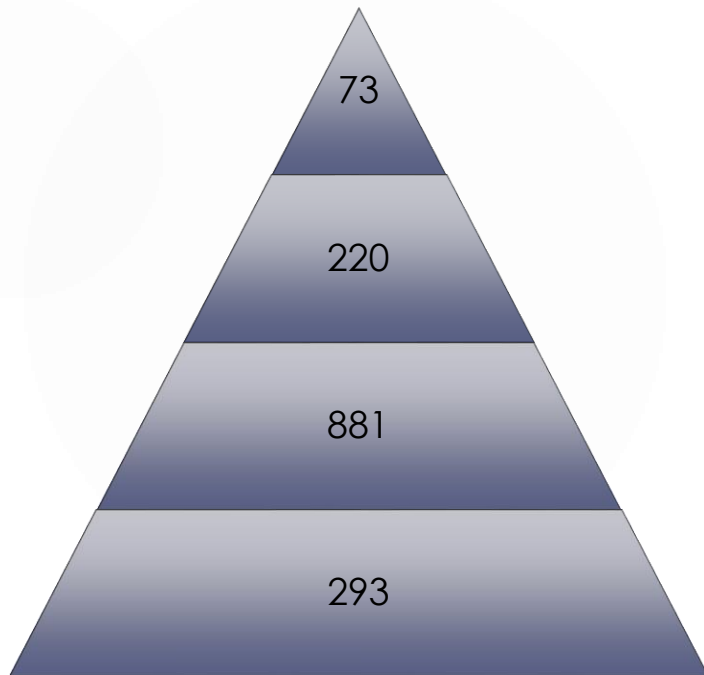
- Carrier Management Process / Quarterly Overview pro-active management process
- Specific Carrier Goals and Results to Goal-History (target production goal success ratios)
- Ideal Submission to Top Carriers
- Hit Ratio with Top Carriers

Agency Book Analysis

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Total Acct	%	# of Accts	Total Comm	Gross Comm	% of Book	Avg. Size	Max Size	Min. Size
1468			\$ 2,284,630					
A	5%	73		\$ 1,283,749	56%	\$ 17,347.96	\$ 82,491	\$ 6,398
B	15%	220		\$ 648,840	28%	\$ 2,922.70	\$ 6,306	\$ 1,308
C	60%	881		\$ 355,887	16%	\$ 400.77	\$ 1,305	\$ 75
D	20%	293		\$ (3,846)	0%	\$ (12.99)	\$ 75	\$ (1,501)

of Accounts = 1468



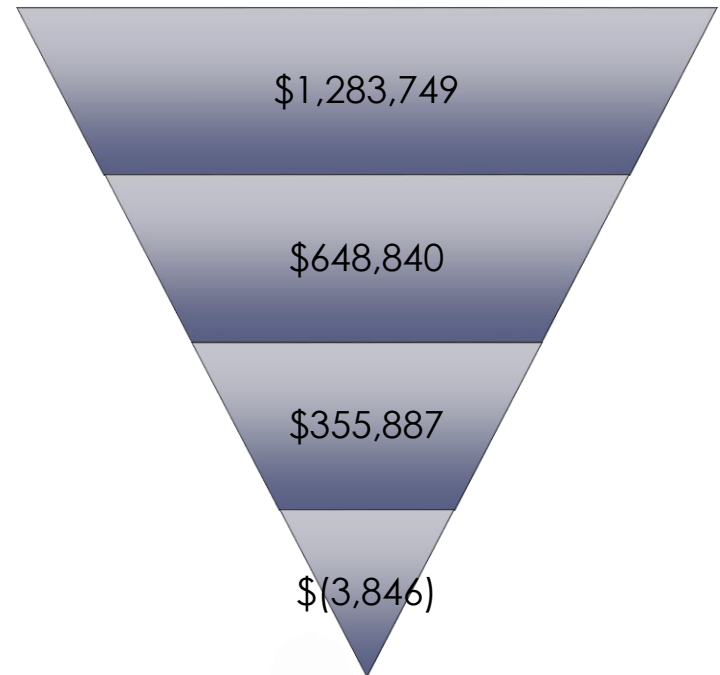
5%

15%

60%

20%

Gross Commission - \$2.3M



56%

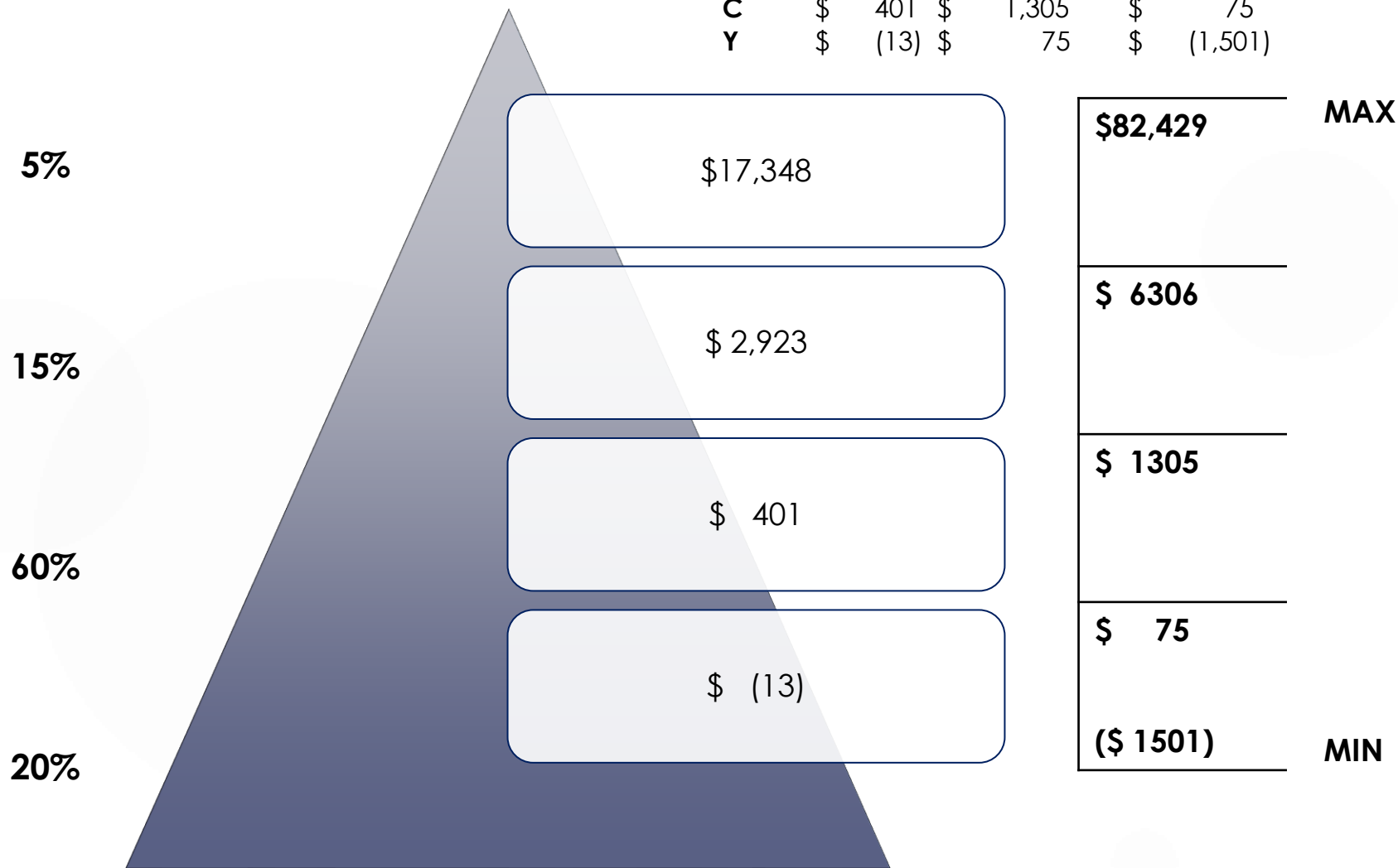
28%

16%

0%

Average Size

	Avg. Size	Max Size	Min. Size
A	\$ 17,348	\$ 82,491	\$ 6,398
B	\$ 2,923	\$ 6,306	\$ 1,308
C	\$ 401	\$ 1,305	\$ 75
Y	\$ (13)	\$ 75	\$ (1,501)

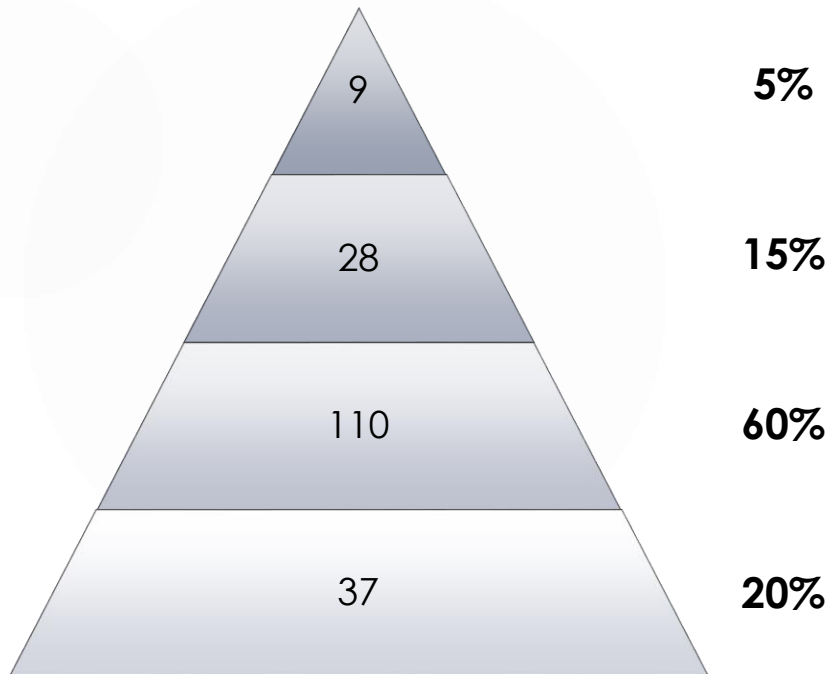


Producer Analysis

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Total Acct	%	# of Accts	Total Comm	Gross Comm	% of Book	Avg. Size	Max Size	Min. Size
184			\$ 677,830					
A	5%	9		\$ 330,227	48.7%	\$ 35,894	\$ 82,491	\$ 18,350
B	15%	28		\$ 251,725	37.1%	\$ 9,120	\$ 17,915	\$ 4,339
C	60%	110		\$ 96,770	14.3%	\$ 877	\$ 4,197	\$ 88
D	20%	37		\$ (892)	-0.1%	\$ (24)	\$ 87	\$ (909)

of Accounts = 184



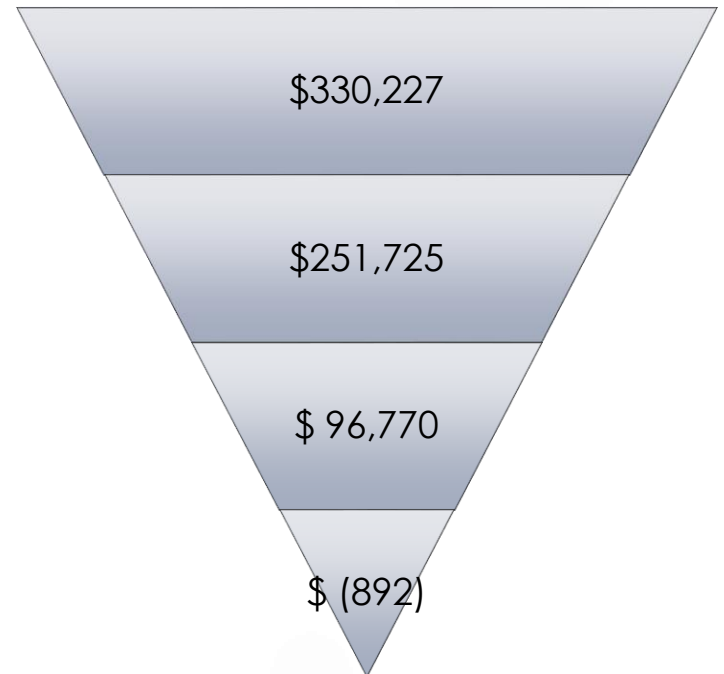
Gross Commission = \$678k

49%

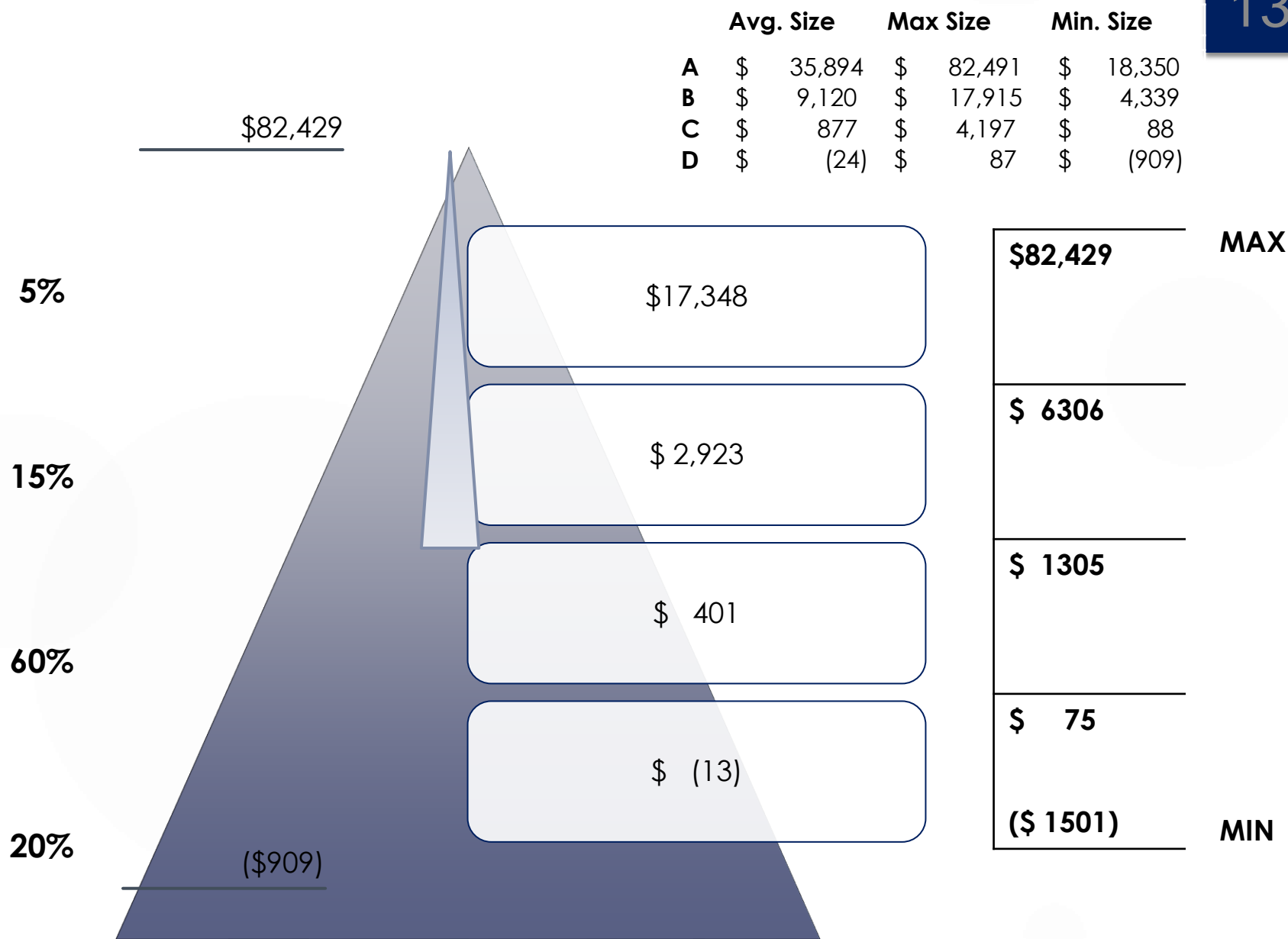
38%

14%

0%



Producer



Contingents

Key Performance Indicators

- **Loss Ratios**
- **Retention**
- **Growth**

The Fundamentals: Strategic Planning

Description

Five Year Plan

- Revenue Growth Targets
 - Key Areas of Focus
 - Marketing Strategies
 - Identify related cost increases such as staffing and overhead
- Equity Growth Target – 10% Annually
 - Improving financial health & stability of organization
 - Market credibility
 - Building capital for future investing opportunities

Creating a Vision

The Fundamentals: Annual Budget Process

	Description
Revenue	<ul style="list-style-type: none">▪ Production▪ New & Lost Accounts – Wrap from Current Year▪ Growth Initiatives▪ Retention Assumptions
Expenses	<ul style="list-style-type: none">▪ Fixed vs Variable and Discretionary▪ Related cost increases associated with Growth
Contingents	<ul style="list-style-type: none">▪ Most mid-to-large agencies do not budget▪ Profitability excluding Bonuses

Are You Breaking Even before Bonus Payments?

The Fundamentals: Managing Performance

	Description
Financials	<ul style="list-style-type: none">▪ Routine financial preparation and review▪ Reconciled Bank Accounts▪ Performance vs. Budget Targets<ul style="list-style-type: none">- Identification of key drivers: One-offs, Timing vs Trends- Internal Control to Monitor for Unusual Items
Analytics	<ul style="list-style-type: none">▪ Routinely<ul style="list-style-type: none">- Revenue Activity- Top Carriers▪ Annually<ul style="list-style-type: none">- Agency & Producer Books- Contingents

Are You Winning or Losing?

IIAT – Key Resources

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Questions?