



Best Practices in Agency Compensation



**Annual Conference
May 8-9, 2025**



TODAY'S SPEAKERS & AGENDA

Impact of Young Producers on Agency Valuations

Family Feud – Top #5 Challenges in Hiring and Developing Successful Producers

Best Practices

Peer Sharing



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About Me



Brian Lawrence
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About Jarod



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The seasoned professionals here to help you!

IA Valuation Consulting Team



Jeff Smith,
JD, CIC, CAE

Chief Executive
Officer



Craig Niess
CVA, MBA

Director of Business
Planning & Valuation



Jodie Shaw
CLCS, CPIA

Director of Business
Development



Jarod
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Business Planning &
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Colleen
Barbara

Marketing & Communications
Manager

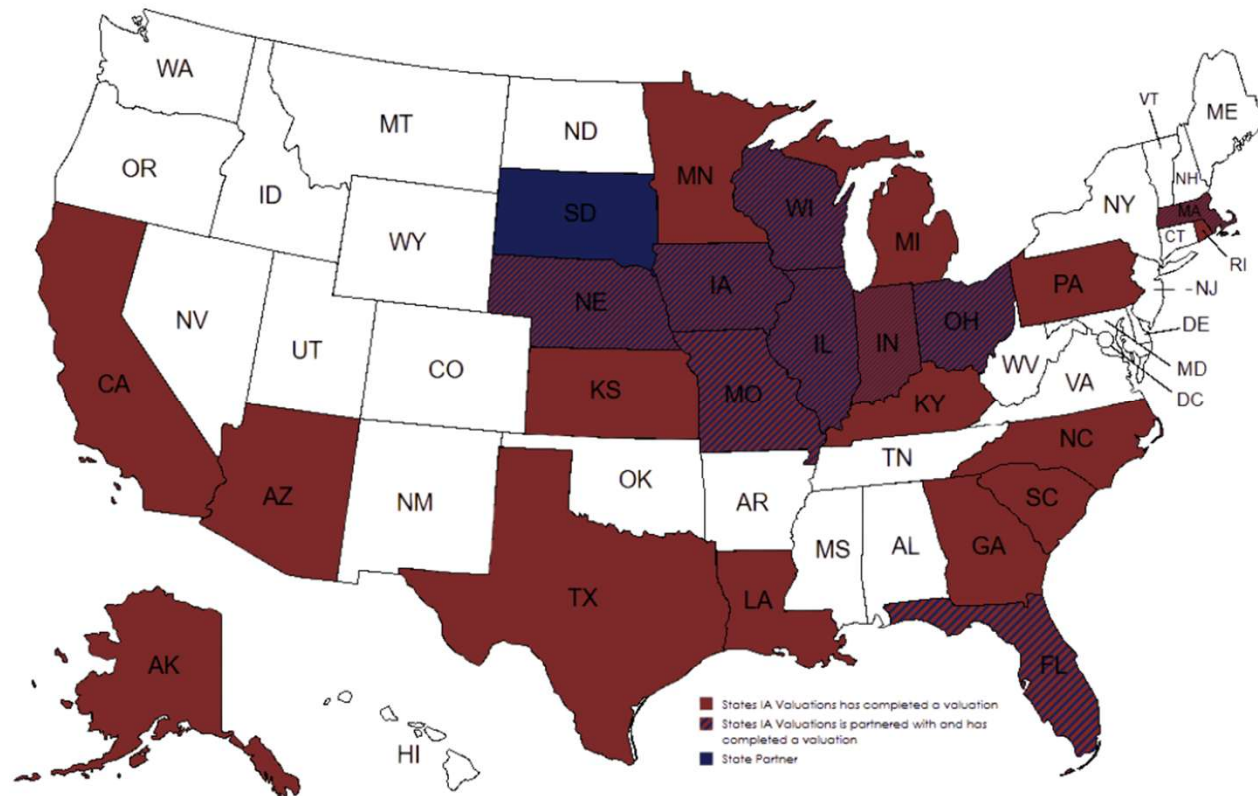


Dawn Kuhn
CPA

Chief Financial Officer

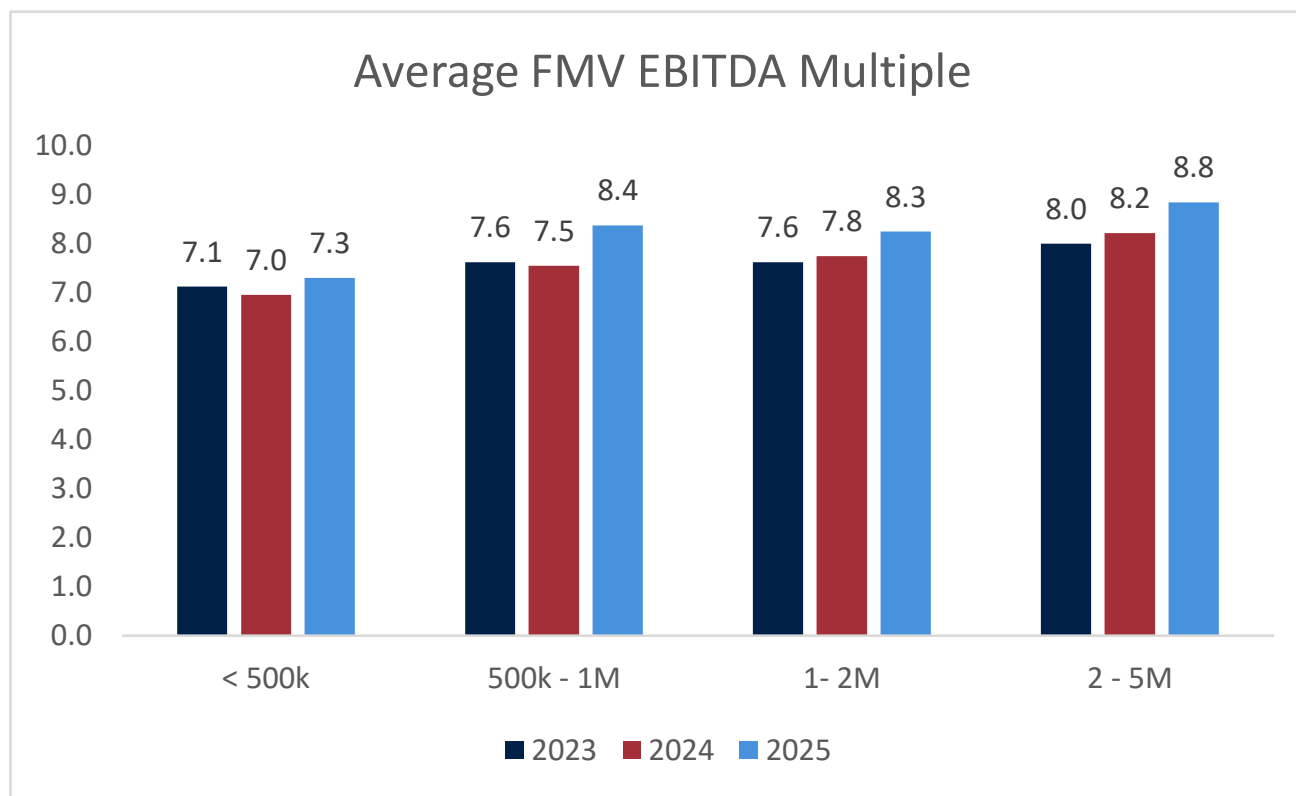
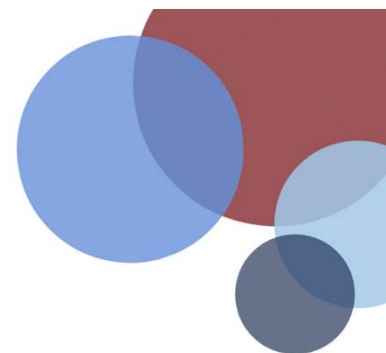


IA Valuations geographical footprint as of 2025



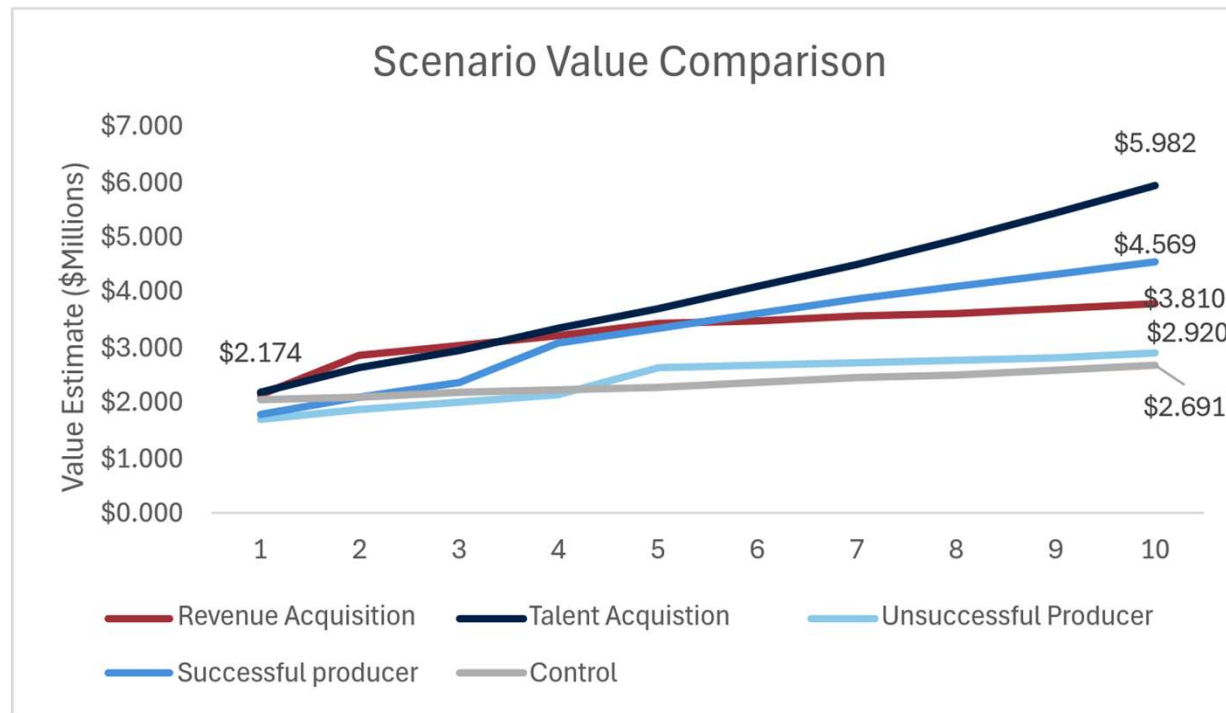
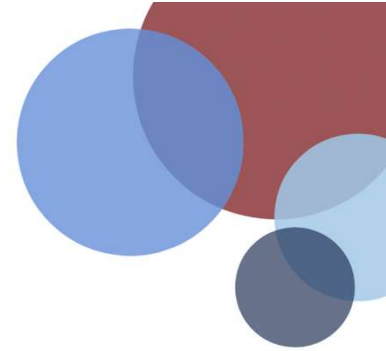
What's the best way to grow your agency's value?



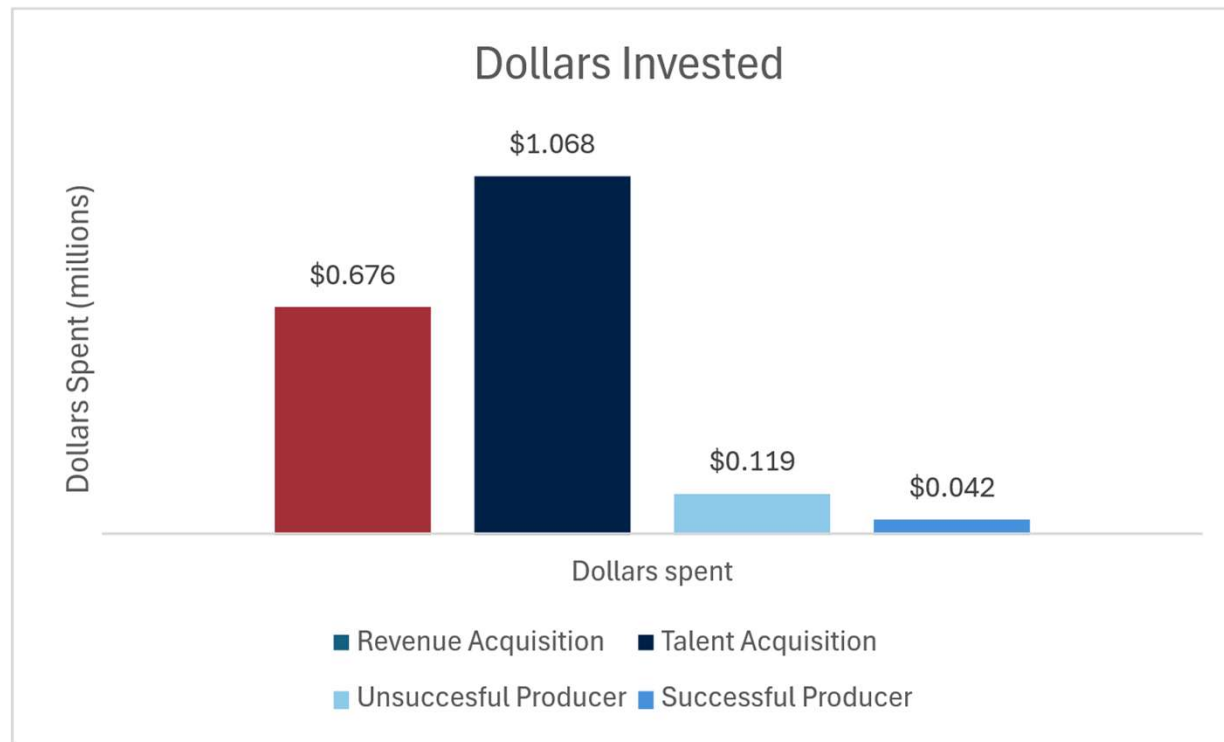
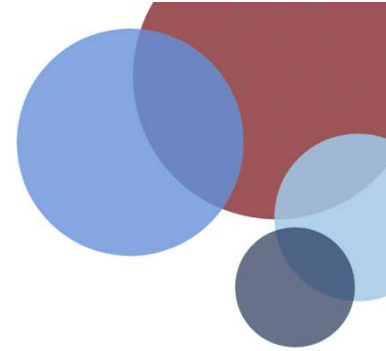


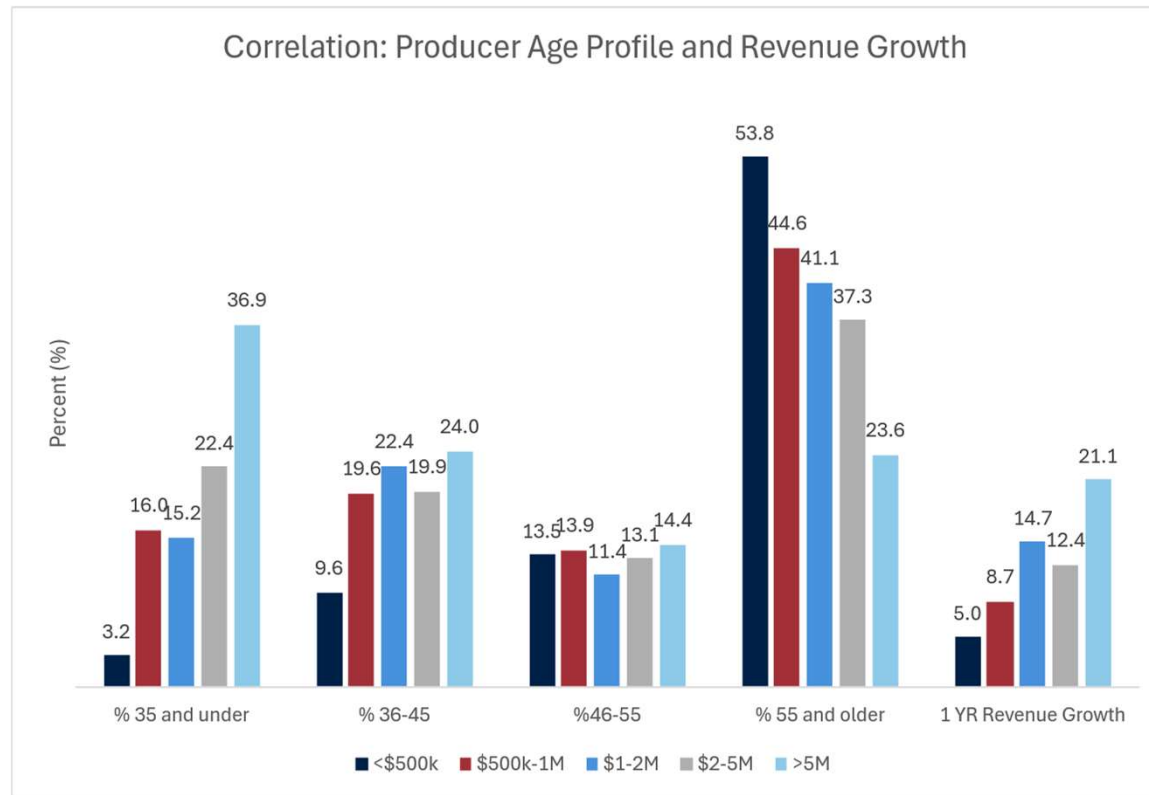
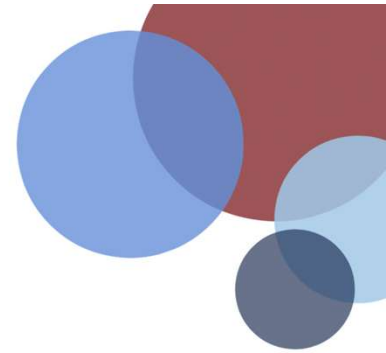
Source: IA Valuations proprietary database

What's the best way to grow your agency's value?



What's the best way to grow your agency's value?

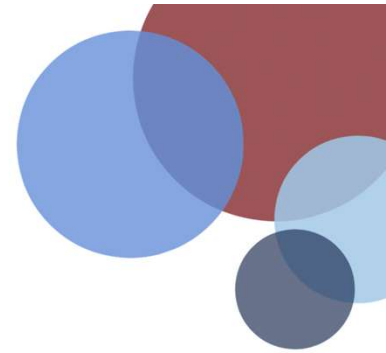




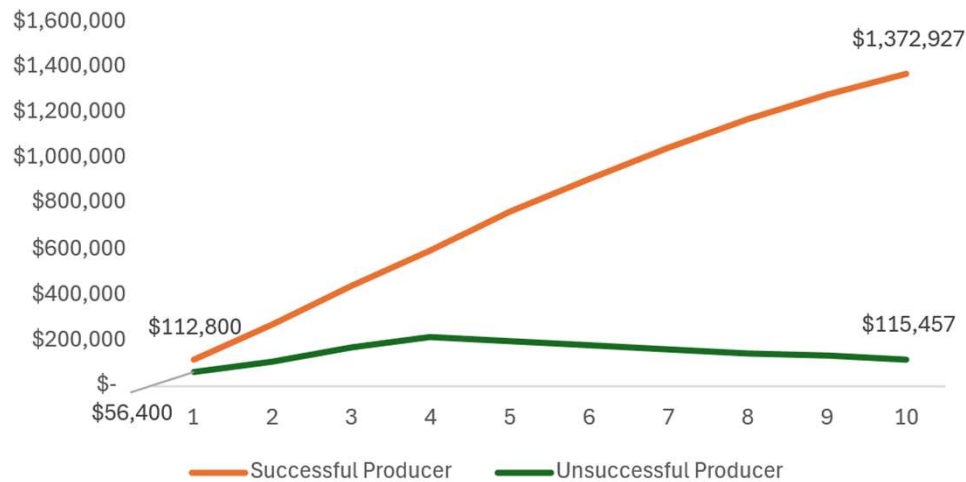
Source: IA Valuations proprietary database

HR Solutions

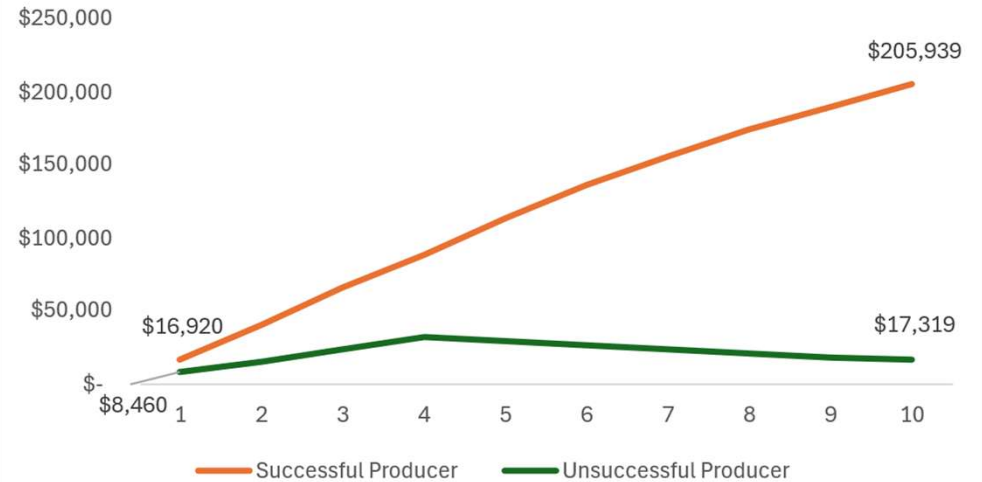
Long Term ROI Investing in New Producers



Agency Premium

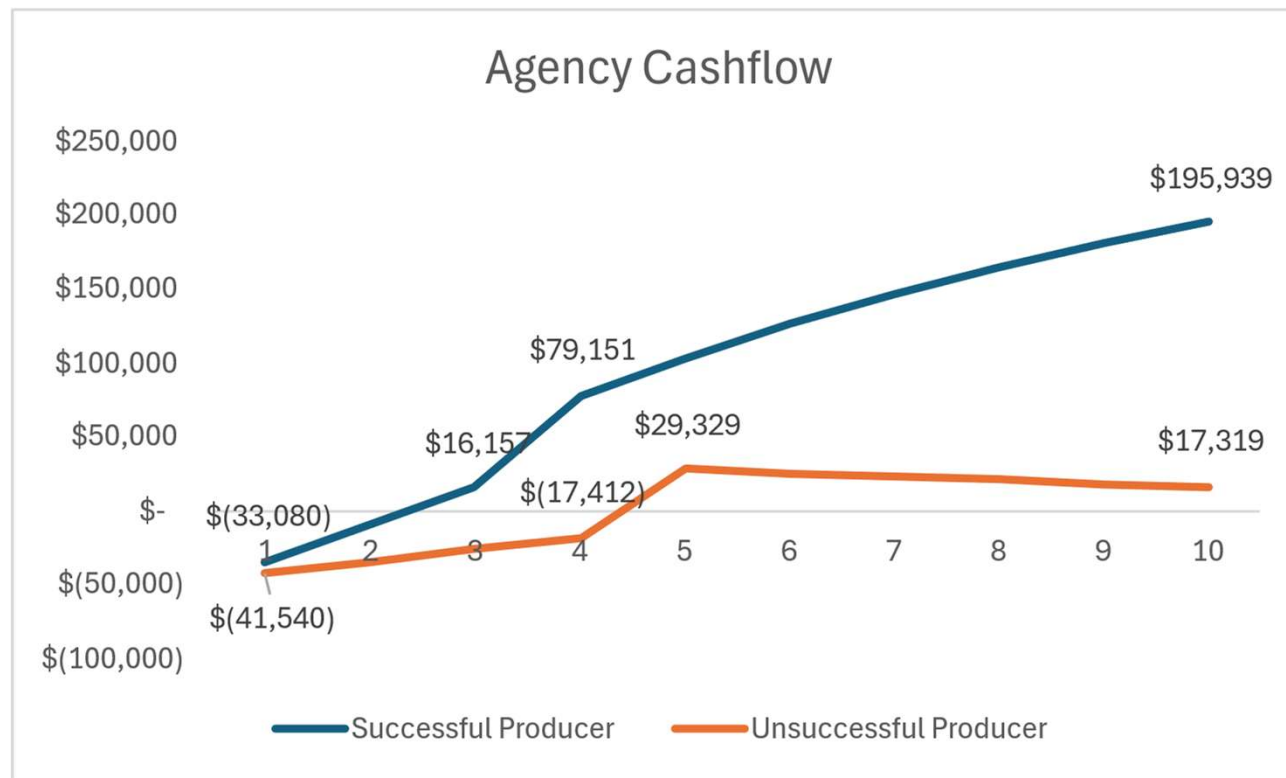


Agency Commission



HR Solutions

Long Term ROI Investing in New Producers





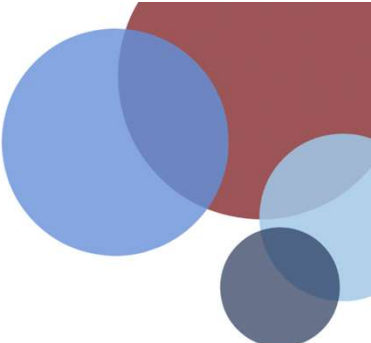
HR Solutions

Long Term ROI Investing in New Producers

Model

- 70,000 Total Compensation + \$10,000 in Benefits cost
- Sells 10 Auto and 10 Home policies per month
- Leaves after five years
- 90% Retention

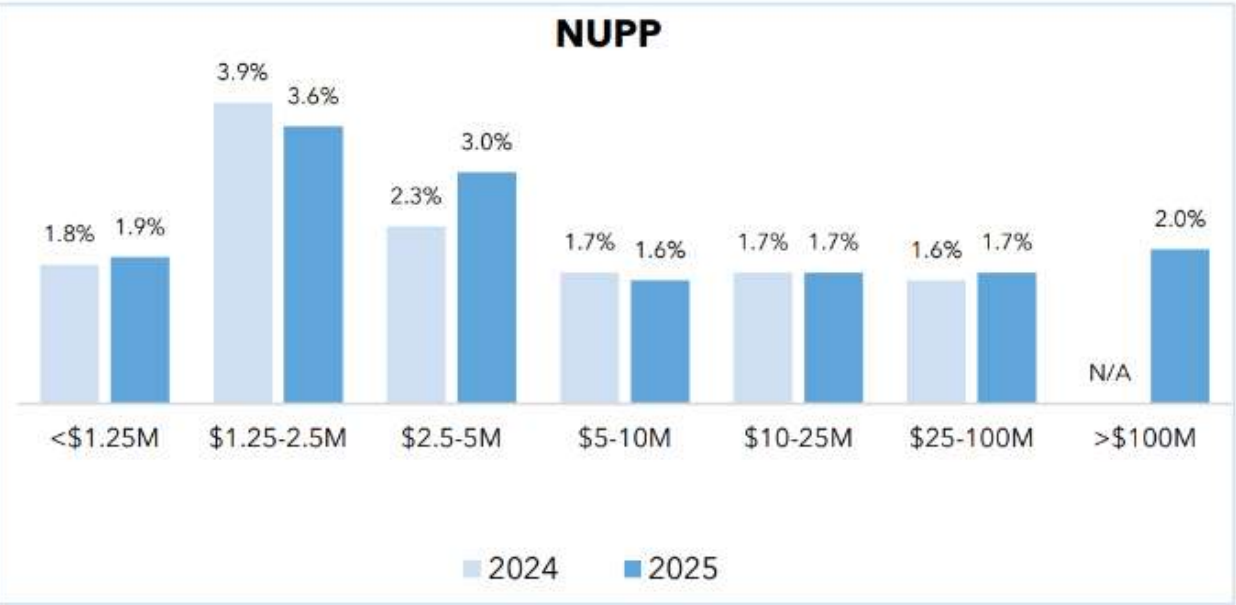
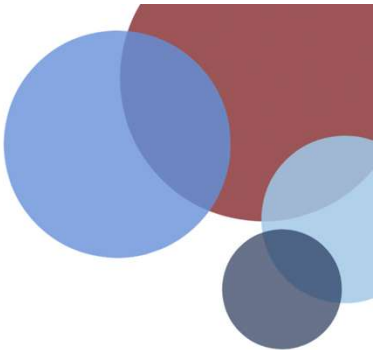
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Total
New Business Commission	\$30,600	\$30,600	\$30,600	\$30,600	\$30,600				\$153,000
Renewal Commission	\$3,402	\$28,746	\$52,027	\$73,430	\$93,123	\$111,256	\$115,492	\$119,116	\$596,591
Total Compensation	\$34,002	\$59,346	\$82,627	\$104,030	\$123,723	\$111,256	\$115,492	\$119,116	\$749,591
Total Payroll Expense	\$70,000	\$70,000	\$70,000	\$70,000	\$70,000				\$350,000
Employee Benefits	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000				\$50,000
Net Revenue	\$45,998	\$20,654	\$2,627	\$24,030	\$43,723	\$111,256	\$115,492	\$119,116	\$349,591
Additional Premium	\$204,000	\$204,000	\$204,000	\$204,000	\$204,000				\$1,020,000
Agency Value Increase	\$6,120	\$6,120	\$6,120	\$6,120	\$6,120				\$30,600
Additional Bonus	\$0	\$0	\$0	\$0	\$0				\$0



If you want to see your agency grow and increase its value in today's environment you **NEED**

A relentless commitment to hiring

Net Unvalidated Producer Payroll



Source: 2025 Big I/Reagan Best Practices Study

A good metric to measure the agency’s investment in future growth. A healthy best practice number is between 1.5% and 2.0%

Net Unvalidated Producer Payroll

Expressed as a percentage of net revenue. The difference between what an agency pays its unvalidated producers and what the producer would earn under the agency's regular commission schedule.

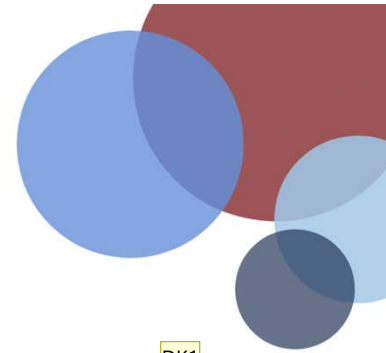
Step 1: Calculate total compensation of all unvalidated producers

Step 2: Subtract what they would earn under the normal commission schedule

Step 3: Divide that number by agency net revenue

A good metric to measure the agency's investment in future growth. A healthy number is between 1.5% and 2.0%

DK1



Slide 17

DK1 Brian to add slides for each metric to resemble this sample.

Diane Keil-Hipp, Ph.D., CPRM, 2025-08-02T19:23:35.998

IA Valuations: NUPP Example

Step 1	
Total unvalidated producer payroll	\$50,000
Step 2	
Unvalidated Producer total book of business	\$125,000
Agency Commission Rate	32%
Implied earned compensation	\$40,000
Step 3 Calculate NUPP as % of earned revenue	
Calculate NUPP - Subtract payroll from implied earned commission	$\$50,000 - \$40,000 = \$10,000$
Divide NUPP by Agency Net Revenue	$\$10,000 / \$500,000 = 2\%$

Slide 18

DK1 Brian to add slides for each metric to resemble this sample.

Diane Keil-Hipp, Ph.D., CPRM, 2025-08-02T19:23:35.998

Business Planning: Talent
Acquisition & Valuation
Affects

Scan the QR code for IL CE
credit.



If you need assistance, see a Big I Illinois volunteer
near the doors now
(not at the end).

WiFi is: 2025 IIA Password: insured25 (lowercase)

**FRIENDLY
FEUD**

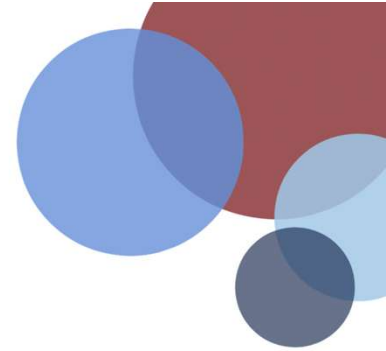
What do independent agents say are the biggest barriers to hiring a successful producer?





HR Best Practices

To Find, Select, and Develop Successful Producers



HR Solutions

Compensation Strategy/Talent Acquisition

Three approaches to finding talent:

Buy

Borrow

Build



Compensation Strategy/Talent Acquisition

Three approaches to talent:

Strategy	Pros	Cons
Buy • Attract from another agency, brokerage or carrier • Purchase another agency	• Obtain experienced talent • Less training required • Track record of success	• Most expensive • May overpay for performance • May bring bad habits • May not work out
Build • Train someone with minimal experience • Train someone with comparable skills • Promote internally	• Able to pay at or below market • Blank slate for your culture and processes	• Requires heavy training investment • May not work out • May lose them to another employer
Borrow • Consultant • Temporary staffing agency • Virtual assistants	• Generally, most affordable option • Not responsible for benefits • May not require training	• May be overseas (language barrier) • Knowledge/experience leaves • May not work out

Talent Challenge #1

I can't find an experienced Producer





Talent Challenge #1

Is your agency positioned to attract Millennial and Gen Z talent?

- Will make up 74% of the workforce by 2030
- Learning and development is a priority
- Making money is important, but so is finding meaningful work
- Not as interested in climbing the corporate ladder
- Feeling cost of living pressure

Source: [Deloitte 2025 Study on Millennial and Gen Z talent.](#)

Talent Challenge #1

Deloitte recommends organizations, senior leaders, and managers focus on the trifecta of:

- Meaningful Work
- Financial Security
- Well-being





Talent Challenge #1

Deloitte recommends organizations, senior leaders, and managers focus on the on the trifecta of:

Do you have an employment brand? Would you work for you?

- Job posting
- Website/Career Page
- Social media presence
- How are you selling the career opportunity and culture?

Talent Challenge #2

It's too risky, the chances are high they won't work out.



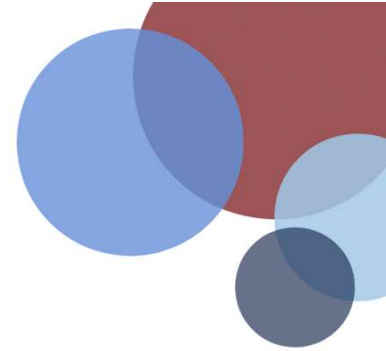
Talent Challenge #2 ^{JS1}

Factors Contributing to Low Success Rates

1. Lack of structured hiring process:
2. Insufficient training & mentoring:
3. Poor goal structure/accountability:
4. Lack of sales system/support:

The **WILL** to SELL:

- ✓ **Desire**
- ✓ **Commitment**
- ✓ **Outlook**
- ✓ **Motivation**
- ✓ **Responsibility**

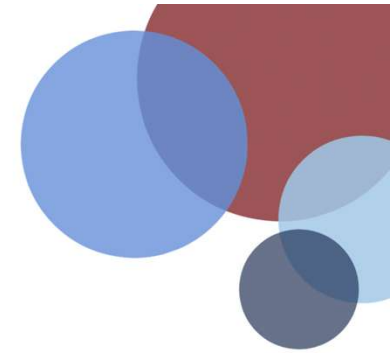


Slide 31

JS1 I think a good data slide to back this up would be the ROI of a failed producer hire.

Jarod Steed, 2025-09-26T16:19:49.497

Talent Challenge #2 ^{JS1}



HR Best Practices

1. Use a structured hiring and interview process:

- Focus on identifying individuals with the inherent skills and temperament needed for success in insurance sales.
- Use a valid sales assessment.
- Use a competency-based interview process
- Include a sales pitch/role play scenario as part of your process.

2. Implement structured training program:

- Provide comprehensive training in sales, marketing, and product knowledge to develop needed skills.
- Teach consultative selling

Slide 32

JS1 I think a good data slide to back this up would be the ROI of a failed producer hire.

Jarod Steed, 2025-09-26T16:19:49.497



HR Best Practices Challenge #2

HR Best Practices - Conduct behavior/competency-based interviews

Step #2 - Align Competency Based Interview Questions with your Success Profile

Ability to learn and pass licensing exam

- Tell me about a time you studied for a hard test and were able to pass?
- Share an example when you had to learn something new to complete a task at your job?

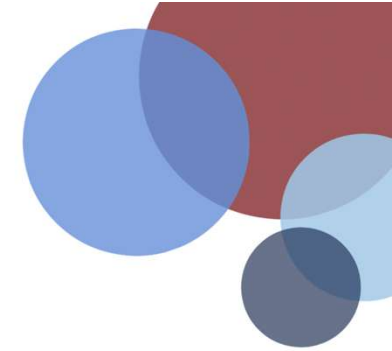
Sales/Influencing Skills

- Tell me about a time you overcame a customer's objections to close a sale?
- Tell me about a time you exceeded a sales goal? What strategies did you use?
- Tell me about a time you turned an extended relationship into a sale?

Ability to handle disruption/prioritization skills

- At times our office can be very busy with phones ringing, clients visiting in person, and policy renewal deadlines. Describe a time where you had to manage competing priorities? How did you determine what tasks to complete first?

Talent Challenge #2 ^{JS1}



HR Best Practices

3. Offer Mentorship and Support:

- Pair new producers with experienced mentors and ensure they have access to the resources and support needed to navigate the industry.
- Review sales calls/Invest in sales coaching.
- Provide sales strategy and guidance.

4. Set Clear Goals/Hold Accountable

- Establish clear, achievable, and time-bound goals as part of a structured validation schedule. Use leading and lagging indicators.
- Hire slow, fire fast.

Slide 34

JS1 I think a good data slide to back this up would be the ROI of a failed producer hire.

Jarod Steed, 2025-09-26T16:19:49.497

HR Solutions

Compensation Structures for New Producers

Performance Management: Set Clear Goals and Milestones that will put the producer on a path to validation

Example

New producer base salary \$35,000/yr. plus \$10,000 in benefits

Validation Target: Approximately \$350,000 in annual new and renewal premium

Sales: \$125,000 in premium annually

Year	Agency Commission	Producer Base Salary	Potential Earned Commission (Avg. 30%)
1	\$15,000	\$35,000	\$6,750 (Paid \$0)
2	\$36,000	\$35,700 (2% Increase)	\$10,800 (Paid \$0)
3	\$48,150	\$36,414	\$14,445 (30% of \$11,700)
4	\$61,650	\$37,142	\$18,495 (30% of \$14,400)

Producer validates around year
3

In addition to annual goals. Set specific weekly/monthly production goals for phone calls, office visits, quotes.

Talent Challenge #3

I don't have enough time to screen and interview candidates



Talent Challenge #3

HR Best Practices

Use a Talent Management Outsourcing Service

- Ideal Traits
- Wahve



Todd Belt
to Katie, me ▾

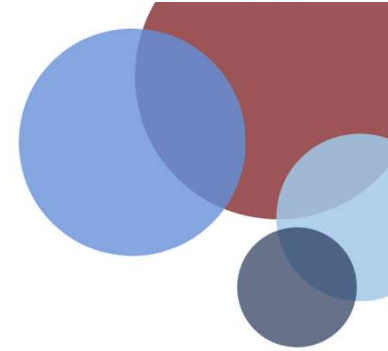
3:58 PM (1 hour ago) ☆ ↶ ⋮

I wish we would have invested years ago on the front end with Ideal Traits and really spent some time and money trying to find the right candidate. Immediately after working with Shane, we realized we have been doing this all wrong for 10+ years and looking in all the wrong place for the right fit. There is an enormous amount of resources involved bringing on a new employee, we had to learn this the hard way. We never did any personality testing/problem solving testing and recorded interviewing before taking the candidate to the next level. Almost all of our previous hires would have never made it to a face-to-face interview with us because all their possible pitfalls would have been uncovered during the exploratory process. We are a medium size agency with roughly 5 employees and if one piece doesn't fit it can be a nightmare. As the agency owner my #1 headache is HR. There are no guarantees with hiring, but I will say this, my percentages of landing the "right" person have gone up considerably with this proven system. If we have another situation occur in our office(which im sure we will) where we need another employee, we can have an ad out there in several days and Shane by my side helping us find the right fit, no more worrying about this. This process is totally dialed into the Insurance industry, and they know what they are doing!

Thanks Shane and Ideal Traits!!!



Talent Challenge #3



HR Best Practices

Intentionally free up time to focus on value added tasks!

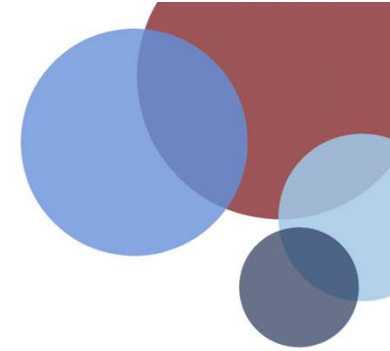
- Hire an operations leader/agency manager
- Delegate administrative/non-value added tasks
- Hire a virtual assistant

Talent Challenge #4

I don't have enough time to train and coach a new producer.



Talent Challenge #4

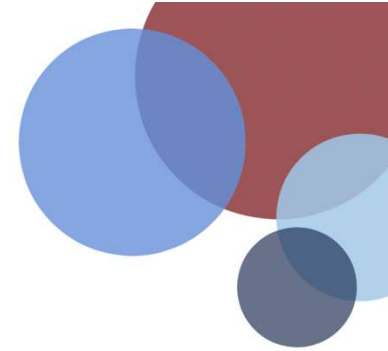


HR Best Practices

Develop a Structured Onboarding Program

- 30/60/90/120/360
- Technical training
- Sales training
- Sales call/visit job shadows
- Recorded sales calls with feedback
- Performance goals with leading/lagging metrics

Talent Challenge #4



HR Best Practices

Invest in a Sales Training/Sales Coaching Program

- Check with Carrier Partners
 - State Auto/Liberty Mutual Pace Setter Program
 - Elite Sales Producer Training - [Home - Elite Producer](#)
 - The Sales Collective
- Web CE – Exceed Onboarding

Talent Challenge #5

I'm not sure how to compensate a new Producer



HR Solutions

Compensation is an Art and a Science



Salary surveys and benchmarks are just a starting point.

Factors to consider when making compensation decisions:

- Drive growth and profitability for the agency
- What your agency can afford
- Your local economy, cost of labor, and wage scale
- Wage scale of other key industries or primary employers in your market
- How much an employee needs to cover living expenses
- Employee experience/education/relationships
- The behaviors/KPIs are you trying to reinforce

Compensation is an Art and a Science



Producer Compensation Structures:

1. Commission only
2. Draw against commission
3. Base salary plus commission
4. Base salary plus bonus

	Receiving base + commission	Commission Only	Base Only	Received Annual bonus
Comp Structures	47%	32%	20%	45%



HR Solutions

Compensation Structures

To determine the best comp structure, take time to clearly define the role of your sales employee.

	Responsibilities	Recommendations
New Business Lead Generator	• Cold Calls, In Person Visits • Generates quote, but no further responsibility • No further responsibility for relationship	• More focus on new business commission rate • Maximize incentive to identify and bring in new business
Sales Support/Order Taker	• Handle inbound leads • May complete sales transactions for the lead generator • May help round accounts, cross sell/upsell	• Salary, plus partial commission on each sale • Salaried licensed agent similar to a CSR • Performance Bonus • Create a specialized job title (New Business Rep.)
Producer/Relationship Manager	• New Business Cold Calls, In Person Visits • Primary contact and coordinator for all services at the agency for the client • Works to uncover and cross-sell additional insurance needs on behalf of the agency • Implements strategies to build trust and maintain agency relationship for the long-term • Builds referral network for book/agency growth	• A more balanced structure that incents new business and retention • Incent long-term book growth

Compensation Structures for New Producers

Determine a salary and commission structure that works for the agency and producer

Base Salary Targets should consider:

- A base wage the producer needs to cover their living expenses
- A base wage that corresponds to an achievable production goal
- Salaries and targets may look different for PL and CL due to varying carrier commission structures

Example 1

New producer earning \$35,000/yr. draw/salary would validate when they generate approx. \$300,000 in premium.

- Number will vary based on average new and renewal commissions and retention

Example 2

New producer earning \$55,000/yr. draw/salary would validate when they generate approx. \$450,000 in premium revenue.

- Number will vary based on average new and renewal commissions and retention



HR Solutions

Data Analysis – OIA Data Sources

Sales Agents/Producers

Average Commission Structure				
Agency Revenue	Personal		Commercial	
	New	Renewal	New	Renewal
> \$1.25 M	36.7%	24.7%	43.6%	32.0%
\$1.25M - \$2.5M	43.6%	31.3%	45.7%	34.3%
\$2.5 - \$5M	39.9%	29.6%	41.4%	30.8%
\$5M - \$10 M	40.6%	25.9%	42.3%	31.3%
\$10 M - \$25M	41.0%	28.4%	42.0%	30.0%

- There is a wide range of commission structures depending on agency size and product line
- The average percentage in the OIA data set was 41% New and 32% renewal.
- Larger agencies may have more specialized teams (New Business, Sales Support, Account Management) where smaller agencies have blended responsibilities
- Use this chart as a starting point, keeping in mind your own expense structures



Best Practice Sharing

1. What are some best practices at your agency you have found to be successful when recruiting and developing young producers?

- Sourcing Strategies?
- Interviewing Tips?
- Training & Onboarding?
- Coaching and Mentoring?
- Performance Management?



Other Best Practices to Consider

1. Use profits from orphan accounts to fund/develop new producers
2. Top Producers/owners give the bottom 10% of their book to a new producer
3. Adjust plans based on employee tenure, success, and book size
 - Incent behaviors for new producers to develop the right habits
 - Provide tenured producers increased earnings power for growth/retention
4. Team Based Performance/Incentives
 - Research indicates agencies that use Team Based Performances goals are more successful
5. Consistency Bonuses – If you hit x goal in Q1 (\$300), Q2 (\$500), Q3 (\$750), Q4 (\$1,000)
 - Drives positive behaviors over time
- 7 Short Term Sales Contests/Gamification
 - Short term calls/referrals
 - Increased chances to win a prize

Thank You For Your Time!



Please reach out with any questions or comments.

800-500-1742

Jarod: contact@iavaluations.com
Brian: brian@ohioinsuranceagents.com

www.iavaluations.com

NPS Score

95 NPS

Appendix



Producer Compensation Structures



Compensation Structures	Details	Example	Pros/Cons
1. Draw Against Commission	- Advance a portion of the producers expected commission each pay period - At the end of each period the agency subtracts the draw from the total commissions earned - If the commissions are higher than the draw, then the employee receives the surplus commission - If the commissions are lower than the draw, the owed amount is carried over to the next period - Draws may be structured to be recoverable or non-coverable (Check State Law)	- An employee receives \$2,000 a month as a draw. At the end of the quarter the employee has earned \$8,000 in commission. - The agency subtracts \$6,000 for the draw advanced to the employee and pays \$2,000 in Commissions	+ Helps a new producer with living expenses while getting started + Helps experienced producers manage monthly expenses until commission are settled - Depending on the state laws, draws may not be recoverable if an employee leaves
2. Base Salary plus Commission Incentive	Provides a guaranteed base salary plus incentives for sales growth	Producer earns \$20,000 base salary annually and 40% of all new business commissions written	+ Provides financial stability + Incent sales growth - May not be profitable for the agency until the producer is validated
3. Base Salary plus Performance Bonus	Provides a guaranteed base salary plus additional bonus for reaching for performance goals	Producer earns \$30,000 a year and receives an additional bonus for reaching the goal of selling \$50,000 in new business commission	+ Provides financial stability + Incent sales growth + Agency is more profitable long-term if retention goals are met - May not be profitable for the agency until the producer is validated
4. Commission Only	Employee does not receive a base salary and only earns commissions on policies sold	Producer receives 50% commission on all new business. sells \$100,000 in NB and earns \$50,000.	+ Lower risk/expense to agency + Uncapped earnings for producer - Unlikely to attract new talent - Producers with large books may lose incentive to grow book

Producer Compensation Structures



Compensation Structures	Pros	Cons
1. Draw Against Commission	+ Helps a new producer with living expenses while getting started + Helps experienced producers manage monthly expenses until commission are settled	- Depending on the state laws, draws may not be recoverable if an employee leaves
2. Base Salary plus Commission	+ Provides financial stability + Incentivizes sales growth	- May not be profitable for the agency until the producer is validated
3. Base Salary plus Performance Bonus	+ Provides financial stability + Incentivizes sales growth + Agency is more profitable long-term if retention goals are met	- May not be profitable for the agency until the producer is validated
4. Commission Only	+ Lower risk/expense to agency + Uncapped earnings for producer	- Difficult to attract new talent - Producers with large books may lose incentive to continue to grow book