

THE MARSHBERRY LETTER

AGENCY COMPENSATION SURVEY RESULTS - 2009

SECTION I: General Information

1. Agency location: **ENTIRE COUNTRY**

27%	Rural (less than 10,000 population)
73%	Larger Town/Suburban/Urban

2. Agency's 2008 total revenues:

<i>Rural</i>	\$1,396,925
<i>S/Urban</i>	\$6,512,867

3. Number of agency principals:

<i>Rural</i>	1.5
<i>S/Urban</i>	2.7

4. Full-time equivalent employees in the agency (including owners and part-time people):

<i>Rural</i>	<i>S/Urban</i>	
1.3	4.8	Management
3.5	11.6	Sales
8.7	25.4	Staff

5. W-2 payroll and/or 1099 payments divided by revenues in 2008 for:

<i>Rural</i>	<i>S/Urban</i>	
23.0%	18.2%	Owners: % of revenues
19.5%	17.1%	Non-Owner Producers: % of rev.
19.9%	24.5%	Non-Owner Mgrs & Staff: % of rev.

6. 17.2% 14.5% 2008 Pretax Profit as % of rev.

7. 2.6% 2.3% Avg. Salary/Wage increase for 2009
16.0% 7.0% Rate of increase was higher;
31.0% 45.0% lower;
53.0% 48.0% or stayed same in 2007 over 2006

8. Percent of respondents w/ agency incentive bonus plan:

<i>Rural</i>	<i>S/Urban</i>
62%	57%

It is based on:

Agency Profits	31%	37%
Revenue Growth	19%	26%
Increased Productivity	11%	18%
Contingents	31%	7%
Other	8%	12%

9. Percent of respondents who provide group health insurance:

<i>Rural</i>	<i>S/Urban</i>	
72%	94%	
<i>Rural</i>	<i>S/Urban</i>	
85%	90%	% paid by agency for employee
28%	41%	% paid by agency for dependents

10. The agency's current group health insurance premium compared to a year ago is:

<i>Rural</i>	<i>S/Urban</i>	
3%	11%	Premium is lower
77%	81%	Premium is higher
20%	8%	Premium is the same

11. How agencies are managing increased cost of group health insurance:

<i>Rural</i>	<i>S/Urban</i>	
3%	11%	Agency absorbed all increases for its employees
77%	81%	Increased costs have been passed on to employees
20%	8%	Agency reduced its group health coverage by decreasing benefits offered to employees

12. Retirement plans:

<i>Rural</i>	<i>S/Urban</i>	
43%	53%	401(k) 3.0%/3.0% matching
5%	15%	Qualified Profit Sharing Plan
		2006 4.0%/4.4% of salaries contributed
30%	14%	IRA/Keogh/SEP
0%	2%	Deferred Pension Plan
0%	4%	ESOP
22%	12%	Have no retirement plan

SECTION II: Service Staff Compensation - 2009

1. Personal Lines Service Representative - Over two years of experience

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$30,049-\$36,621 \$33,523-\$41,891

2. Personal Lines Service Representative - Two years' experience or less

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$24,128-\$26,961 \$27,076-\$29,621

3. Percent of Personal Lines CSRs receiving additional compensation for selling:

<i>Rural</i>	<i>S/Urban</i>
56%	55%

The three most frequently used formulas are:

<i>Rural</i>	<i>S/Urban</i>	
\$21	\$12	per policy sold
40%	34%	% of new commissions
19%	6%	% of renewal commissions

4. Commercial Lines Service Representative or Underwriter - Over seven years of experience

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$40,992-\$52,548 \$43,051-\$58,827

5. Commercial Lines Service Representative or Underwriter - Over two years but not over seven years of experience

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$32,056-\$35,832 \$36,522-\$45,940

6. Commercial Lines Service Representative or Underwriter - Two years of experience or less

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$25,893-\$30,737 \$29,573-\$33,823

7. Employee Benefits Service Representative

<i>Rural</i>	<i>S/Urban</i>
Salary Range:	\$26,120-\$35,886 \$36,756-\$56,298



SECTION III: Sales Compensation

- How non-owner producers are paid:

Rural	S/Urban	
25%	11%	Salary
17%	10%	Salary Plus Production Bonus
28%	17%	Salary Plus Commissions
19%	37%	Straight Commissions
11%	25%	Salary as Draw Against Commissions
- Factors upon which the salary portion is based:
From 1 (most important) to 5 (least important)

Rural	S/Urban	
4	1	Percent of previous year's comm.
1	2	Percent of anticipated production
2	3	Management duties
3	4	Longevity
5	5	No correlation to production or performance
- Current commission percentage used in calculating compensation:

	R	S	R	S
	<u>% New</u>		<u>% Renewal</u>	
Personal Lines:	48%	48%	32%	29%
Small Commercial:	43%	38%	30%	34%
Regular Commercial:	46%	41%	34%	32%
Group:	54%	44%	43%	34%
Life:	52%	47%	27%	31%
Handling Other Producer's Accounts:			17%	23%
- Producer commission % increased;
decreased;
or stayed same in 2009 over 2008.

	22%	10%
	4%	18%
	74%	71%
- Referral fee

	10%	18%
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- Expenses paid by agency for producer:

Rural	S/Urban	
38%	67%	Group Insurance
82%	77%	Education
38%	59%	Business Travel
20%	50%	Entertainment
12%	13%	Provide Car
12%	31%	Monthly Car Allowance
\$363	\$508	Average Car Allowance
- Types of employment contracts with producers:

Rural	S/Urban	
28%	54%	Non-Piracy
33%	64%	Non-Compete
25%	41%	Non-Solicitation
40%	14%	Do not have employment contracts
- Percent of producers who vest in their commissions:

Rural	S/Urban
19%	28%
- Amount of commissions you expect a new commercial producer to have written by the end of 1.5 years with the agency:

Rural	S/Urban
\$54,750	\$85,207

SECTION IV: Management Compensation

- Manager Salaries

	Rural		S/Urban	
	2009	2008	2009	2008
	<u>Salary</u>		<u>Bonus</u>	
President/CEO	\$85,851	\$39,611	\$187,685	\$67,031
Office/Admin. Mgr.	\$52,025	\$10,736	\$65,576	\$14,526
Sales Manager	\$61,430	\$9,073	\$102,101	\$16,462
Acctg. Mgr./Controller	\$51,754	\$5,215	\$62,258	\$6,669
Personal Lines Mgr.	\$40,133	\$1,505	\$54,615	\$4,817
Commercial Lines Mgr.	\$47,891	\$2,110	\$76,780	\$6,535
Mkting./Underwriting Mgr.	\$49,684	\$1,685	\$89,564	\$5,319
IT/Automation Mgr.	\$40,291	\$1,043	\$61,886	\$7,363
- Management personnel receive these bonuses:

Rural	S/Urban	
0%	11%	Percent of Salary
23%	20%	Percent of Agency Profits
7%	7%	Percent of Agency Revenues
0%	3%	Percent of Department Profits
47%	47%	Discretionary
23%	12%	No Bonuses Paid

SECTION V: Owner's Compensation

- Rank from 1 (*most important*) to 5 (*least important*) the factors used in determining owners' salaries:

Rural	S/Urban	
1	1	Existing book of business handled
4	4	New business written in prior year
2	2	Percentage of ownership
3	3	Management contribution
5	5	Longevity
- Rank from 1 (*most important*) to 5 (*least important*) the factors used in determining owners' bonuses:

Rural	S/Urban	
1	2	Existing book of business handled
3	4	New business written in prior year
2	1	Percentage of ownership
4	3	Management contribution
5	5	Longevity
- If a commission percent is used in calculating owner compensation, how it relates to non-owner producer rates:

	Rural	S/Urban
Same	60%	62%
Higher	33%	23%
Lower	7%	15%
- Percent of agencies with a formal, written perpetuation plan that does not rely solely on life insurance:

Rural	S/Urban
30%	33%