

2014 Agency Universe Study

Additional Analysis for the Independent
Insurance Agents and Brokers of New York

Prepared by:



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Background and Objectives

- The Independent Insurance Agents and Brokers of New York (the IIABNY) wanted to compare its membership to independent agents and brokers elsewhere in the United States, to better understand its members and how it can serve them most effectively.
- To make this comparison efficiently, the IIABNY decided to compare the responses of New York agents and brokers to the 2014 Agency Universe Study, to responses from other agents.
- First, in order to provide as rich data on New York agents and brokers as possible, the IIABNY communicated to its membership the importance of responding to the 2014 AUS. These communications were quite successful, producing 279 responses from New York agents, compared to the 111 responses to the 2012 study (which did not include special steps to encourage responses from New York agents). Thus, on an unweighted basis the 2014 AUS more than doubled responses from New York agents.
- Respondents to the 2014 Agency Universe Study represented a mix of New York regions.
 - While there is no official definition of regions within New York state (including no official definition of where downstate begins and upstate begins), the Federal Reserve Bank of New York, Buffalo branch divides the state into four areas that seem useful: New York City; downstate counties near NYC and integrated with it in terms of community and other economic metrics (Westchester, Putnam, Rockland, Dutchess, Orange, and Sullivan counties); Nassau and Suffolk counties on Long Island; and upstate New York (the other 49 counties in the state).
 - Respondents to the 2014 AUS study included 22 from New York City, 35 from downstate, 114 from Long Island, and 108 from upstate.

Comparisons Between New York and Non-New York Agents and Brokers

- To begin understanding differences between New York and non-New York agents and brokers, Zeldis ran a “banner,” which is a set of tables cross-tabulating answers to each question and each non-question data-point (e.g. community type) by a set of analytic columns, as follows:

	2014					2012		
	Total 2014	Total 2012	Northeast Resp. Only			Northeast Resp. Only		
			NY Resp. Only	(Exc. NY)	All Resp. (Exc. NY)	NY Resp. Only	(Exc. NY)	All Resp. (Exc. NY)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Base: Total Respondents (Unweighted)	3628	2520	279	435	3304	111	318	2409
Base: Total Respondents (Weighted)	3010 100.0%	2311 100.0%	210 100.0%	339 100.0%	2771 100.0%	78 100.0%	237 100.0%	2233 100.0%

- We broke respondents into geographic categories (New York only; Northeast excluding New York; and all respondents excluding New York) to facilitate analysis comparing one geographic area to another.
- The IIABNY may wish to review the banner to identify where additional analysis would be worthwhile. We would also be happy to discuss specific questions and how they could be addressed using the data, although caution should be exercised when reviewing data from questions with low NY base sizes.
- 2014 to 2012 comparisons were included in the banner because changes between the two waves might be of interest. The IIABNY may wish to pursue this line of analysis, but we have not done so because these changes have been analyzed very thoroughly in the 2014 AUS Report, which provides a starting point for looking first at changes nationwide and then for honing in on changes in New York that may be of interest.

Summary of Findings and Implications

New York agencies, particularly those in upstate New York, face the challenges of serving a region that has grown relatively slowly since the beginning of the 20th century.

The upstate economy has followed the up and down growth patterns of the nation as whole (more than those of New York City). Economic losses during downturns have often been deeper than those experienced nationwide and it has recovered more slowly.

For the most part, this pattern is explained by the maturity of the upstate economy. In addition, environmental factors, mainly the severe winters typical of upstate New York, have encouraged out migration of people and, following people, jobs.* Of course, the region's economic maturity in the 20th century is built on explosive growth in the 19th century.

New York agencies have shown particular resilience in the face of these economic challenges.

Despite lingering effects of the nationwide recession and a lagging regional economy (particularly in upstate New York), two-thirds of New York agencies cite increased revenue between 2012 and 2013. This is similar to changes in total revenue seen for agencies in the remainder of the U.S, which has not necessarily encountered economic challenges on the same scale as New York. New York agency resilience is likely related to continued focus on service and a high rate of retention as agents hold onto trusted clients and build lasting relationships over time.

New York agencies tend to be older than those in the remainder of the U.S..

New York agencies average 51 years old, compared to 36 years for the remainder of the U.S. Correspondingly, nearly one-third of New York agency principals (29%) are over 65 years old (versus 17% of principals in the rest of the country). The maturity of New York agencies presumably reflects the ways in they have been able to entrench themselves in the community and establish long-term relationships. At the same time, it highlights the importance of perpetuation planning and recruitment of new talent.

* The Federal Reserve Bank of NY, Buffalo Branch, "Population out migration from upstate New York," "Winter, 2005."

Summary of Findings and Implications

Maintaining experienced staff is a challenge in New York, even more than in other areas of the U.S.

Retaining talent is a key challenge for agencies nationwide, but New York agencies are twice as likely to cite it as particularly difficult. At least one-third of New York agencies find it extremely challenging to maintain experienced producers and staff.

The sluggish New York economy may contribute to the likelihood that experienced staff members will seek more opportunity in other areas. With limited capacity to grow in their current geographic markets (and some agencies simply “trading business”) producers and other talent may be tempted to maximize opportunity in more strongly emerging markets.

New York-domiciled carriers play major roles in New York.

Presumably, these carriers are in a better position to deal with the specific requirements of the state insurance department and have the advantage in dealing with their home market. Utica National Insurance Group, NYCM, and Merchants are examples of key players in the New York market.

IIABNY wants to build a conversation about strategies for business growth in NY.

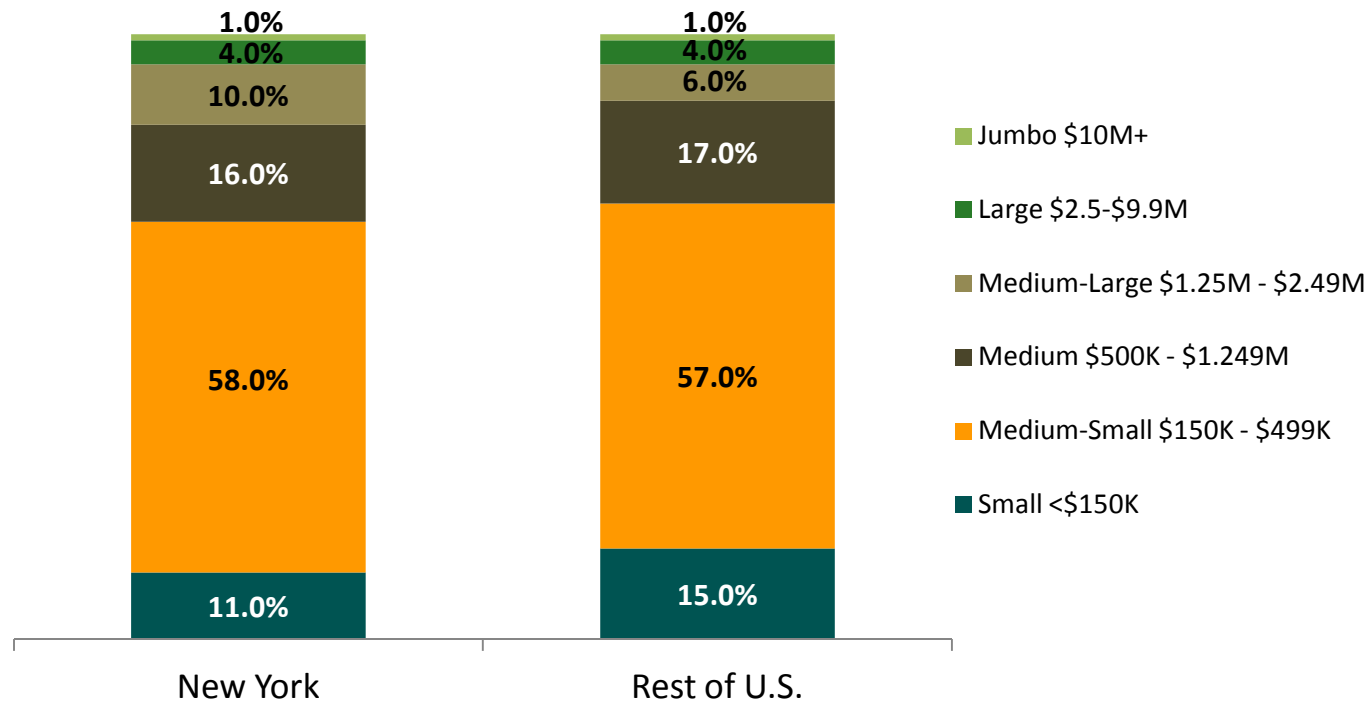
IIABNY wants to partner with agencies to help them understand ways in which they can strategize to overcome challenges.

They are exploring initiatives to increase the dialogue and present solutions, including a panel of agents/brokers and consultants to discuss NY-specific strategies for business growth and expansion.

The range of agency sizes in New York shows only slight variation from the remainder of the U.S.

- In particular, a somewhat smaller percentage of New York agencies are Small than elsewhere in the U.S.
- This may reflect the older New York agencies having more time to establish themselves and grow.

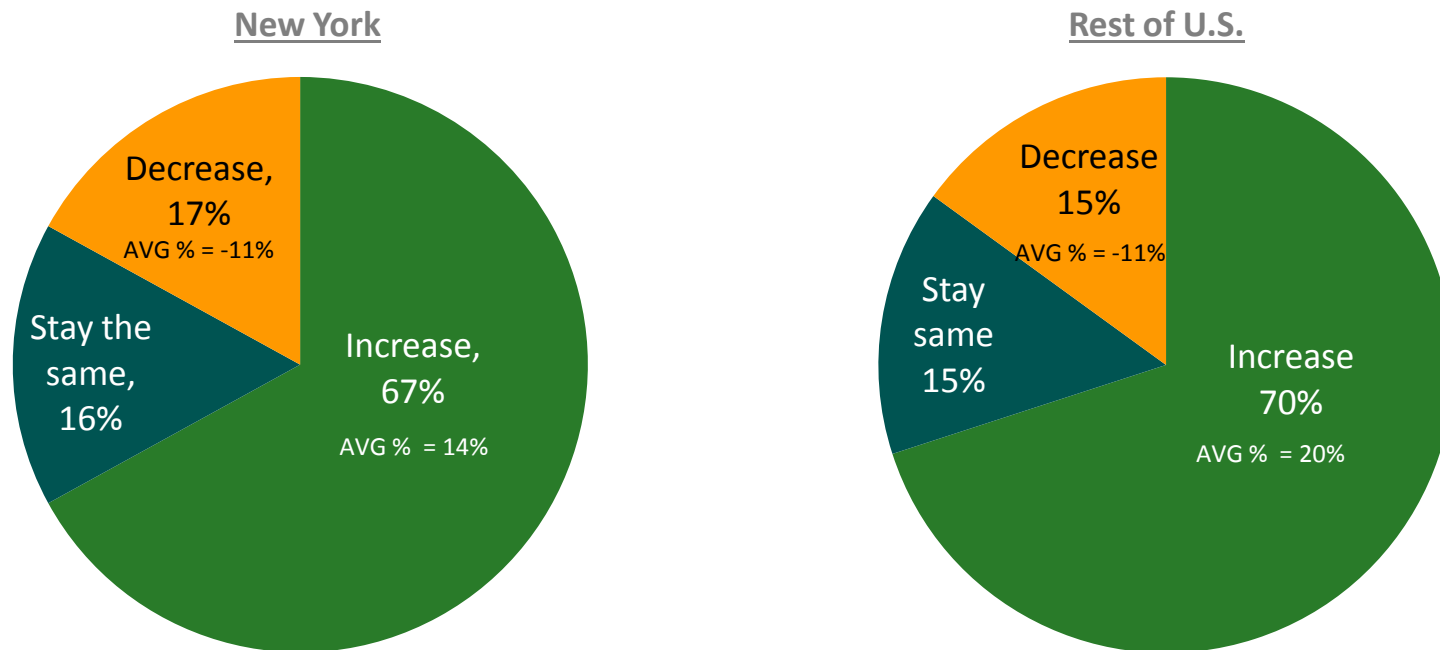
Agency Distribution by Revenue Size: NY Respondents vs. Remainder of U.S.



No significant differences NY versus rest of U.S.
 QA9, Weighted n for NY=210, Rest of U.S.=2771

For New York agencies, changes in total revenue between 2012 and 2013 were almost identical to those for other agencies.

Change in Total Revenue: 2012 vs. 2013

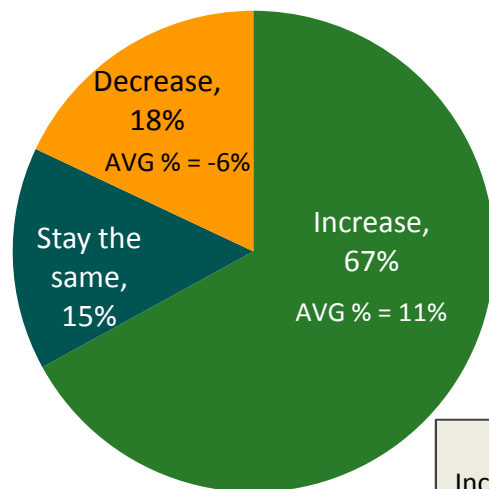


No significant differences NY versus rest of U.S.
 A9B/B2, Weighted n for NY=210, Rest of U.S.=2771

The similarity in 2012 vs. 2013 changes in revenue holds for both personal lines revenue and commercial lines revenue.

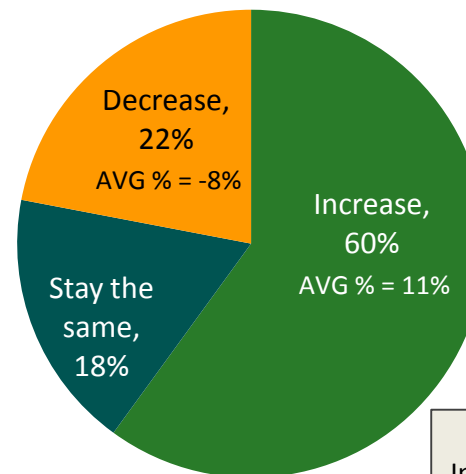
- However, NY agencies that reported an increase in personal and commercial lines revenue reported lower percent increases than the remainder of the U.S.

New York Agencies:
Change in Personal Lines Revenue
2012 vs. 2013



Rest of U.S.
Increase 69% (Ave %: 17%^)
Stay same 16%
Decrease 15% (Ave %: -11%)

New York Agencies:
Change in Commercial Lines Revenue
2012 vs. 2013

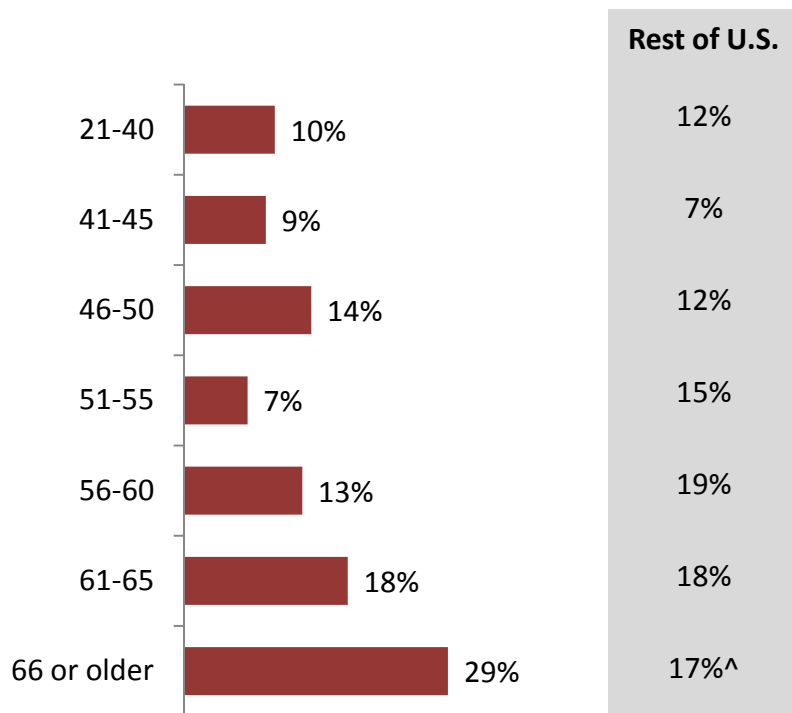


Rest of U.S.
Increase 62% (Ave %: 17%^)
Stay same 21%
Decrease 17% (Ave %: -12%)

^ indicates significant difference NY versus rest of U.S.
A9B/B2, Weighted n for NY=210, Rest of U.S.=2771

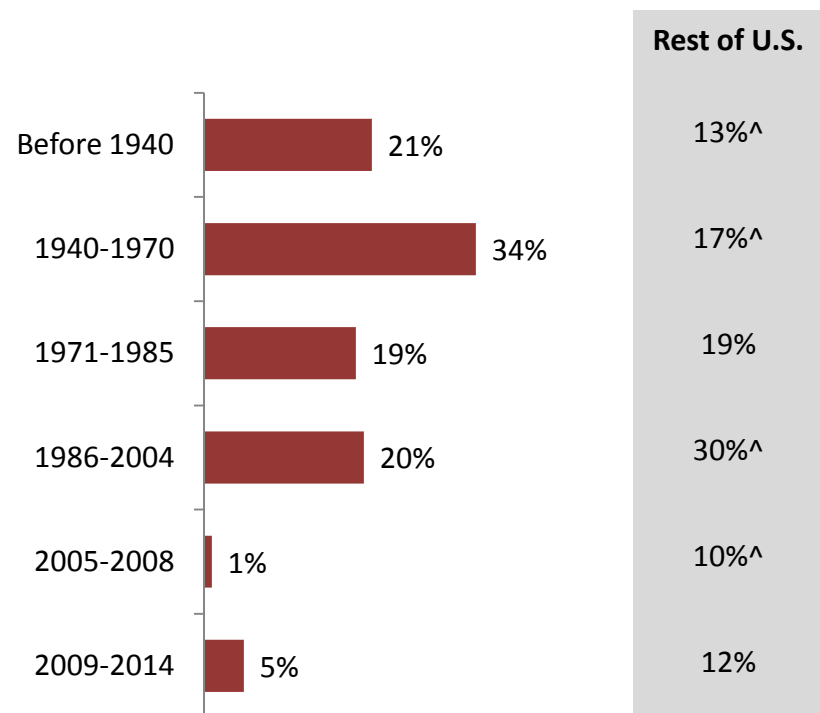
New York agencies, and NY agency principals, are substantially older than those in the remainder of the U.S.

New York Agencies:
Age of Principals With 20+% Ownership



Mean = 58
(Rest of U.S. = 56)

New York Agencies:
Year of Agency Establishment



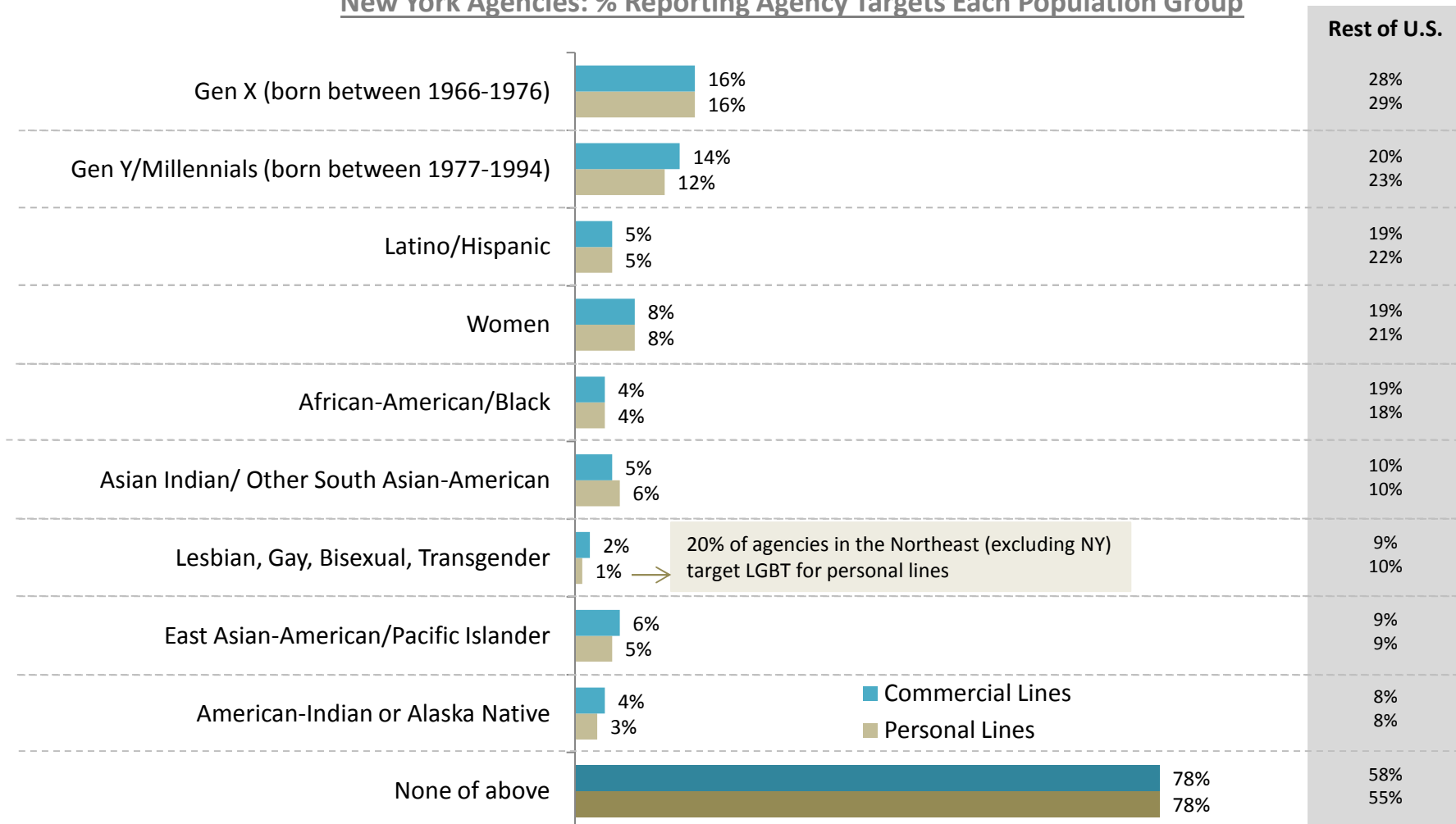
Ave agency age (years) = 51
(Rest of U.S. = 36^)

^ indicates significant difference NY versus rest of U.S.

QH9, Weighted n for NY=80, Rest of U.S.=1043. QA10, Weighted n for NY=203, Rest of U.S.=2725.

Perhaps reflecting the fact that most New York agencies matured years ago, they are less likely to have distinct demographic targets.

New York Agencies: % Reporting Agency Targets Each Population Group



No significant differences NY versus rest of U.S.
 Q114, Weighted n for NY=66, Rest of U.S.=1095

Maintaining experienced staff is a challenge in New York, even more than in other areas of the U.S.

Extent to Which New York Agencies Find Each Item “Extremely” Challenging
7 on 7-point scale, 7=extremely challenging



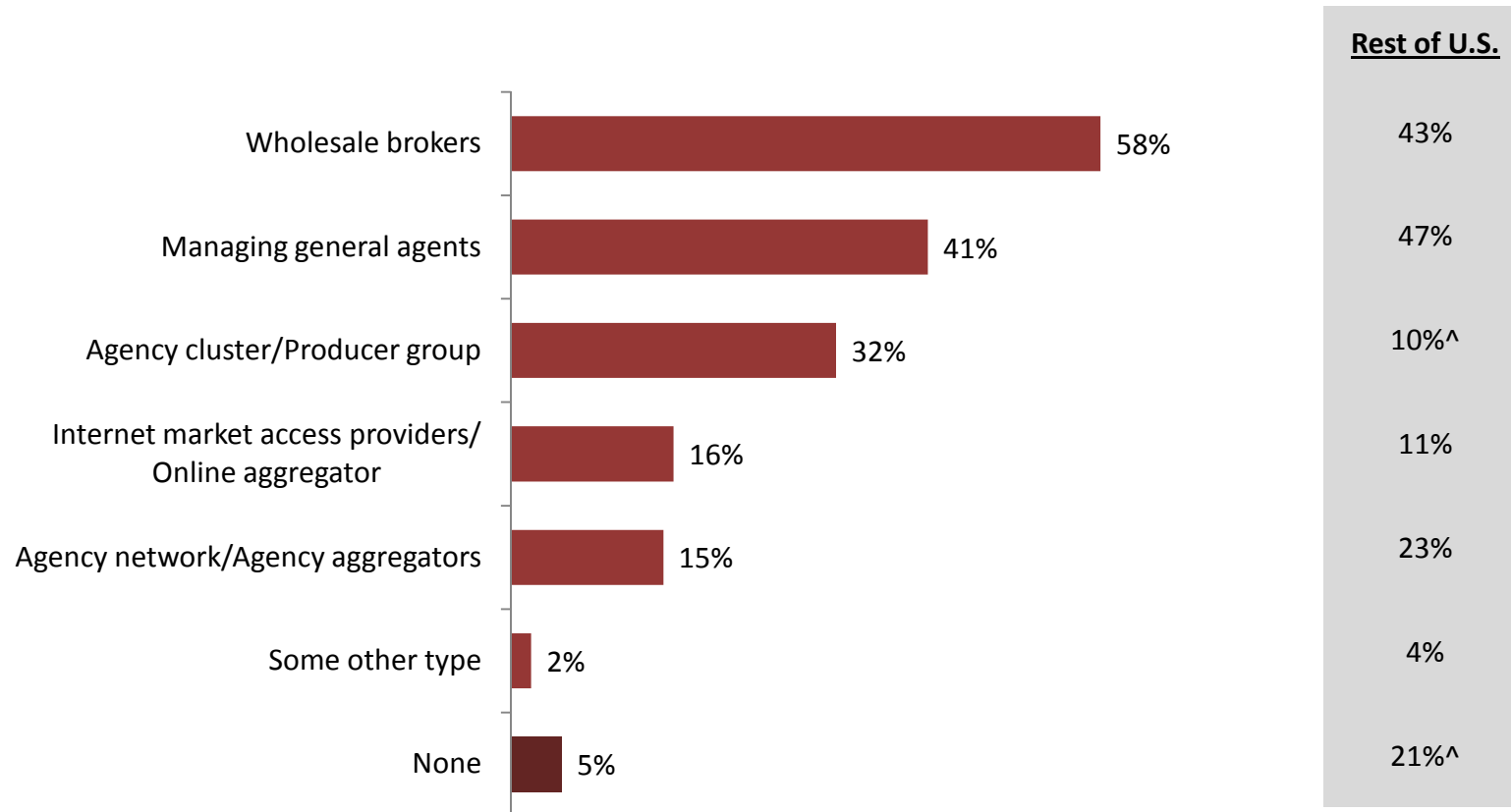
* Asked only for respondents who write personal lines/commercial lines, respectively.

^ indicates significant difference NY versus rest of U.S.

QG4, Weighted n for NY=66-74, Rest of U.S.=945-1042.

Perhaps because of historical patterns, agency clusters/producer groups are more important in New York than elsewhere.

New York Agencies: Market Access Providers Used



^ indicates significant difference NY versus rest of U.S.
 QC1A, Weighted n for NY=66, Rest of U.S.=917.

In addition to the largest national carriers, New York-domiciled carriers play major roles in New York personal lines insurance.

Personal Lines Carriers Represented
(mentioned by at least 15% of NY agencies)

	New York	Rest of U.S.
Progressive/Drive	77%	78%
Travelers	73%	44%^
GMAC	58%	16%^
Foremost	55%	58%
Utica National Insurance Group*	45%	--
NYCM*	45%	--
Mercury	28%	15%
The Hartford	25%	34%
Merchants*	21%	--
MSA	21%	7%^
Adirondack Insurance Exchange*	19%	--
MetLife Auto & Home	18%	24%
Chubb	17%	8%
Dryden*	16%	--
Encompass	16%	11%

*Only shown as close-ended responses to NY respondents.

^ indicates significant difference NY versus rest of U.S.

QD8, Weighted n for NY=59, Rest of U.S.=1106.

New York carriers also play outsized roles in New York small commercial insurance.

- In addition, Allstate is a major carrier. Very likely, this reflects Allstate's tradition of relying on independent agents in rural areas where its captive agencies are not major players.

Small Commercial Lines Carriers Represented (mentioned by at least 15% of NY agencies)

	New York	Rest of U.S.
Progressive/Drive	47%	56%
Travelers	44%	44%
Utica National Insurance Group*	40%	--
Foremost/Zurich Small Business	37%	42%
Merchants*	30%	--
MSA (NET)	25%	9%^
The Hartford	20%	40%
Dryden*	20%	--
Allstate	18%	8%
NYCM*	17%	--

*Only shown as close-ended responses to NY respondents.

^ indicates significant difference NY versus rest of U.S.

QD12, Weighted n for NY=49, Rest of U.S.=648.