INDUSTRY PROFILE

# Insurance Agencies & Brokerages

8.31.2020

NAICS CODES: 524210

SIC CODES: 6411

## Industry Overview

Companies in this industry act as agents to sell insurance policies and annuities underwritten by insurance carriers. Major companies include Arthur J Gallagher, Brown & Brown, and Marsh & McLennan (all based in the US), as well as Aon, Lloyd's, and Willis Towers Watson (all based in the UK).

The global insurance industry, which includes carriers as well as agents and brokers, generates about $5.2 trillion in premium volume each year, according to Swiss Re. The largest global insurance markets are the US, China, and Japan, followed by the UK, France, and Germany.

The US insurance agencies and brokerages industry includes about 137,000 establishments (single-location companies and units of multi-location companies) with annual revenue of about $140 billion.

Many companies that primarily offer insurance products to businesses function mainly as brokers. **Captive agencies** operate as a sales agent for a single insurer, working on its behalf; independent brokers sell products from several providers. Insurance carriers are covered in separate industry profiles.

### Competitive Landscape

Low interest rates, sluggish premium growth, and rising catastrophe losses are putting downward pressure on margins for insurance agencies and brokerages. Soft market conditions drive consolidation in the industry as companies look to maximize revenue growth.

While the traditional intermediation model remains dominant worldwide, direct-to-consumer digital distribution of insurance policies threatens brokerage sales in many established and emerging markets. Companies also face growing competition from banks, financial advisers, and nontraditional distributors.

To win business, agencies rely on marketing, client referrals, and customer service. Name recognition, connections with more insurers, and the ability to craft more complex insurance packages are benefits of belonging to large brokerage networks. Small agencies may compete by specializing in a specific product line or customer group.

When the economy contracts, demand for insurance falls as consumer income and commercial activity decline. During periods of economic difficulty, smaller agencies may branch into more diversified fields to build business. Despite the prominence of large companies in the commercial segment, the US industry remains highly fragmented: the largest 50 firms account for about 25% of revenue.

**Competitive Advantages:**

**Growth in Emerging Markets** - Insurance agencies and brokerages looking to expand internationally are targeting China, India, and other emerging markets where market saturation is low and new sales opportunities are plentiful. Insurance can contribute to economic growth by enabling trade, commerce, entrepreneurship, resource allocation, and risk mitigation. Affordability, regulatory challenges, and lack of trust in the industry can be major barriers to growth in emerging markets.

**Broad Reach** - Having a broad geographic reach and a diversified product portfolio helps insurance brokerages gain ground against the competition. Avoiding concentrated risk from one area of business, such as selling coverage for classic cars during an economic downturn or life insurance in a manufacturing hub where employment is on the decline, can keep agencies from relying too heavily on one revenue stream.

**Strong Brand Recognition** - Agencies that represent trusted insurance brands have a greater chance of attracting and retaining customers. Agencies gain contracts to promote policies from recognizable names such as Progressive or MetLife. Representing well-thought-of brands can help agents bring the best value to clients with strong policies, support tools, and referral networks.

**Companies to Watch:**

**Marsh & McLennan** (MMC) is the top global insurance broker. The company grows through continual acquisitions and organic expansion, with increased revenue over the past several years. It made more than 120 acquisitions or investments between 2013 and 2019. MMC offers brokerage, consulting, risk management, and human resource services worldwide.

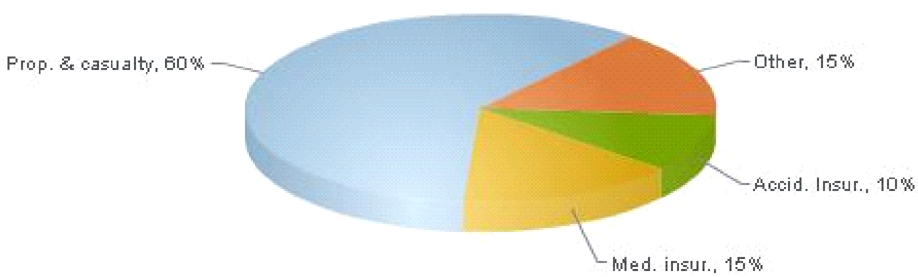
**Aon** is the second-largest global insurance broker, with about 50,000 associates in some 120 countries. The company relocated its headquarters from Chicago to London in 2012, converting to a public limited company. Its top markets are the US and Europe. The company recently sold its benefits outsourcing business to focus on its core brokerage and consulting operations.

**Lemonade** is an insurance technology (insurtech) company working to disrupt the insurance underwriting and brokerage markets by replacing paperwork and brokers with machine learning and bots. The company has backing from venture capital firms including GV (formerly Google Ventures) and SoftBank Group.

## Products, Operations & Technology

Major insurance products sold by agents and brokers include property and casualty (P/C), health and medical, and life. About 60% of industry revenue in the US comes from commissions on property and casualty insurance, evenly split between commercial and personal lines. Commissions on medical insurance account for about 15% of industry revenue, and life and accident insurance commissions account for another 10%. Other types of insurance sold by agents and brokers can include annuities and title insurance.

**Product Segmentation by Revenue - Census Bureau**




Property and casualty agencies sell policies that cover **homes, cars**, and other personal property. Agents sell commercial lines to businesses that are designed to cover **company assets and industrial properties**. Standard personal lines include auto, home, and property coverage; for businesses standard lines may cover property, medical malpractice, workers compensation, and product liability. **Specialty business lines** may cover specific industries such as aviation and marine, or special products such as kidnap and ransom, computer theft, or directors and officers. Agencies may specialize in serving certain groups with specific needs such as wealthy clients, farmers, or car club members.

Health insurance includes **HMO** (closed system), **PPO** (open access), and **POS** (limited network) medical plans. HMOs require primary care doctors to act as gatekeepers for other medical services. PPO and POS plans give consumers various levels of provider choice but can come with higher deductibles. Plans are typically sold as employer group policies. Individual health policies are growing under Affordable Care Act mandates. Individual supplemental health policies such as disability and long-term care insurance are also increasing in popularity. **Supplemental health policies** cover the policyholder for medical services not covered by standard group insurance plans or programs like Medicare.

Life insurance agencies sell single or joint policies, whole life, term life, or **variable life policies**, among other products. Term policies are the most straightforward life insurance product because a premium is paid solely in exchange for the possibility that the insurance holder will die during the term of the policy; any investment income is kept by the insurance company. Most other life insurance policies include some type of **investment feature** and therefore have higher premiums. **Annuities** (fixed, variable, deferred, and payout) are almost entirely an investment product, with a large upfront premium and investment-type returns every year.

More insurance agents are selling **financial planning services** to their clients following deregulation of the market through the Gramm-Leach-Bliley Act of 1999, which allowed the insurance industry to sell financial products. Agents can become licensed to sell mutual funds, variable annuities and other securities, and many captive agents were encouraged to branch out into this area by the carriers they represented. As insurance and financial products have become more complex, agents have become an important source of information regarding these products.

**Agency agreements** with insurance companies allow agents to bind insurance coverage on the company's behalf and specify the **commission** the agency receives from policies. Agencies usually have agreements with multiple insurance companies, although some work exclusively with one company and are essentially **franchisees**. Typically, agencies receive a large percentage of the initial premium from a new policy and a smaller percentage from renewal premiums, but the **compensation formula** varies according to the policy premium schedule. **Brokers** work on behalf of their clients, primarily businesses, soliciting bids from several insurers; brokers operate extensively in the commercial segment of the industry.

### Technology

Information management systems allow agencies to track customers, policies, receivables, and other business operations. Insurers are increasingly embracing digital technology tools for data storage, documentation, and transaction processing and to enhance data analytics capabilities.

Insurance companies are investing in digital distribution tools as insurance policy sales increasingly move online. Insurance agents use online sales portals and cloud-based comparison and brokerage platforms to facilitate quote comparisons and establish new policies. Agencies and brokerages also obtain software that can help attract and retain customers as they increasingly compete with direct sales websites that eliminate the middleman. Global repositories of insurance placement data are being developed by brokers to analyze trends and improve policy placement results for insurer clients.

Insurance agencies are embracing **mobile technology**. Carriers are offering downloadable apps to enable employees and customers to access information on the go. Many leverage mobile capabilities such as geo-location and portability in order to enhance user experience.

As insurance agents increasingly record, manage, and analyze customer data through digital systems, companies must invest in cybersecurity. Continuous evaluations and upgrades of systems are necessary to safeguard against data breaches.

## Sales & Marketing

Agencies that sell insurance products to individuals depend heavily on **referrals** from existing customers; agencies also sell through banks, workplaces, car dealers, realtors, travel agents, and other channels. Customer retention is critical for the insurance industry, as even small changes in retention rates can significantly affect revenue. Customers are more likely to switch carriers to save money during challenging economic times. However, if a customer uses more than one product from a provider, they are more likely to stick with that company.

Because of the personal and local aspect of the business, even large agencies may work through small **local offices**. Agencies or brokers that sell commercial or group health insurance typically use a direct sales force, advertise in local business publications, and may sponsor local business events. Agencies also use call centers to market their products and services.

Consumers increasingly use **carriers' websites** to get information about insurance and to find quotes, and in some cases bypass agents altogether, buying directly. The majority of life insurers offer software tools to model various insurance policies to customers. Many customers still prefer to buy insurance from an agent, however. Commercial customers especially prefer brokers to help them identify the best coverage for their needs.

Pricing is determined by the insurance carrier according to their models. **Actuarial data** for life insurance, crash data for auto insurance, and **credit scoring** for homeowners insurance are just some of the methods for determining rates and premiums. Agents receive commissions based on the amount of the premium and the type of policy. They may receive 50% or more of first-year premiums and 3% to 5% of renewal premiums thereafter. As a result, some agents may encourage customers to change carriers. Brokers may receive additional fees or compensation from customers and insurers for services provided in conjunction with policies.

## Finance & Regulation

Agencies typically have a highly stable **cash flow**, based on regular collection of premiums. Customers need the product and must renew their policies regularly. High customer retention also leads to stable cash flow.

**Working capital turnover** averages about 20% for the industry in the US. Accounts receivable are high, about 70 days' sales, because insurance coverage typically starts before premiums are paid. Cancellations or uncollectable billings may present receivable difficulties, and brokers may make allowances for doubtful accounts. Companies may make substantial investments in computer software and equipment.

**Working Capital Turnover by Company Size**

The working capital turnover ratio, also known as working capital to sales, is a measure of how efficiently a company uses its capital to generate sales. Companies should be compared to others in their industry.


Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

**Regulation**

In the US, insurance companies and agencies are regulated by individual states. Individual insurance agents must be licensed by the state in which they do business. The Gramm-Leach-Bliley Financial Services Modernization Act of 1999 has sharply affected the insurance industry by allowing the combination of insurance and other financial services firms under a holding company structure. The act effectively allowed banks and brokerage firms to market insurance products sold by their affiliates, and vice versa.

One consequence of the financial crisis of the late 2000s is that insurers are subject to more regulation aimed at creating greater transparency and stability within the financial services industry. The Dodd-Frank finance reform laws of 2010 enact new rules to govern insurer risk and capital management practices.

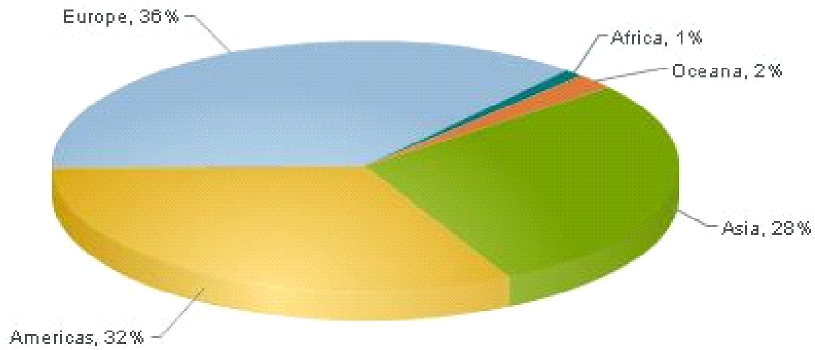
Agencies in the US that govern brokers or the insurers they represent include the Securities and Exchange Commission (SEC), Commodity Futures Trading Commission (CFTC), Financial Industry Regulatory Authority (FINRA), and Centers for Medicare and Medicaid Services (CMS).

## International Insights

The global insurance industry, which includes carriers as well as agents and brokers, generates about $5.2 trillion in premium volume each year, according to Swiss Re. The largest global insurance markets are the US, China, and Japan, followed by the UK, France, and Germany. Growth in non-life (property/casualty and health) and life insurance premiums is driven by strong sales in emerging markets in Asia and Central and Eastern Europe and in mature markets in North America.

Prolonged weak economic conditions in Western Europe and other regions have dampened growth worldwide. **Demand from emerging markets**, primarily China, could stimulate future expansion. Other growth markets include Argentina, Brazil, India, Indonesia, Mexico, the Philippines, Russia, and Vietnam. Major insurance brokerage companies based outside the US include Aon, Lloyd's, and Willis Towers Watson (all based in the UK).

**Percent of Global Insurance Premium Volume - Swiss Re**




**China's rising wealth** and expanding middle class is creating more demand for insurance, specifically life and property insurance, as the upwardly mobile look to secure their future and their possessions. Market penetration potential for insurance agencies is strong. China became the third-largest global insurance market (after the US and Japan) in 2015, up from the 16th largest market in 2000, according to Swiss Re, and it is expected to surpass the US by the mid-2030s. Western firms may increasingly partner with domestic insurers to tap into China's underserved market.

The global insurance industry suffered $140 billion in insured losses due to disasters in 2019, compared to $176 billion in 2018, according to Swiss Re. The industry must adapt to varying levels of catastrophic losses from year to year, and catastrophe-related losses have grown in recent years due to climate change, population growth, and development in exposed areas. Various regions must deal with different disasters such as floods, hailstorms, hurricanes, cyclones, and tornadoes. Insurance carriers are investing in technology and data analytics to better predict and evaluate their exposure to catastrophes and other risks.

The internet is quickly growing globally as a popular **insurance research tool**. A growing number of customers throughout the Asia/Pacific and other regions use the internet as their primary channel for researching insurance products. Insurance brokers are leveraging this medium as a means of acquiring new business, but may also lose ground to online distributors.

## Regional Highlights

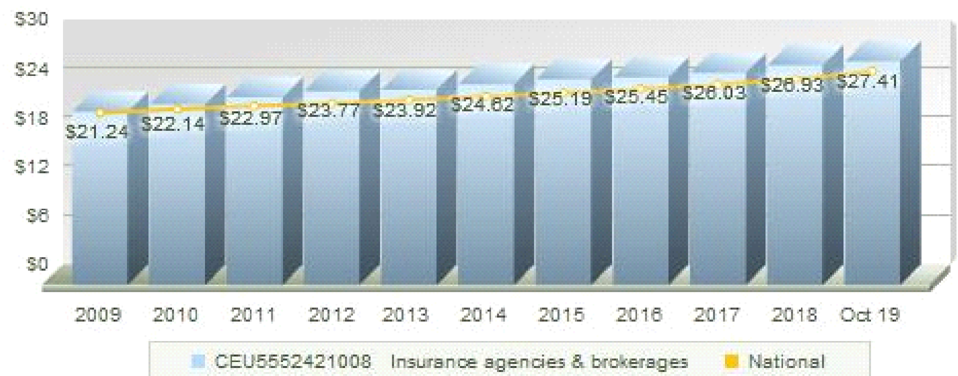
In the US, the volume of locally generated insurance is related to economic conditions and population growth. States with the most insurance agency establishments include California, Texas, Florida, New York, and Illinois. States that gained the most people between 2018 and 2019 included Texas, Florida, Arizona, North Carolina, and Georgia.

## Human Resources

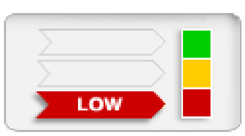
Jobs with insurance agencies are of two main types, clerical and sales. **Clerical jobs** require computer skills, while **sales jobs** often require sophisticated financial knowledge. Most insurance agents receive a large portion of income from commissions on sales. Average hourly industry wages are moderately higher than the national average. The availability of insurance information on the internet and the new competition from banks and brokerages has slowed the number of new agencies that have been established over the past few years.

**Industry Employment Growth**
**Bureau of Labor Statistics**


**Average Hourly Earnings & Annual Wage Increase**
**Bureau of Labor Statistics**




## Industry Growth Rating




Demand: Driven by consumer income and business activity
Need good customer service and marketing
Risk: Economic slumps and catastrophes

## Quarterly Industry Update

### 8.31.2020

**Trend: Private Equity Driving Merger & Acquisition** - Majority of the insurance agency and brokerage merger and acquisition (M&A) deals during the COVID-19 pandemic are completed by private equity buyers. In Q1 of 2020, according to S&P Global, US insurance M&A deals increased to 168 ($35.5 billion), three of which were megadeals ($33.7 billion). In Q2, however, insurance M&A deals declined to 100 transactions as a result of the economic uncertainties at the height of the COVID-19 pandemic. Based on the OPTIS Partners quarterly report, the combined M&A transactions in the US and Canada dropped by 40 in the first half of 2020 compared to 2019. Some buyers including Acrisure, Broadstreet Partners, and World Insurance Associate pursued the same number or more M&A deals compared to 2019. Majority (69%) of the M&A purchases in the first half of 2020 were made by private equity buyers. The insurance M&A market is expected to remain relatively active in 2020 due to the low interest rates enforced by the Federal Reserve and the large deployable capital available to private equity and corporate buyers.

Insurance brokers may be prompted by the pandemic-related economic recession to sell in order to gain additional capital and take advantage of economies of scale; however, they have to ensure that the buyers are capable of providing the necessary resources, technology, structure, industry relationships, and expertise.

**Industry Impact** - Smaller insurance agency and brokerage firms may opt to sell or merge with insurance companies owned by private equity firms to take advantage of cost reduction and improved efficiency resulting from economies of scale. However, insurance M&A deals become more risky when government restrictions are reinstated due to the resurgence of high COVID-19 cases.

## 5.11.2020

**Trend: COVID-19 a Boon, Bane to Different Insurance Sectors, Brokers** - Insurance companies and brokers in the health, auto, commercial, and life coverage markets are experiencing widely varying impacts from the COVID-19 pandemic that is shutting down businesses and keeping consumers at home. Health insurers are reaping financial reward from lower medical claims volumes as elective visits and procedures are postponed, but firms are also seeing declining enrollment in employee-sponsored plans due to unemployment rates, according to The Wall Street Journal. Meanwhile, property/casualty insurers may experience financial strain from a severe uptick in business income, travel, and event cancellation claims. Auto insurers are seeing a downturn in auto mileage, and therefore a positive shift to lower claims payout volumes. Additionally, some life insurance carriers are suffering from a downturn in investment returns due to stock market deterioration. All of this means that insurance brokers are seeing similar shifts in demand and claims for different products. Brokers primarily dealing with health policies may see increased need for individual policy assistance, while facing lower demand for business policies. Property/casualty brokers are seeing higher business claims, as well as interest in new virus protection policies for those seeking to protect against future losses.

**Industry Impact** - While the long-term impacts of the COVID-19 pandemic are not yet evident, insurance brokers are experiencing a wide range of ramifications and benefits during the first part of the year.

## 10.14.2019

**Trend: Insurers Offer More Health Plans on Individual Exchanges** - Health insurers are increasing their participation on individual plan exchanges for the 2020 coverage year after seeing improved returns for 2019, providing broader product portfolios for insurance agencies to sell. After hefty rate hikes in 2017 and 2018 triggered by higher-than-expected claims costs, rates have stabilized and insurers are finding the health exchanges more profitable, according to The Wall Street Journal. Rate increases are expected to be moderate for 2020 plans (for which enrollment begins Nov. 1), with some areas seeing rate reductions, especially in states that have enacted reinsurance programs under a CMS waiver program. Companies planning to expand plan offerings or extend offerings into new states include Cigna, Anthem, Blue Cross Blue Shield entities, Centene, Oscar, Molina, and Bright Health, though some large players including Aetna and Humana continue to refrain from market participation. Enrollment on state and federal exchanges established through the Affordable Care Act has declined over the past two years, however, due to higher rates, increased employer coverage, and the elimination of the tax penalty.

**Industry Impact** - Improved competition on individual health plan exchanges should further stabilize the market and provide greater sales opportunities for insurance brokers and agents.

## 4.22.2019

**Trend: Insurance Needs of Cannabis Businesses Remain Underserved** - Insurers and brokers have vast opportunities to provide insurance policies for the growing number of marijuana businesses in the US, but many avoid the market due to risks in offering coverage. Medical or recreational cannabis legalization has occurred in more than 30 states, but the substance remains illegal under federal law. While some federal guidelines for doing business with marijuana firms exist, only about 25 insurance carriers currently offer insurance to cannabis-related businesses, and coverage tends to be limited, according to AM Best. Primary products for marijuana retailers, growers, and manufacturers include commercial general liability, property liability, and product liability policies. The proposed Congressional SAFE Banking Act would protect banks that serve state-legal cannabis businesses and lead to updated guidelines for insurers and other financial institutions. If the Act passes, insurance coverage is expected to expand. Federal legalization of marijuana would also clear the path for insurers; cannabis insurance is growing rapidly in Canada, where marijuana became legal on a federal level last year.

**Industry Impact** - The growing marijuana industry has a high need for more insurance products and services, but participation in the high-risk market is limited.

## Industry Indicators

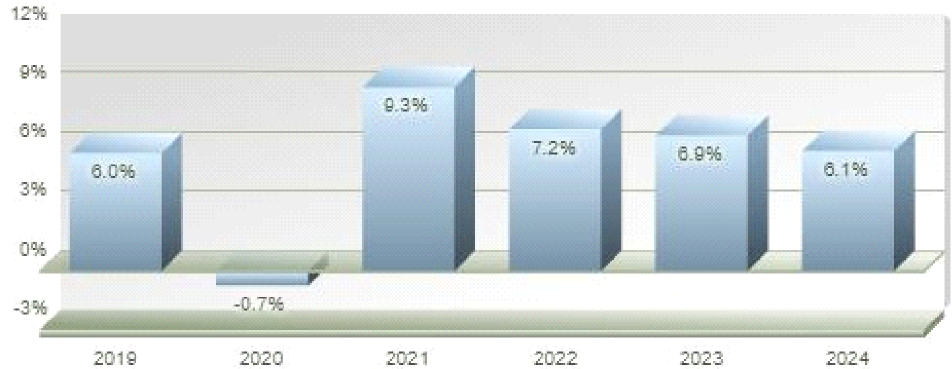
US corporate profits, an indicator of corporate demand for insurance, fell 20.1 percent in the second quarter of 2020 compared to the same period in 2019.

US personal income, which drives consumer ability to pay for insurance, rose 8.2 percent in July 2020 compared to the same month in 2019.

Total US revenue for insurance agencies, brokerages, and other insurance related activities rose 3.6 percent in the second quarter of 2020 compared to the same period in 2019.

## Industry Forecast

Revenue (in current dollars) for US insurance agencies, brokerages, and related activities is forecast to grow at an annual compounded rate of 7% between 2020 and 2024. Data Published: July 2020




First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. Forecast FAQs

## Industry Drivers

Changes in the economic environment that may positively or negatively affect industry growth.

Data provided by First Research analysts and reviewed annually

**Government Regulations** Changes in federal, state, or local government regulations or business-related policies

## Critical Issues

**Revenue Depends on Economic Conditions** - The revenue of many insurance agencies swings with economic conditions, especially in property and casualty insurance, because the volume of insurance-related transactions changes. A slower economy generally means fewer new homes built and sold, fewer cars bought, and fewer investment-type insurance products bought. Commercial insurance sales also decline along with economic conditions.

**Competition from Direct Marketing to Consumers** - Insurers can easily sell auto and term life insurance, the largest volume of insurance business, over the internet rather than through an independent agent. Many insurance companies also sell a significant number of policies directly to consumers through direct mail and telemarketing. While the majority of insurance transactions still involve an agent or broker, industry experts expect that fewer of these transactions will go through an agency as consumers become comfortable buying insurance without an intermediary.

## Business Challenges

**Competition from Banks, Brokerages, and Digital** - Banks and stock brokers sell insurance and provide consumers with personalized insurance services, in direct competition with traditional agents. A growing number of banks have teamed with independent insurance agents to form joint marketing ventures. Some banks also are buying insurance agencies. Nontraditional players have started selling insurance products online.

**Weather and Other Catastrophes** - Hurricanes, other natural disasters, and man-made catastrophes can pummel insurance providers. Weather-related losses account for a high proportion of global natural catastrophe losses, and climate change is driving an increase in weather-related events. Damage from hurricanes and other storms fluctuates by severity and by location from year to year. Many providers have pulled out of vulnerable regions, which cuts into local agencies' revenues whether they are captive or independent agents.

**Poor Public Image** - Gaining consumer trust is the single biggest challenge for any insurance agent, especially for independents with no support from a large company's branding reputation. The reputation of insurance agencies can also be harmed if insurers they represent have financial problems.

**Lack of Cross-Platform Integration** - Because independent agents often represent several carriers, they may have to deal with several different proprietary computer systems. Many insurance carriers in turn use a third-party platform to employ software illustration tools, leading to further complexity for brokers. Agencies have to manually key in data, slowing their customer service. Multiple systems also hinder quote comparisons between carriers and products and make it harder for new agents to become familiar with products from different companies.

## Business Trends

**Industry Consolidation** - Consolidation continues among agencies and among insurance carriers, largely in response to the wider insurance needs of business customers. Some agencies have historically grown through acquisitions. Consolidation may slow down during recessions due to declining revenues and limited capital in the industry.

**Online Research and Sales** - Studies show that consumers use the internet to comparison shop, but most also want to ask questions and close the deal with an agent. As a result, fewer agents are needed to serve customers since consumers are doing their own research. Although online insurance sales amount to billions of dollars annually, they are still a small percentage of overall insurance revenues. Surveys find that younger customers and those with weaker credit are more likely to buy insurance online.

**Telemarketing and Call Centers** - The importance of the contact center, along with other service technologies, is also changing how consumers interact with insurance agents. Some insurance agents who want to reduce the cost of customer service are replacing live telephone assistance with interactive voice response (IVR) systems, web queries, or online transactions. However, many agents create brand recognition based on personal service and must be able to deal with many customers who demand to speak to a live customer service rep.

## Industry Opportunities

**Online Services** - Agencies can win business and increase their level of service by giving customers greater access to products, services, and information via the internet. Online information-collaboration systems also can enable insurance brokers to communicate information faster and easier with insurers. Already a majority of personal and small business commercial lines packages are processed electronically via online systems, using the internet or proprietary systems.

**Investment Products** - With intimate knowledge of an insurance customer's financial situation, insurance agents are in a good position to sell other financial products. Such products and services include annuities, stocks, and retirement and estate planning. Agents have to be licensed to sell other financial products in the state in which they do business.

**Consulting Services** - The increased complexity of financial and risk management gives agencies an opportunity to expand their role as consultants and advisers, especially in the commercial segment. For example, more insurance agents are providing risk management services to small and midsized business clients who often can't afford a risk manager on staff. Insurance agents are using consulting to build stronger relationships, retain existing clients, and attract new ones.

**Health Insurance Exchanges** - Since the roll-out of the US Affordable Care Act, insurance agents and brokerages face uncertainty about their roles in the new system, which allows people to choose and buy insurance directly through open exchanges. Brokers can still earn commissions for selling coverage through the exchanges, however, and many people prefer to have assistance navigating new regulations and the plethora of options.

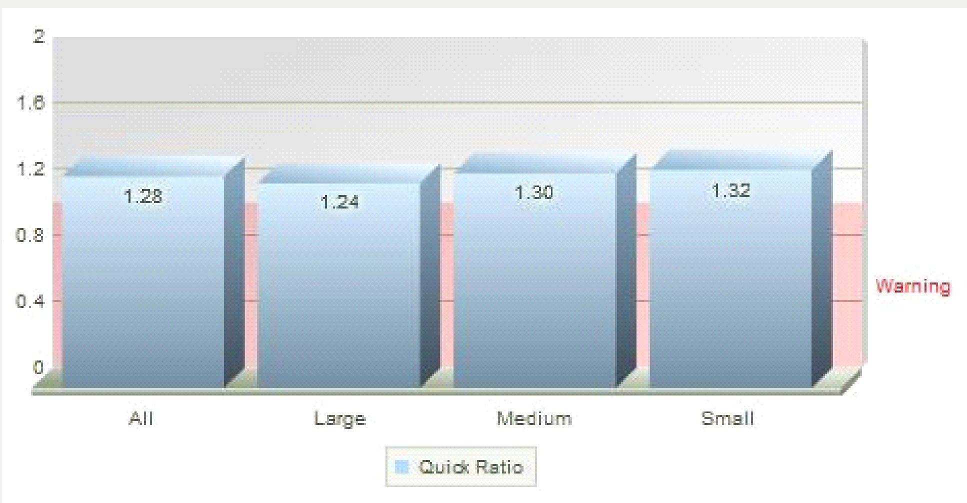
**Cyber Risk Coverage** - Selling cyber risk coverage is a growing opportunity for insurance brokers. Annual US cyber insurance premiums have grown to some $2 billion, according to A.M. Best. Insurance brokers are becoming an integral part of the process by helping customers understand coverage options and select appropriate policies, as well as by providing cyber risk management services. The overwhelming amount of unaggregated data related to cyberattacks makes it difficult for brokers, government agencies, and other parties to assess underwriting risk.

# Financial Information

## COMPANY BENCHMARK TRENDS

### Quick Ratio by Company Size

The quick ratio, also known as the acid test ratio, measures a company's ability to meet short-term obligations with liquid assets. The higher the ratio, the better; a number below 1 signals financial distress. Use the quick ratio to determine if companies in an industry are typically able to pay off their current liabilities.




Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

### Current Liabilities to Net Worth by Company Size

The ratio of current liabilities to net worth, also called current liabilities to equity, indicates the amount due creditors within a year as a percentage of stockholders' equity in a company. A high ratio (above 80 percent) can indicate trouble.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## COMPANY BENCHMARK INFORMATION

**NAICS: 524210**

| | |
|---|---|
| **Data Period: 2018** | Last Update February 2020 |
| **Table Data Format** | Mean |

| **Company Size** | All | Large | Medium | Small |
|---|---|---|---|---|
| **Size by Revenue** | | Over $50M | $5M - $50M | Under $5M |
| **Company Count** | 82352 | 43 | 680 | 81629 |

| **Income Statement** | | | | |
|---|---|---|---|---|
| **Net Sales** | 100% | 100% | 100% | 100% |
| **Gross Margin** | 92.6% | 93.0% | 92.6% | 92.3% |
| **Officer Compensation** | 10.9% | 10.2% | 11.1% | 11.5% |
| **Advertising & Sales** | 1.2% | 1.1% | 1.1% | 1.2% |
| **Other Operating Expenses** | 77.7% | 79.4% | 77.9% | 76.1% |
| **Operating Expenses** | 89.8% | 90.8% | 90.2% | 88.7% |
| **Operating Income** | 2.9% | 2.2% | 2.5% | 3.6% |
| **Net Income** | 1.4% | 1.0% | 1.2% | 1.8% |

| **Balance Sheet** | | | | |
|---|---|---|---|---|
| **Cash** | 26.7% | 25.7% | 27.3% | 27.8% |

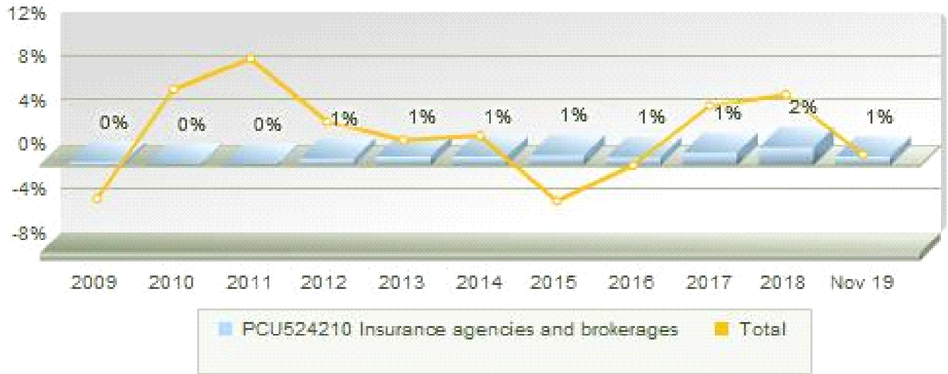
| | | | | |
|---|---|---|---|---|
| **Accounts Receivable** | 19.2% | 19.5% | 19.7% | 18.7% |
| **Inventory** | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total Current Assets** | 57.3% | 56.2% | 59.1% | 58.1% |
| **Property, Plant & Equipment** | 6.5% | 6.0% | 6.5% | 7.1% |
| **Other Non-Current Assets** | 36.2% | 37.8% | 34.4% | 34.8% |
| **Total Assets** | 100.0% | 100.0% | 100.0% | 100.0% |
| **Accounts Payable** | 19.8% | 20.0% | 20.8% | 19.3% |
| **Total Current Liabilities** | 38.9% | 39.0% | 39.7% | 38.6% |
| **Total Long Term Liabilities** | 18.9% | 17.9% | 18.5% | 20.2% |
| **Net Worth** | 42.2% | 43.0% | 41.8% | 41.2% |

| **Financial Ratios**<br>**(Click on any ratio for comprehensive definitions)** | | | | |
|---|---|---|---|---|
| **Quick Ratio** | 1.29 | 1.26 | 1.31 | 1.33 |
| **Current Ratio** | 1.47 | 1.44 | 1.49 | 1.51 |
| **Current Liabilities to Net Worth** | 92.3% | 90.7% | 95.1% | 93.5% |
| **Current Liabilities to Inventory** | x3,907.79 | x3,901.59 | x1,323.89 | x3,826.83 |
| **Total Debt to Net Worth** | x1.37 | x1.32 | x1.39 | x1.43 |
| **Fixed Assets to Net Worth** | x0.15 | x0.14 | x0.16 | x0.17 |
| **Days Accounts Receivable** | 71 | 82 | 69 | 62 |
| **Inventory Turnover** | x729.87 | x615.77 | x255.78 | x845.15 |
| **Total Assets to Sales** | 102.8% | 116.1% | 97.6% | 91.6% |
| **Working Capital to Sales** | 18.9% | 19.9% | 18.9% | 17.9% |
| **Accounts Payable to Sales** | 20.1% | 22.9% | 20.1% | 17.5% |
| **Pre-Tax Return on Sales** | 2.3% | 1.6% | 2.0% | 3.0% |
| **Pre-Tax Return on Assets** | 2.2% | 1.4% | 2.0% | 3.2% |
| **Pre-Tax Return on Net Worth** | 5.2% | 3.2% | 4.9% | 7.8% |
| **Interest Coverage** | x2.01 | x1.34 | x2.04 | x2.80 |
| **EBITDA to Sales** | 5.4% | 4.9% | 4.9% | 6.0% |
| **Capital Expenditures to Sales** | 3.2% | 3.5% | 3.1% | 2.9% |

Financial industry data provided by MicroBilt Corporation collected from 32 different data sources and represents financial performance of over 4.5 million privately held businesses and detailed industry financial benchmarks of companies in over 900 industries (SIC and NAICS). More data available at www.microbilt.com.

## ECONOMIC STATISTICS AND INFORMATION

**Change in Producer Prices - Bureau of Labor Statistics**




## VALUATION MULTIPLES

**Insurance Agencies & Brokerages**

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2008 and 12/2019 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than $1B. Data updated annually. Last updated: December 2019.

| Valuation Multiple | MVIC/Net Sales | MVIC/Gross Profit | MVIC/EBIT | MVIC/EBITDA |
|---|---|---|---|---|
| **Median Value** | 1.6 | 1.6 | 3.5 | 2.3 |

**MVIC (Market Value of Invested Capital)** = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.
**Net Sales** = Annual Gross Sales, net of returns and discounts allowed, if any.
**Gross Profit** = Net Sales - Cost of Goods Sold
**EBIT** = Operating Profit
**EBITDA** = Operating Profit + Noncash Charges

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SOURCE: DealStats (formerly Pratt's Stats), 2019 (Portland, OR: Business Valuation Resources, LLC). Used with permission. DealStats is available at https://www.bvresources.com/learn/dealstats

## Industry Websites

**AM Best Company**
Insurance industry news.

**Asia Insurance Review**
Insurance industry news in Asia.

**Independent Insurance Agents & Brokers of America**
Insurance industry studies.

**Insurance & Technology**
Industry IT news and trends.

**Insurance Brokers Association of Canada**
Media and resources.

**Insurance Day**
Global industry news for businesses.

**Insurance Information Institute**
Articles, insight & analysis, and links to state and national associations.

**Insurance.com**
Informational site for consumers.

**National Association of Health Underwriters**
Industry association, regulatory issues, news.

**National Association of Insurance Commissioners**
Regulatory issues.

**National Underwriter Resource Center**
Industry news and links to product line magazines.

**Property and Casualty.com**
Industry news.

**Swiss Re Institute**
In depth reports

**The Council of Insurance Agents & Brokers**
Industry links and news.

## Glossary of Acronyms

**CIAB** - Council of Insurance Agents and Brokers

**FASB** - Financial Accounting Standards Board

**IIABA** - Independent Insurance Agents and Brokers of America

**III** - Insurance Information Institute

**ISO** - Insurance Service Organization

**K&R** - kidnap and ransom

**RMS** - Risk and Insurance Management Society

**SMART** - State Modernization and Regulatory Transparency Act