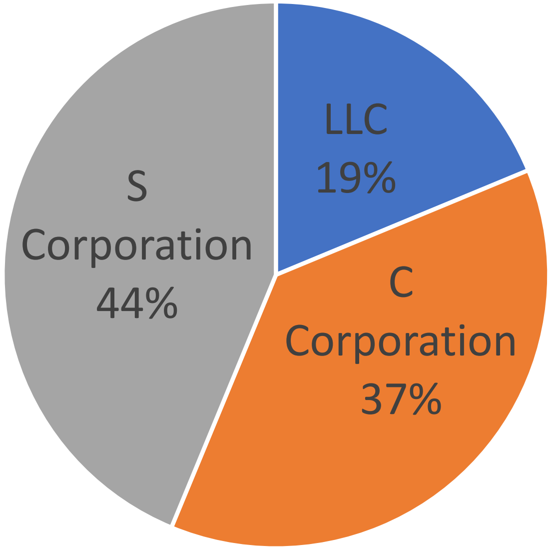
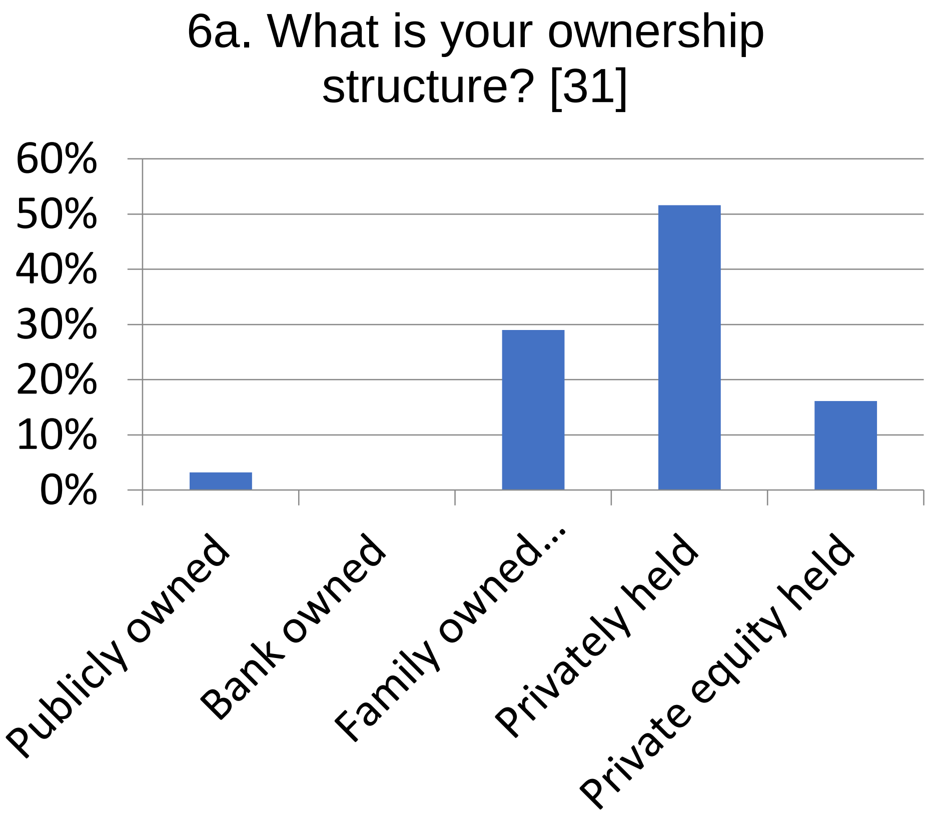
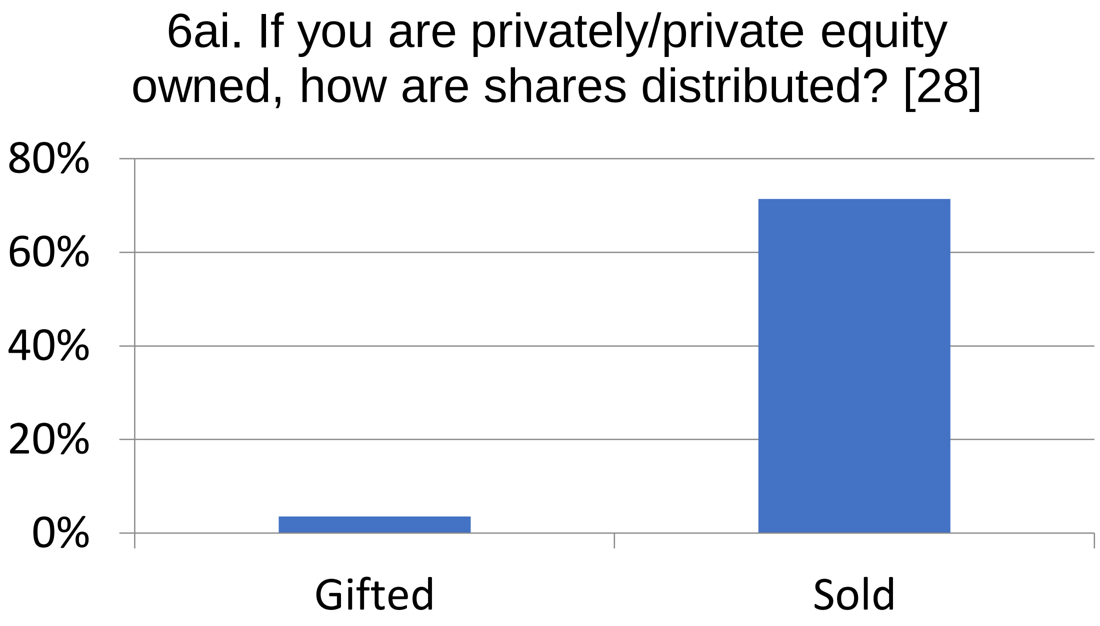
The Council's
2020 Accounting Survey

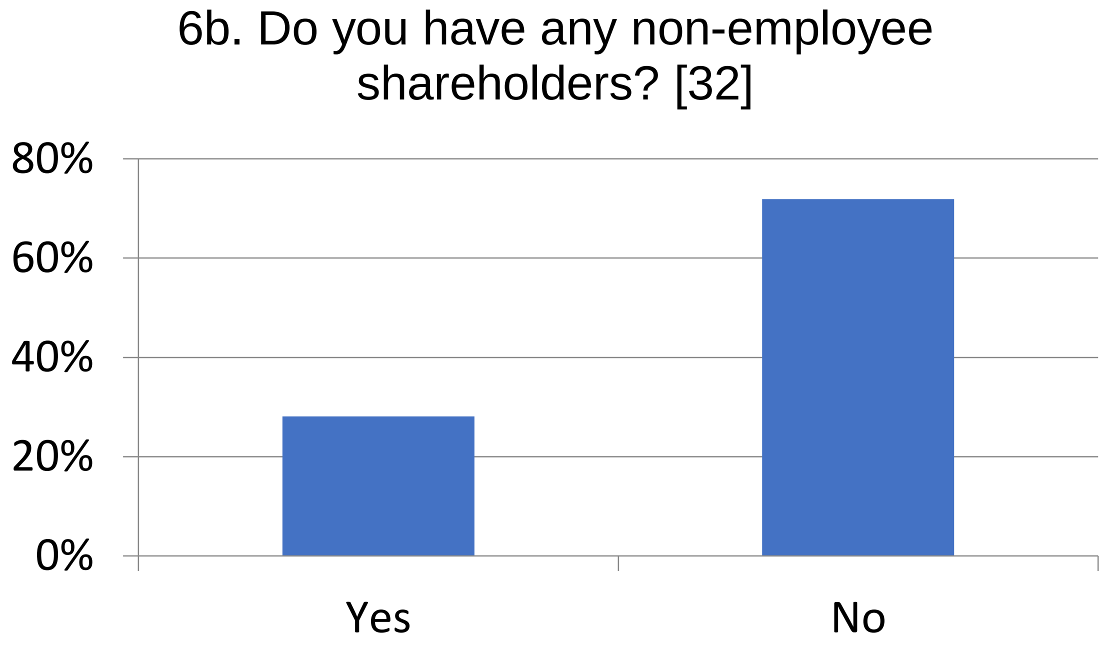
Key: [ ] = Number of Respondents

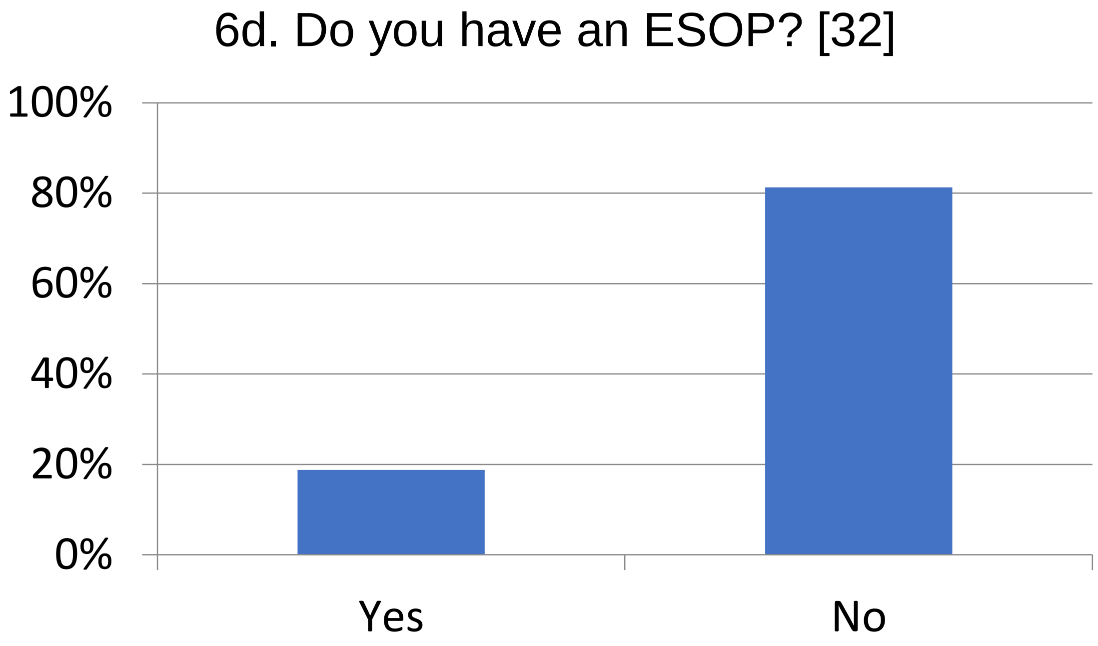
- Agency Revenue (1) [35]
  - Total: $3,352,387,000
  - Median: $56,229,000
- Agency Employees (2) [31]
  - Average: 334
  - Low: 28
  - High: 1,075
- # Offices in Different States(3) [31]
  - Average: 5
  - High: 39
- Number of Offices(4) [31]
  - Average: 150
  - High: 17
- Producers (5) [30]
  - Average: 53
- Legal Structure (6) [32]




6a. What is your ownership structure? [31]
60%
50%
40%
30%
20%
10%
0%
Publicly owned
Bank owned
Family owned…
Privately held
Private equity held


6ai. If you are privately/private equity owned, how are shares distributed? [28]
80%
60%
40%
20%
0%
Gifted
Sold





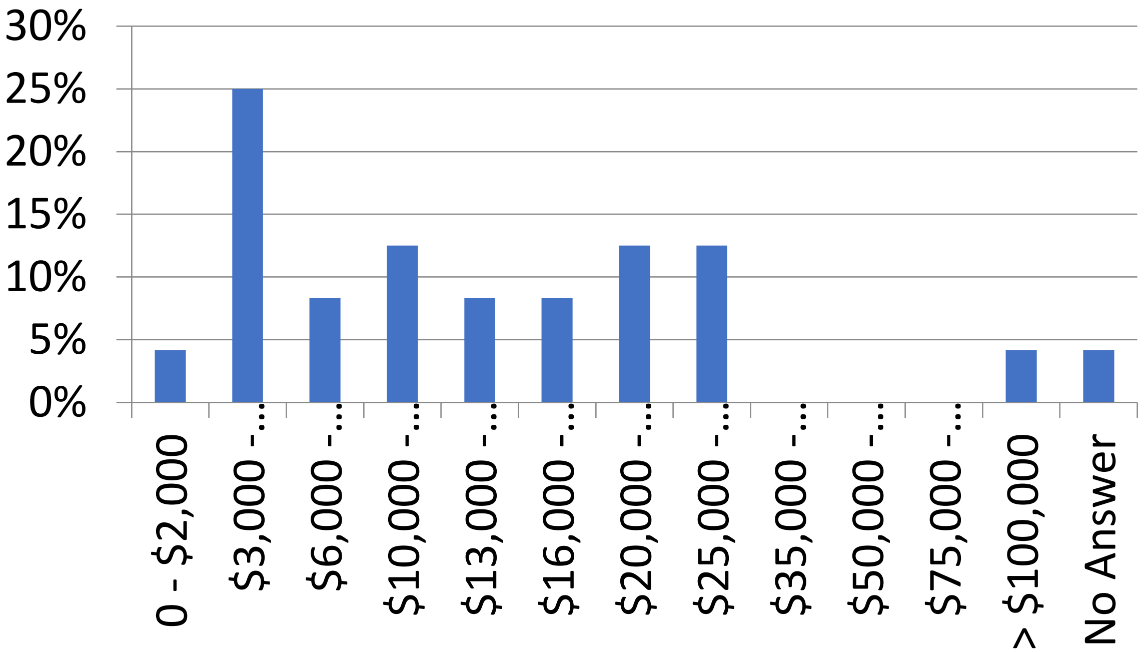
6c. If you answered "yes" to number 6b. above, what percent do they own?

- <1%-5% - 4
- 20%-50% - 1
- 51%-80% - 4

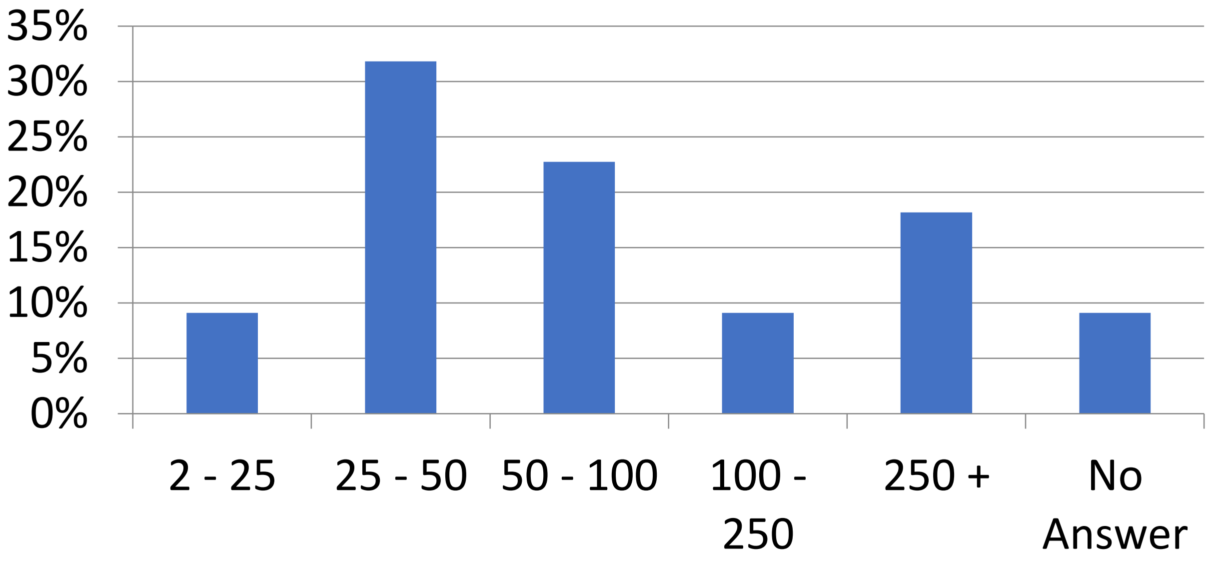
6e. If you answered "yes" to number 6d. above, what percent of the company's shares are owned by the ESOP?

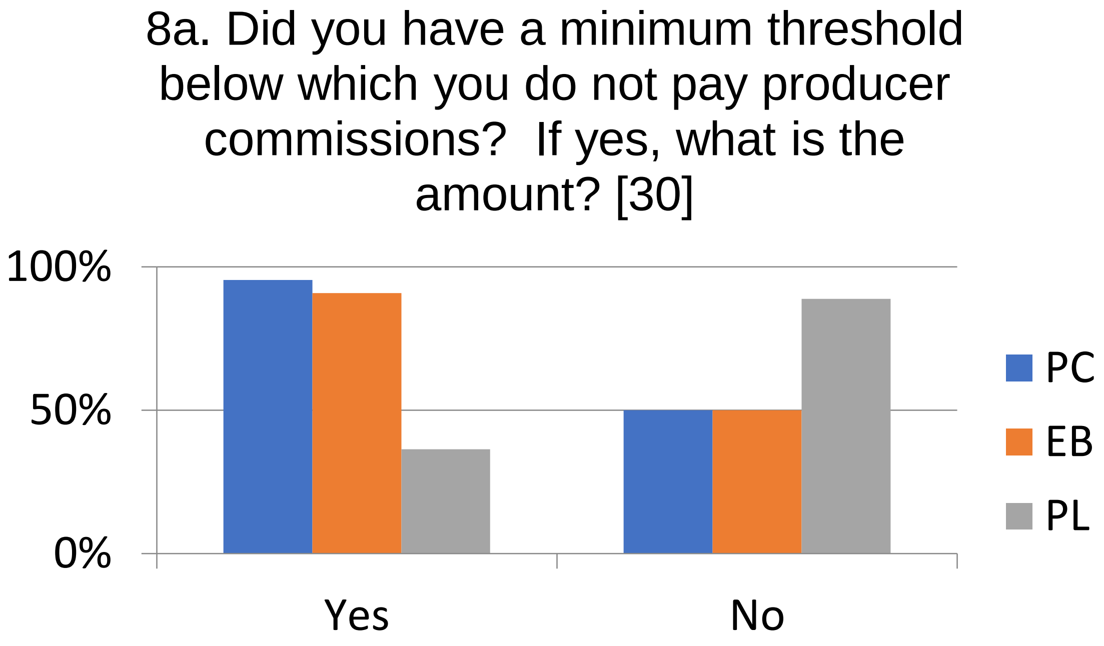
- Average: 28%

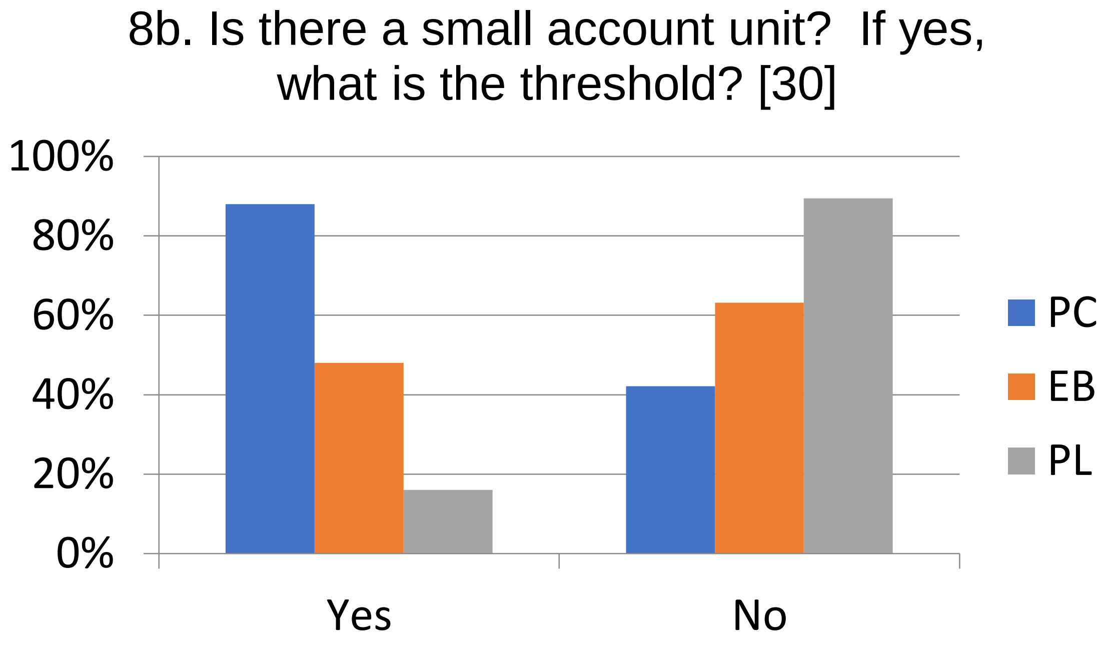
7. Commercial Lines (including Surety and Worker's Comp) - What is the average account revenue? (To nearest $1,000) [8]



8. Benefits - Group - What is the size of the average group account? (In number of lives covered) [24]







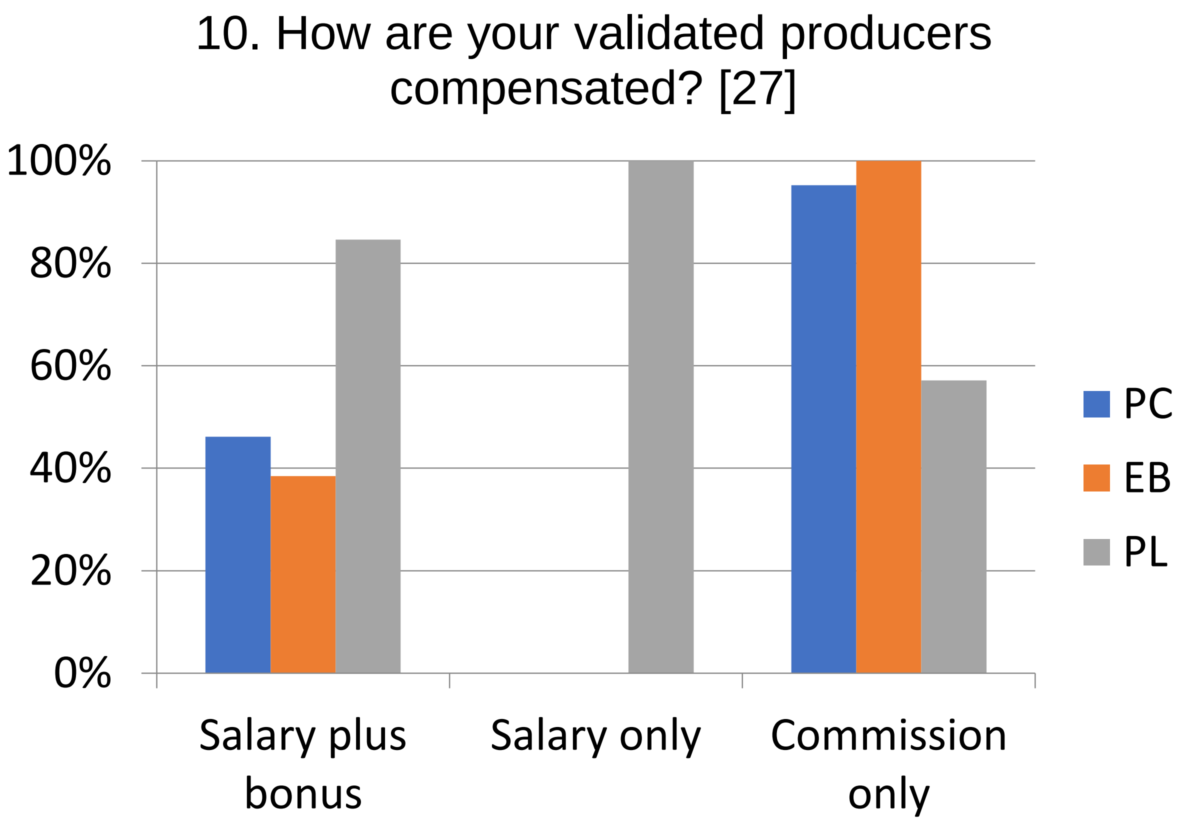
Average threshold:

- PC - $6,600
- EB - $7,400
- PL - $5,180

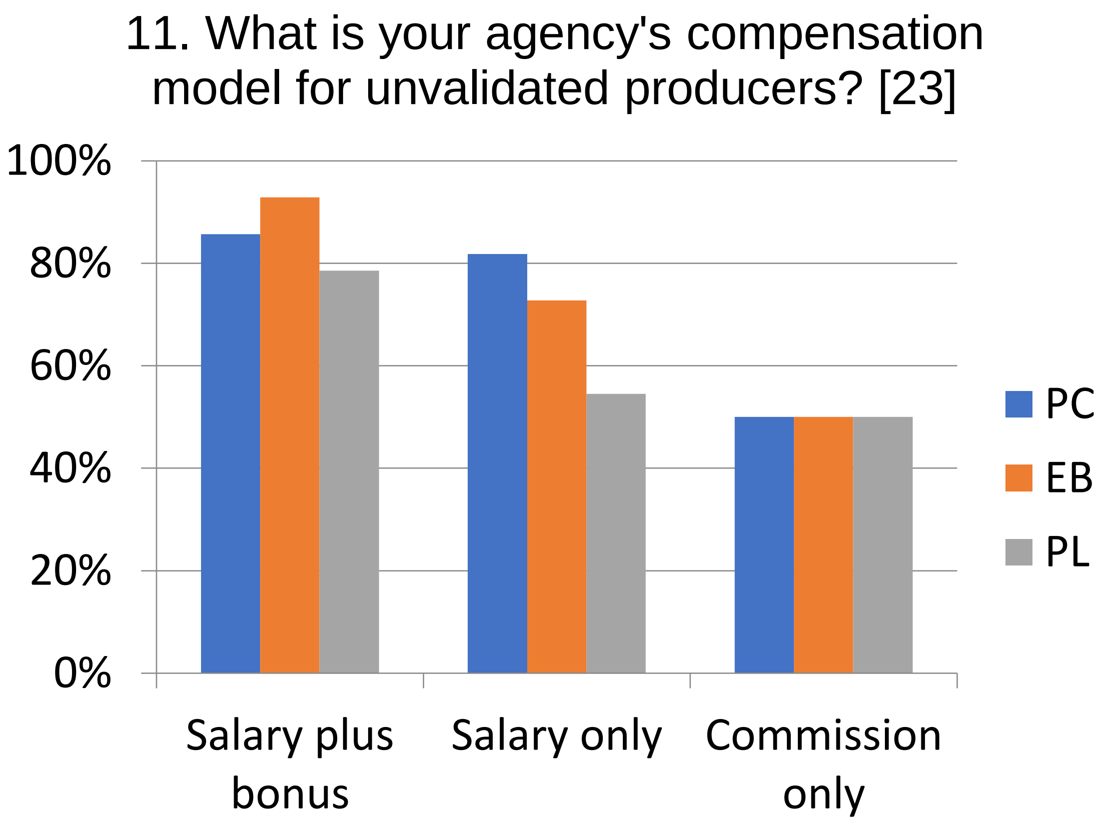
Small Account Threshold (all answers)

- CL $2500 gross comm, PL $300 gross comm
- EB = 2 Lives
- under 50k in premium
- $10,000 (2x)
- Under 50 lives
- $5,000 in revenue (4x)
- PC $7,500 and EB $10K
- EB - 100 lives (KC & Denver), 50 lives (TX & Wichita)..PC - threshold for Emerging Clients is $10,000 - $15,000 in revenue or below (give or take).
- Accounts with revenue less than $2,500 annually (3x)
- No limit (2x)
- General threshold for placing accounts in small business unit is $10k, coinciding with our threshold for producer compensation
- PC and EB threshold is both $5K. There is no threshold for PL, all goes into a business unit serviced by staff
- PC: $5,000   EB $5,000   PL no threshold
- $15,000 premium
- $500 for personal lines, $2,500 for EB, $2,500 for P&C
- Under $1,000

- 9a. What was the percentage of your Total Compensation (including benefits) to Total Revenue for the most recent fiscal year? [25]
    - Average: 60%
    - Min: 39%
    - Max: 76%
- 9b. What was the percentage of your Total Salaries to Total Revenue for the most recent fiscal year? [25]
    - Average: 49%
    - Min: 28%
    - Max: 61%



10. How are your validated producers compensated? [27]
100%
80%
60%
40%
20%
0%
Salary plus bonus
Salary only
Commission only
PC
EB
PL



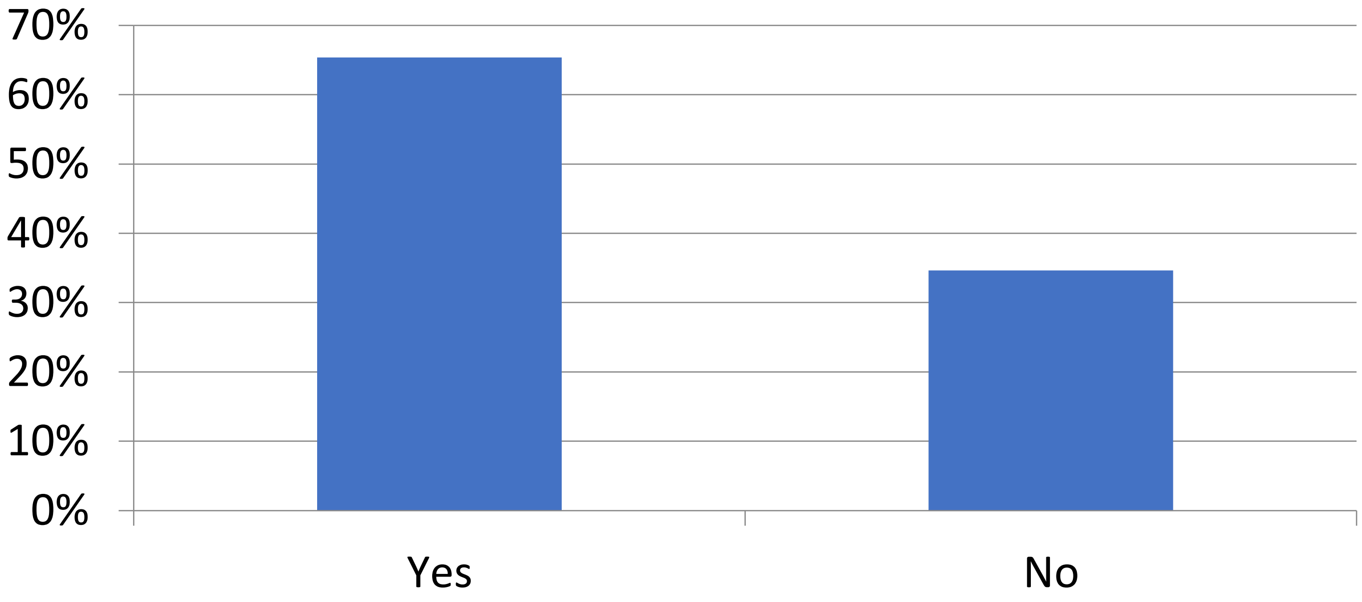
11. What is your agency's compensation model for unvalidated producers? [23]
100%
80%
60%
40%
20%
0%
Salary plus bonus
Salary only
Commission only
PC
EB
PL

- 12. What was your earnings margin for the most recent fiscal year before interest, taxes, amortization and depreciation (EBITDA)? [22]
  - Actual
    - Average: 21%
    - Min: 2%
    - Max: 27%
  - Pro Forma
    - Average: 22%
    - Min: 11%
    - Max: 48%

- 13. Please provide an approximate percentage breakdown of production revenue by the following categories: [24]
  - P&C Commercial Lines (including Surety and Workers Compensation)
    - 50%
  - Employee Benefits (including Life)
    - 40%
  - Personal Lines
    - 6%
  - Other
    - 6%
      - Retirement and Wealth Management
      - Admin, Consulting, Override/Bonus, Other
      - HR Services
      - Retirement Plan Services
      - Data Analytics/Population Health Reporting & Consulting
      - Financial Services

- 14. Approximately what percent of your commercial P&C revenue is direct billed? [25]
  - Average: 48%
  - Min: 4%
  - Max: 100%

14a. Do you feel you have the correct controls in place for reconciliation/collection on direct bill? [26]

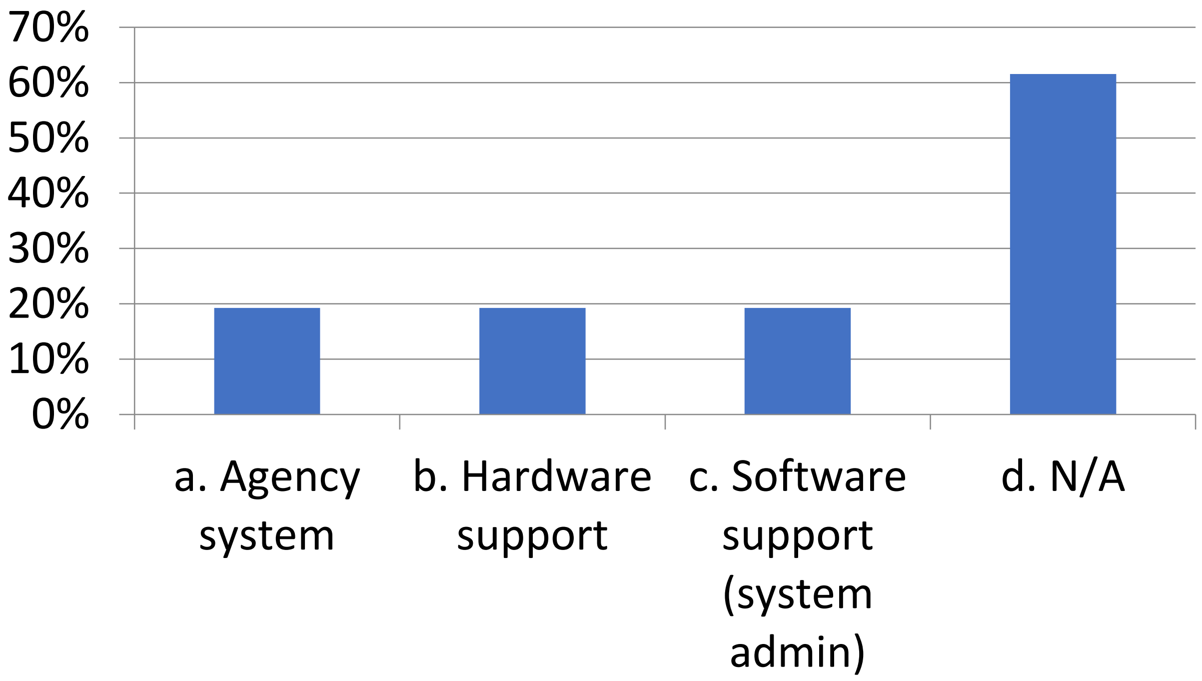


- 15. Approximately what percent of your total production revenue is earned on a fee basis? (i.e., where revenue is based on a specified fee earned from the client, as opposed to commission earned from the carrier.) [23]
  - Average: 8%
  - Min: 1%
  - Max: 25%
- 16. What was your producer variable compensation (commissions only - no salary) as a percentage to total revenue for the most recent fiscal year? [21]
  - Average: 20%
  - Min: 0%
  - Max: 26%
- 17. What was the percentage of non-validated producer compensation (fixed salaries) to total revenue for the most recent fiscal year? [20]
  - Average: 3%

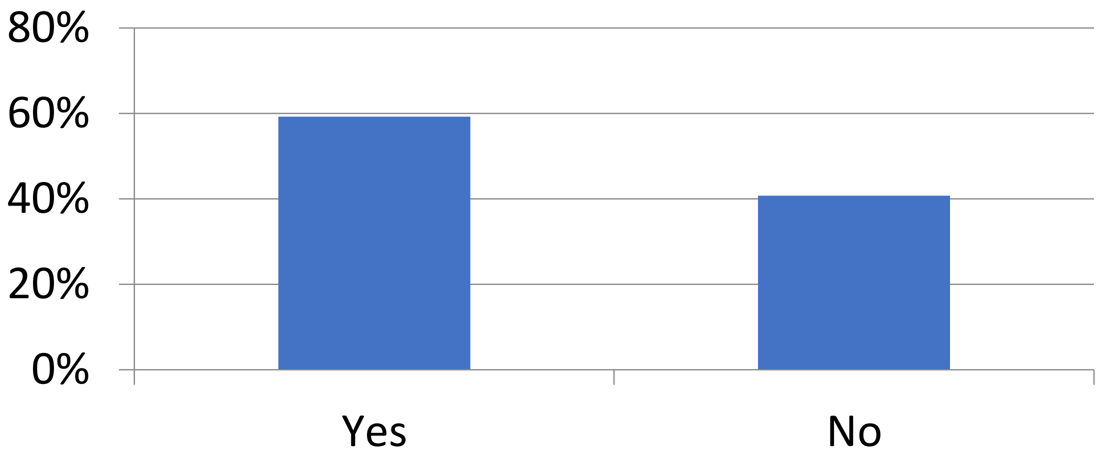
- 18. What percent of total revenue do you spend on advertising? (Including sponsorships and contributions) [23]
  - Average: 1%
  - Min: 0.01%
  - Max: 4%
- 19. How many accounting personnel do you have? Enter as a number. [26]
  - Average: 9
  - Min: 2
  - Max: 28

Technology

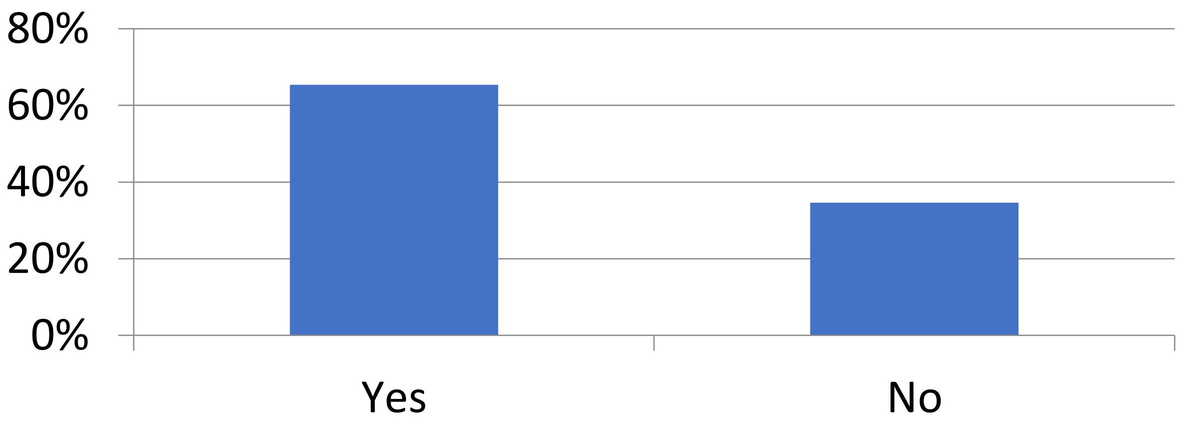
20. What technology functions do you outsource, if any? Check all that apply. [20]

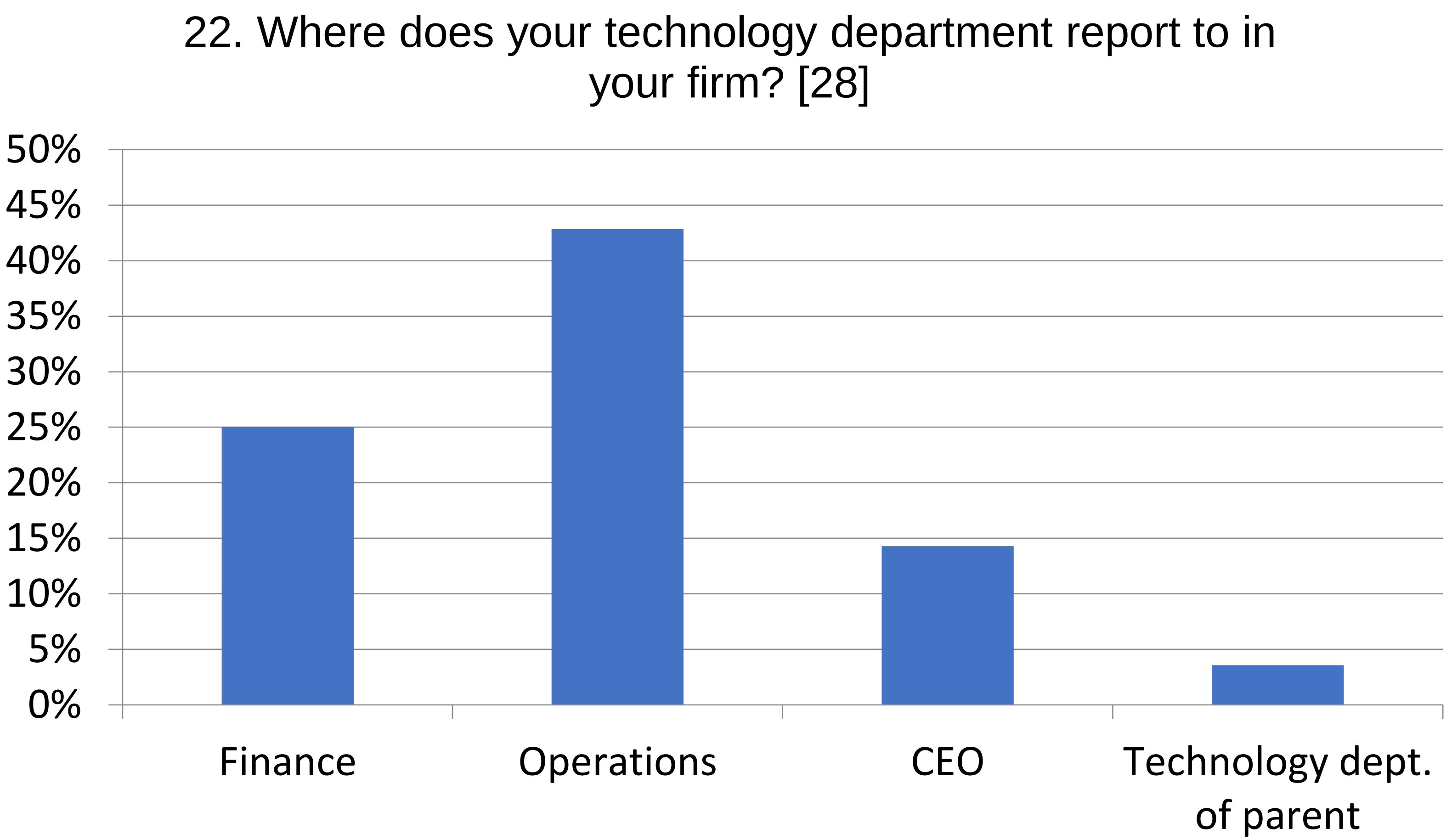


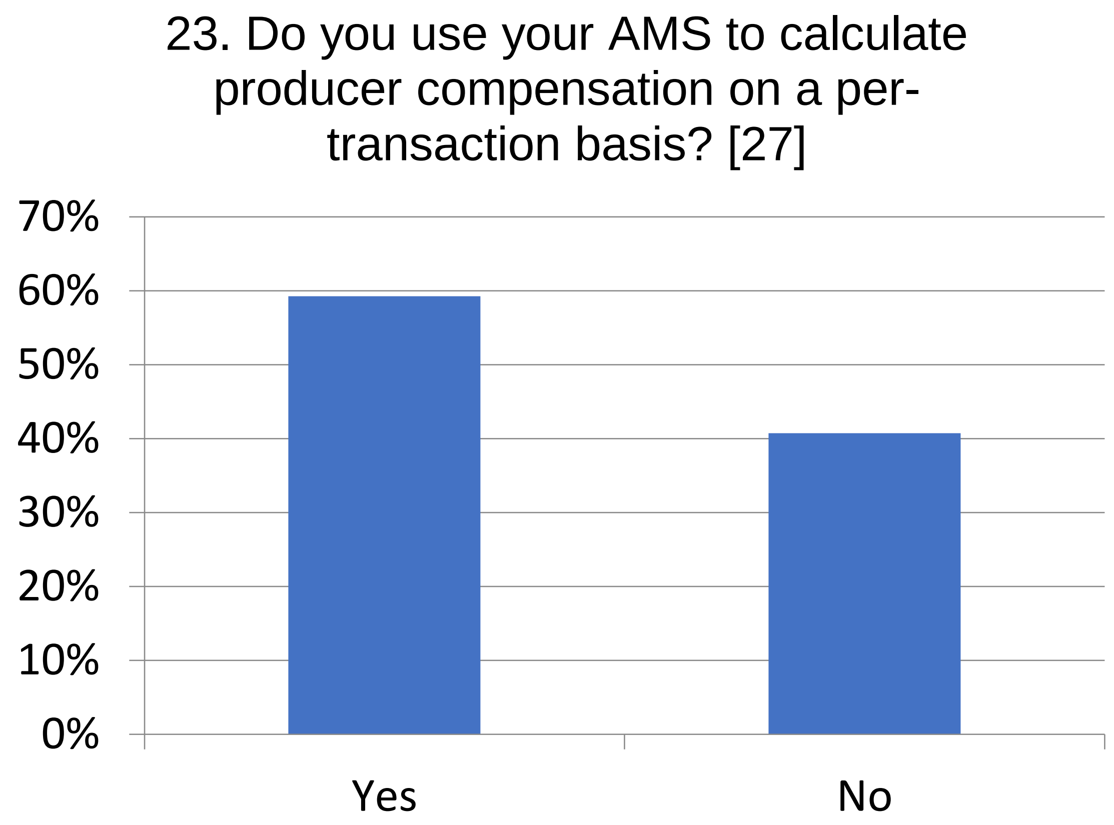
21a. Do you have a database administrator function that runs regular reports/analysis? [27]

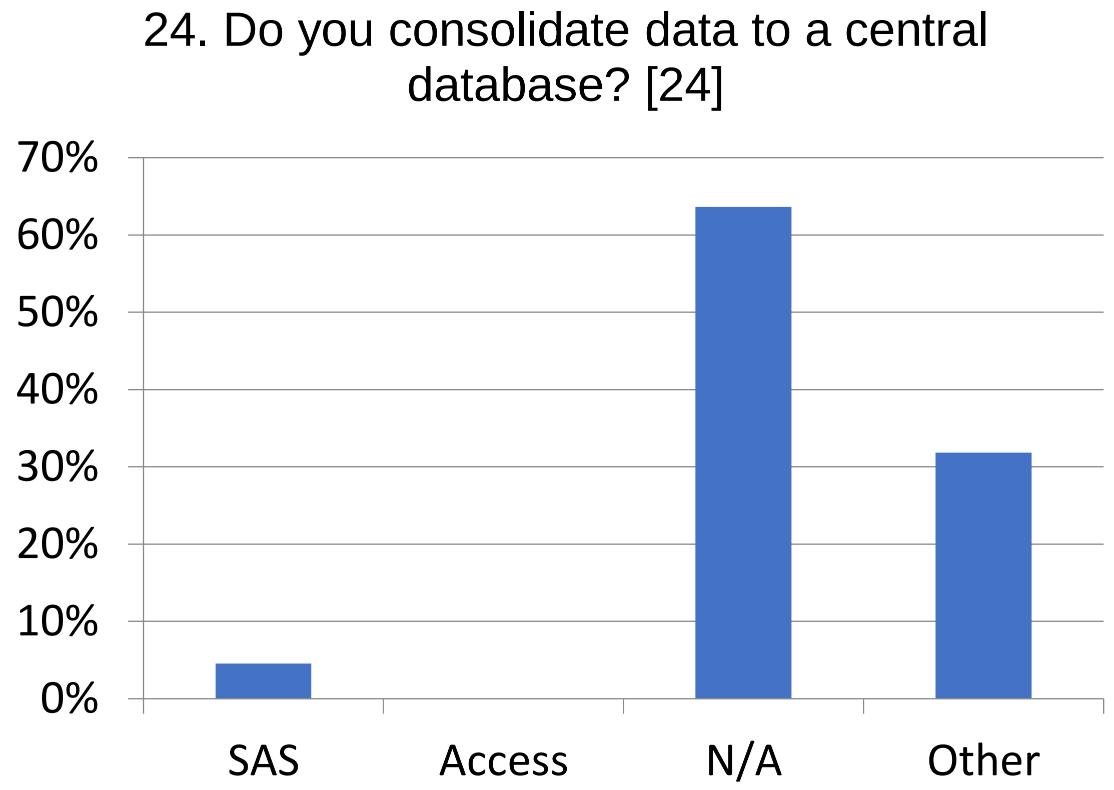


21b. Do you have a database administrator function that runs special analysis projects? [26]



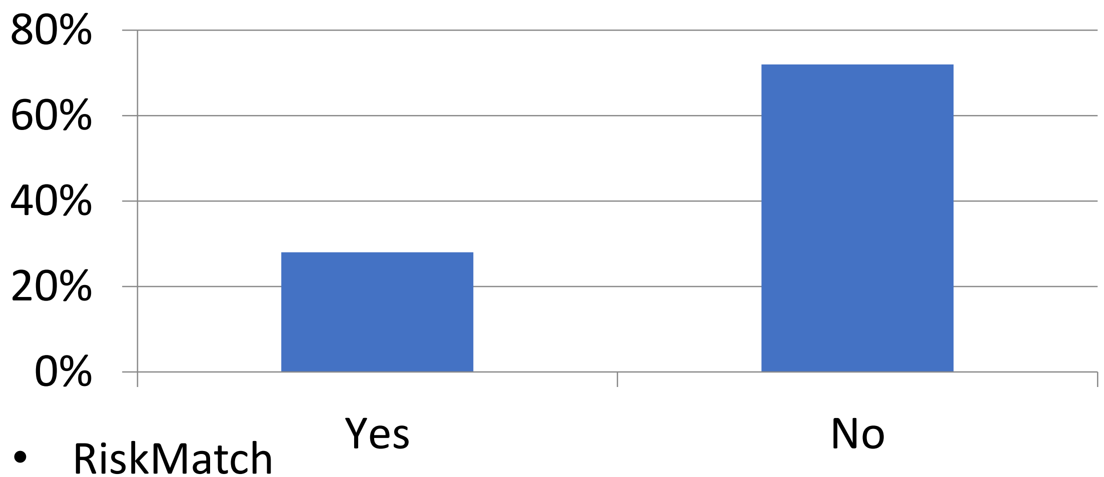

22. Where does your technology department report to in your firm? [28]
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Finance
Operations
CEO
Technology dept. of parent





- Epic's BDE
- Applied Analytics
- Select Production Data from Agency Management for future projects
- Export Data to SQL Server
- Excel and Power BI
- Amazon Quiksite

25. Do you use third party software to perform analytical analysis on this data? (e.g. Prophix) [25]



- RiskMatch
- Prophix
- RiskMatch, Vena
- Power BI
- QlikView
- RiskMatch and Power BI
- Excel, Power BI

26. In your opinion, what are the top 3 uses of this tool that you find most valuable in running your agency? [11]

- Powerful carrier benchmarking analytics, book of business, and account rounding analytics
- Forecasting /Budgets, Employee Cost Modeling, Financial Reporting
- Vena, Salesforce, AMS360
- Data visibility, drill-down capabilities, and real-time reporting functionality
- Data warehouse, Epic, Adaptive Insights
- Sagitta – Financials, Power BI - new business forecasting
- Revenue detail, Data dissemination, Analytics
- 1.) Operational reporting 2.) Book of business analysis 3.) Data accuracy measure
- Helps us see areas we are not profitable
- Identifying premium, product and revenue trends across health plans and broker agencies

- 27. Do you utilize Zoom or other video conferencing? [25]
  - Majority use video conferencing
  - Platforms: Zoom, MS Teams, Skype for Business
- 27a. How many times a month is it used? [19]
  - Companies either use it frequently, or hardly at all (prior to work from home)

28. What KPIs are the most important for you to report on? [22]

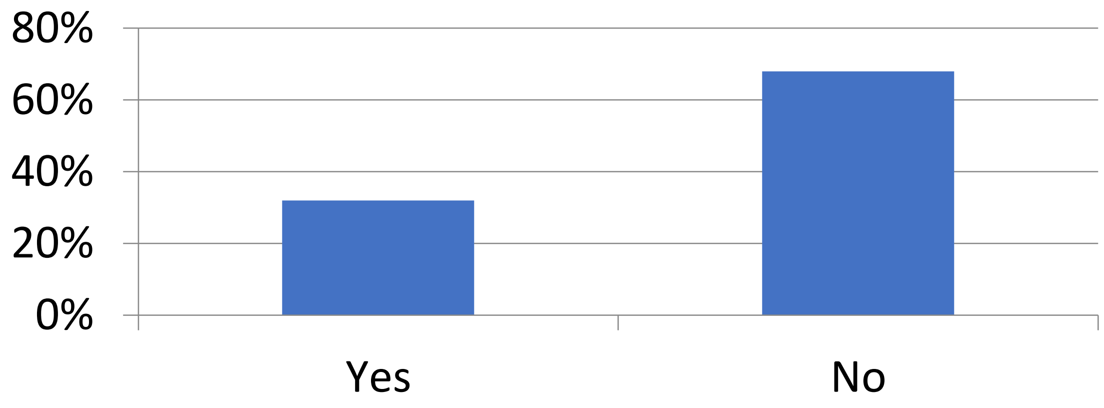
- Organic Growth%, New business%, Revenue/EE, Comp%/Rev
- Revenue, Profit per employee, Current Ratio, Leverage and Coverage
- New & Lost Business
- New/lost business, revenue per employee, revenue per service staff, NUPP (discuss,) payroll ratios, operating margin, EBITDA, employee turnover, retention percentage, top line growth, organic growth, change in productivity per employee
- EBITDA Margin, Revenue per Employee, New revenue growth
- Organic Growth, EBITDA, Sales Velocity, Validation
- Sales Velocity, comp as a % of revenue, client retention and growth
- Organic Growth Rate; EBITDA Margin; Rule of 20 (from Reagan Consulting)
- Sales Velocity, Retention, Rule of 20
- Growth, Sales Velocity, Retention, Operating Margin
- Revenue per producer, new business per producer, Traction Rocks (discuss) completed, revenue per employee, profit percentage, sales velocity
- YOY Revenue, Revenue per employee, trending P&L,
- Revenue per month, per line, per producer
- EBITA, Servicing Costs as % of Revenue, Growth by Dept., Revenue Retention, Rev. per EE
- Revenue per head, Sales Velocity, Rule of 20, Comp as % of Revenue, Organic Growth, EBITDA
- EB only-Average size group, premium, revenue across our clients, brokers and carriers.
- Expense ratios to revenue, investment in invalidated producers, profitability, comp to revenue by staff stratification
- Organic Growth, Profitability, Revenue per FTE, Rule of 20, NUPP
- Organic Growth, operating margin, validation
- Organic Growth
- Currently in development

- 29. What perimeter-testing vendor do you use for penetration probing of your network?

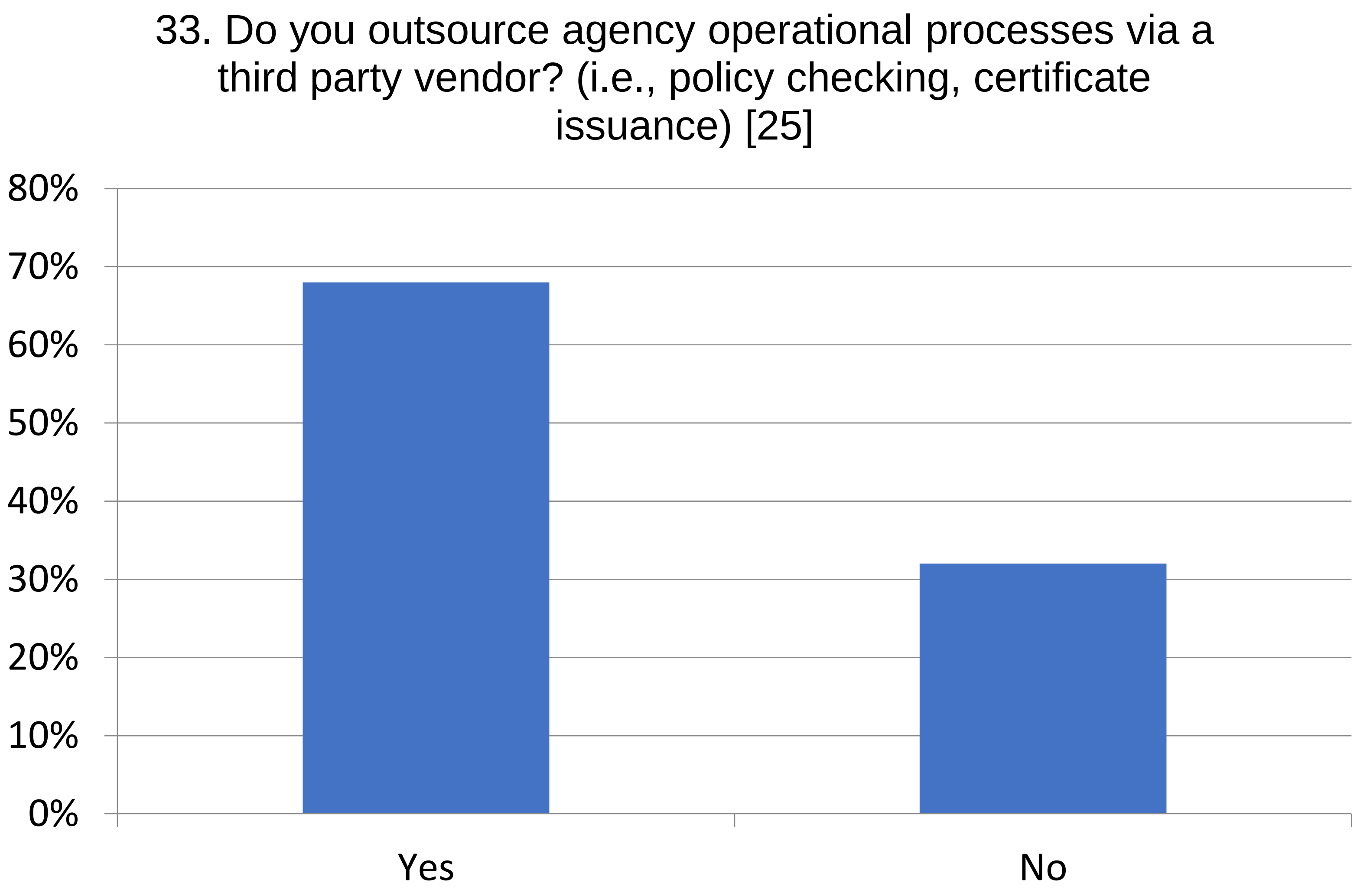
- Arctic Wolf
- Silent break
- Ideal Integrations
- Centurylink
- Envista (Our outsourced IT provider)
- Fishnet was used, but we vary vendors
- Preparis
- Cylance
- Qualys but evaluating Microsoft
- Nessus
- We will be initiating that this year - vendor TBD

- Question 30 does not exist

31. Do you outsource accounting processes (i.e., direct bill commission entry or others) via a third party vendor? [25]



32. If you answered "yes" to number 31., please provide the following information:			
a. Process(es) outsourced	b. FTE equivalent/positions outsourced	c. Vendor utilized	d. Country
Direct Bill Commission Entry/Some AP	1.45	Patra	India
DB Commission input for benefits	1	K-Force Staffing	US
Direct bill reconciliation	8	ResourceProc	China
Direct Bill	In implementation stage for overload capacity	Patra	India
Direct bill entry	3	Resource Pro	China
Direct bill processing	3	Patra	India
DB commission posting and exception tracking		ResourcePro	China
DB		Patra and ResourcePro	


33. Do you outsource agency operational processes via a third party vendor? (i.e., policy checking, certificate issuance) [25]
80%
70%
60%
50%
40%
30%
20%
10%
0%
Yes
No

34. If you answered "yes" to number 33., please provide the following information:			
a. Process(es) outsourced	b. FTE equivalent/positions outsourced (if known) enter as a number	c. Vendor utilized	d. Country
-Policy checking & policy analytics/error checking	4	ProSource	China
-Policy Checking	4.603	Patra	India
-Policy checking, call center, service small accounts & certificate issuance	20	Resource Pro, Patra	China & India
-policy checking & small biz servicing		resource pro & patra	china
-policy checking		PATRA	
-EB Eligibility and enrollment, individual enrollment, general EB data entry, and CL application data input	2 - 2.5	PATRA	India and Philippines
-Policy review/Serving of small PL and P&C accounts	2	Patra	India
-policy checking	8	ResourcePro	
-System renewals (Benefits), Policy checking (P&C)	5	Resource Pro	China
-Policy checking, policy renewal, certificate issuing	4	ResourcePro and Patra	China and India
-Policy checking, EB adds and terms	7	ResourcePro	China
-Certificate	In implementation stage	Patra	India
-Policy checking	3	Resource Pro	China
-Certificates, Policy Checking, Endorsements, Enrollments in EB, Document pulling	9.1	Patra	India
-Policy checking, Small Business servicing, Certificate Issuance, Endorsements processing, Doc Retrieval	15	Patra, Resource Pro	India, China, US
-Policy checking		ResourcePro	China/India
-Policy Checking		Patra	

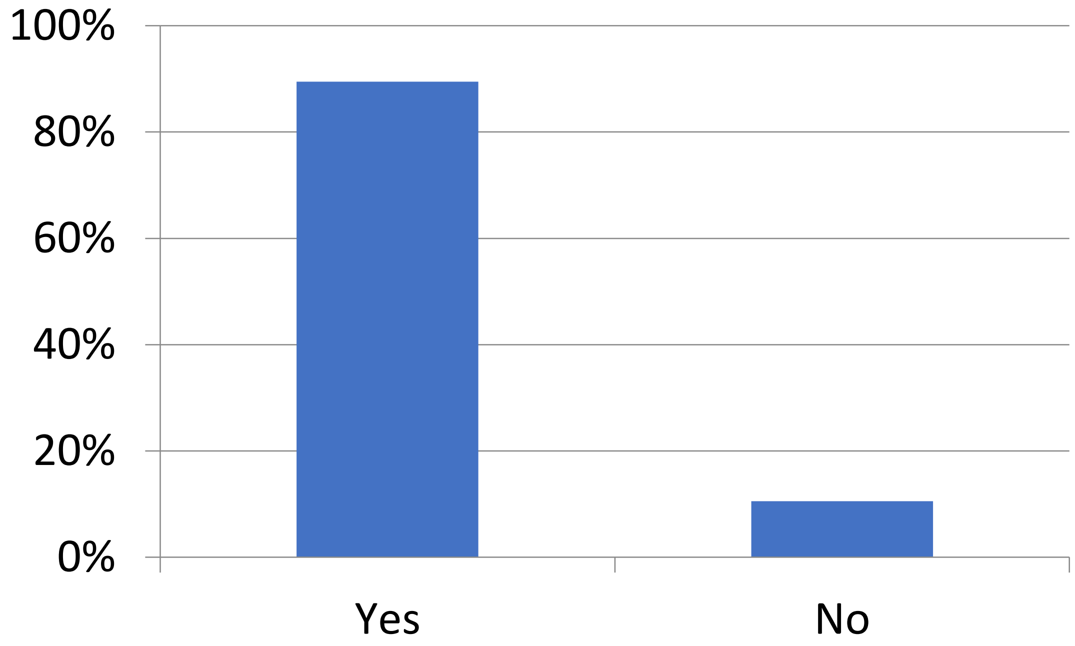
35. Why did your agency decide to outsource? [19]

- Continuity of function, relief of Account Managers to focus on higher tasks, cost savings, E&O reduction
- Manage incremental increase in workload, cost consideration, labor shortages, optimize staff time in higher value work
- To save cost
- Too many transactions to handle in house
- Reduce staffing costs for repetitive high volume transactions. Cost was #1, staffing needs was #2
- 24 hour service cycle
- We needed to outsource accounts that were too small for us to service in a profitable manner. We are set up to work with larger accounts and struggle with serving smaller accounts in a profitable manner
- We only outsource IT oversight and administration
- Efficiency
- To have routine tasks processed on hours outside normal business hours and cost savings
- 1) to allow the team that we have to grow and take on more client oriented roles. 2) we struggled to keep people in positions that did policy checking at the salary that we wanted to pay given the high living expenses where we are located
- To handle capacity overload especially as our M&A activity has increased
- Hard to find and keep workers for these jobs
- Wanted to allow higher level work for our staff
- To free-up non-value added time of employees to do other things
- Excellent task efficiency and price
- Better to handle the labor intensive and repeatable tasks

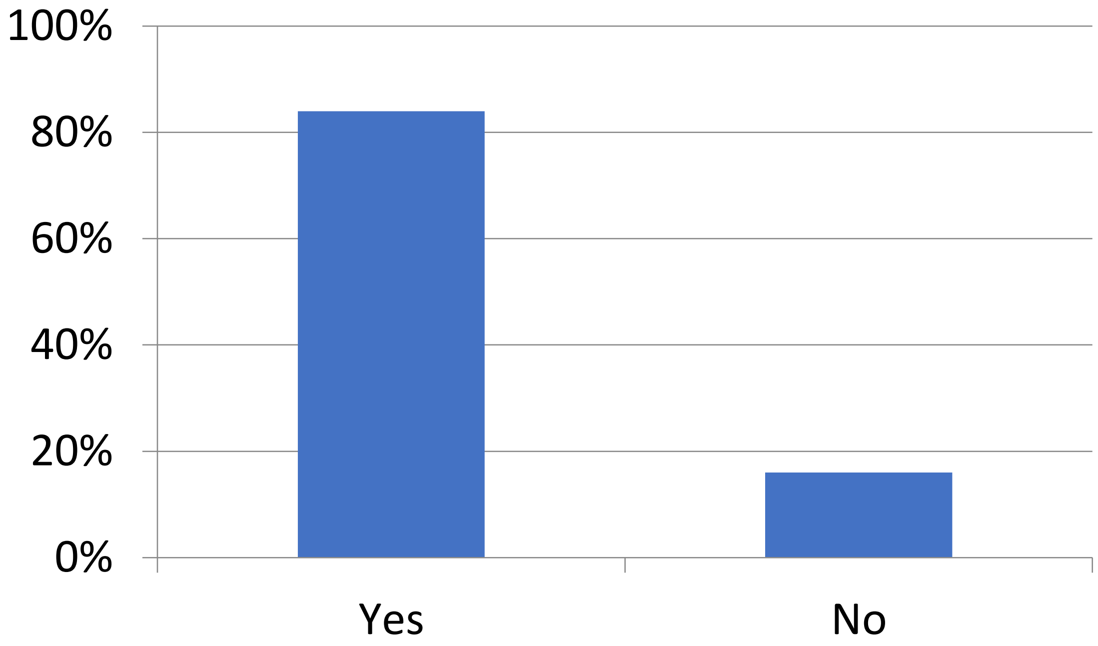
36. Do you view your outsourcing as a success? (In terms of cost reduction and/or quality of work and would you do it again.) [21]

- Yes. They have raised our standards by basically auditing all of our accounts with best practices.
- Yes for all reasons noted, cost, quickly scale and deal with labor constraints.
- Minimally
- Generally we have viewed the process as a success. With Patra we pay $35,000 a year for 2.0 - 2.5 FTEs, and the quality of work is consistent with our local work force.
- Cost reduction
- This is division-specific. Our benefits division sees it as successful with many opportunities and continue to grow and add to the processes moved to RP. Our P&C division has not found as much success and has brought processes back in-house to lower labor-cost markets.
- Neutral on success or failure. It is working.
- Yes and yes! The quality is great for the processes that are outsourced. Not nearly as many errors, and this has allowed our team to grow into more client oriented roles.
- TBD
- Not always. We seem to now do more work and have higher costs. We didn't cut or change enough processes so outsourcing merely allowed us to get through backlog of work that wasn't being done.
- It has been a success in freeing up individuals to perform more value-added tasks. There is a give and take with quality and you must continually review to ensure quality you are receiving is adequate as outsourced individuals assigned to your account can rotate somewhat frequently. Overall it has been a success and would do it again.
- Yes, although hesitant initially. The workload needed to be addressed and we found the accuracy with repetitive tasks was excellent. We continue to outsource task oriented processes and are always looking for these efficiencies and the overnight concept of work getting posted.

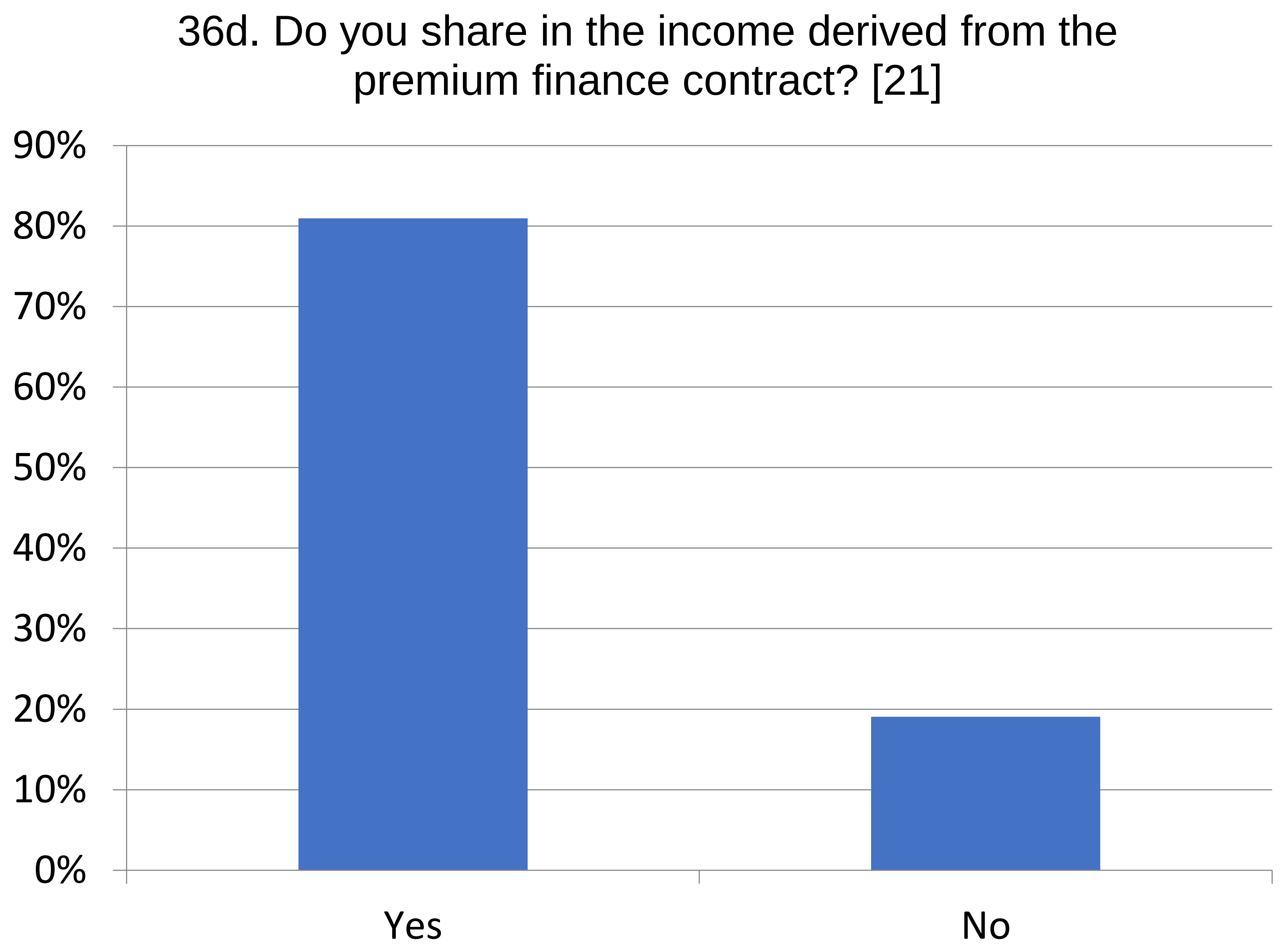
36a. Would you outsource again? (are you happy you outsourced) [19]



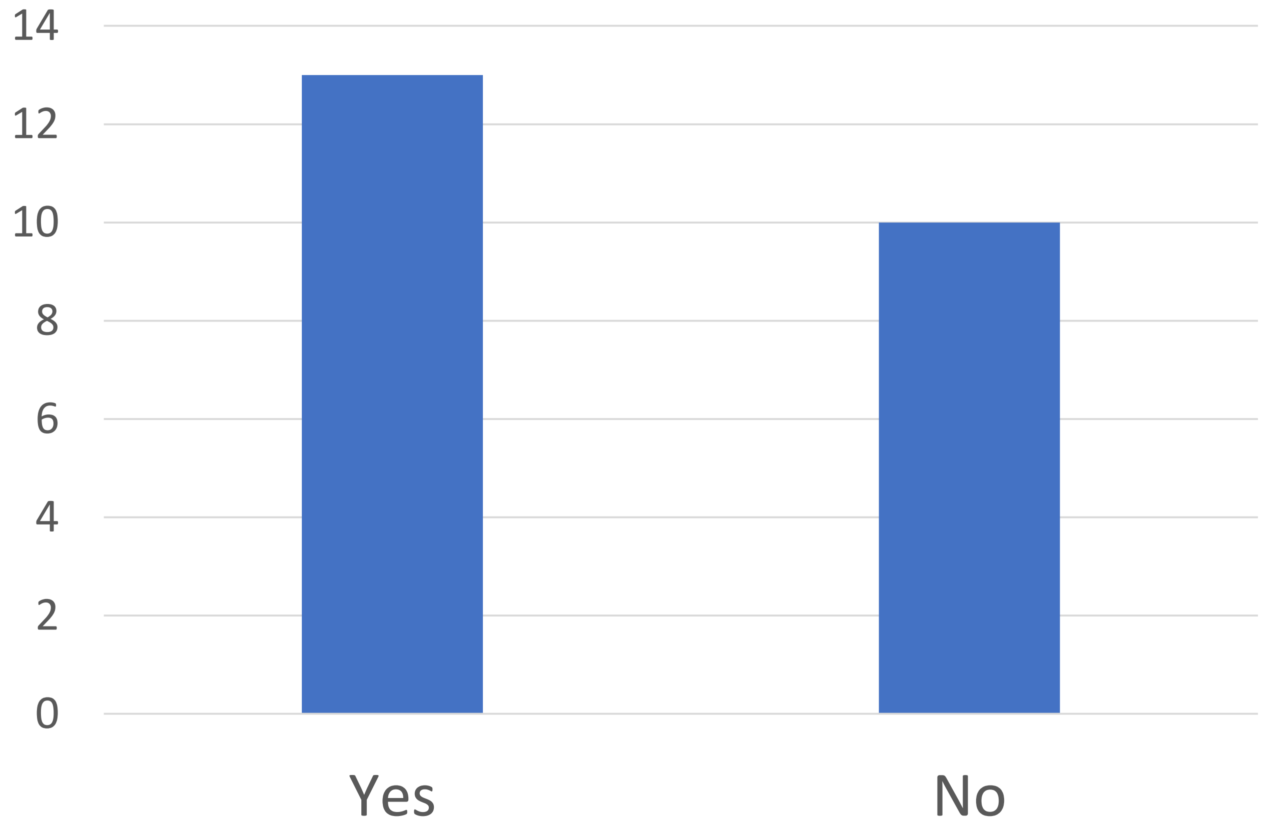
36b/c. Does your firm use a premium finance company? [25]



- First Insurance Funding
- IPFS
- CPF
- Bank Direct
- AFCO
- Westfield Bank
- Cypress
- CAFO

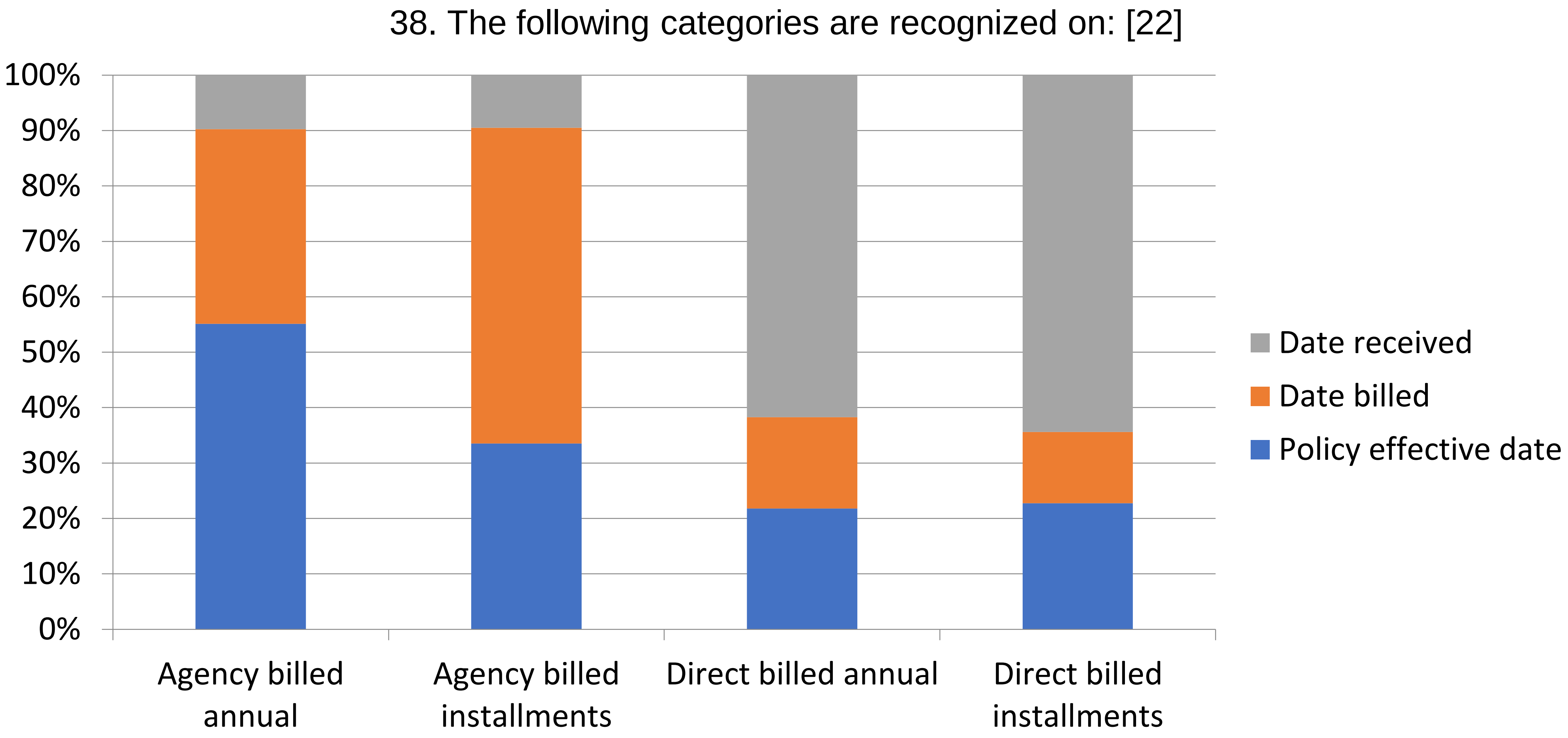

36d. Do you share in the income derived from the premium finance contract? [21]
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Yes
No

37. Do you pay independent contractors/1099? [23]

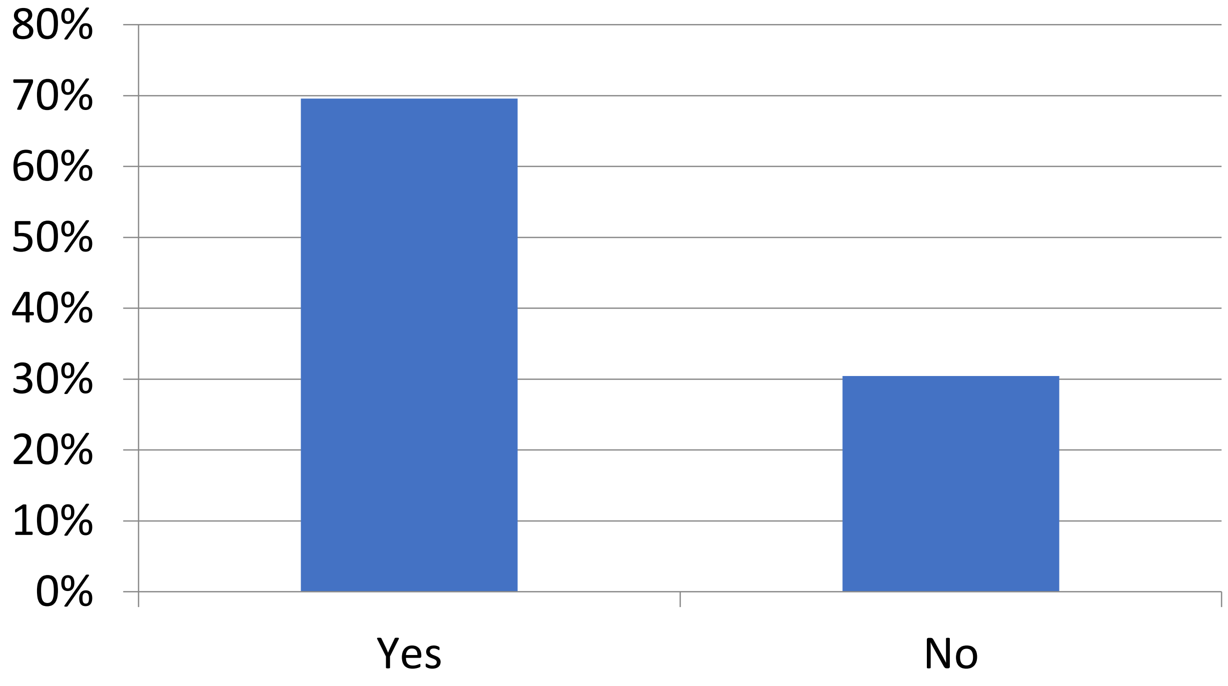


37a. How do you manage compliance with IRS law related to independent contractor classification? [13]

- The Independent Contractors need to have other clients they serve and a separate Business Entity
- We have contracts with contractors
- HR reviews on a case by case basis
- We have an HR department that helps review the standards for us to make the proper decision on this
- Compliance is ensured by in-house legal counsel and HR expertise
- Obtain necessary documentation on outside agents and document their role in the relationship
- Read material and take classes
- HR and Legal Depts approve all agreements to ensure that we are in compliance with all laws and regulations
- We draw up on our contracts to ensure compliance and also have our HR team review duties/access, etc. to ensure they should not be designated an employee
- These are brokers so standard 1099 Box 7 or NEC for 2020.
- We will hire staff if they are borderline 1099. We limit 1099 to contractor or project relationships
- We have agreements in place that are consistent with the IRS regulations.


38. The following categories are recognized on: [22]
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Agency billed annual
Agency billed installments
Direct billed annual
Direct billed installments
Date received
Date billed
Policy effective date

39a. Is the direct billing handled the same for P&C as it is for EB? [23]

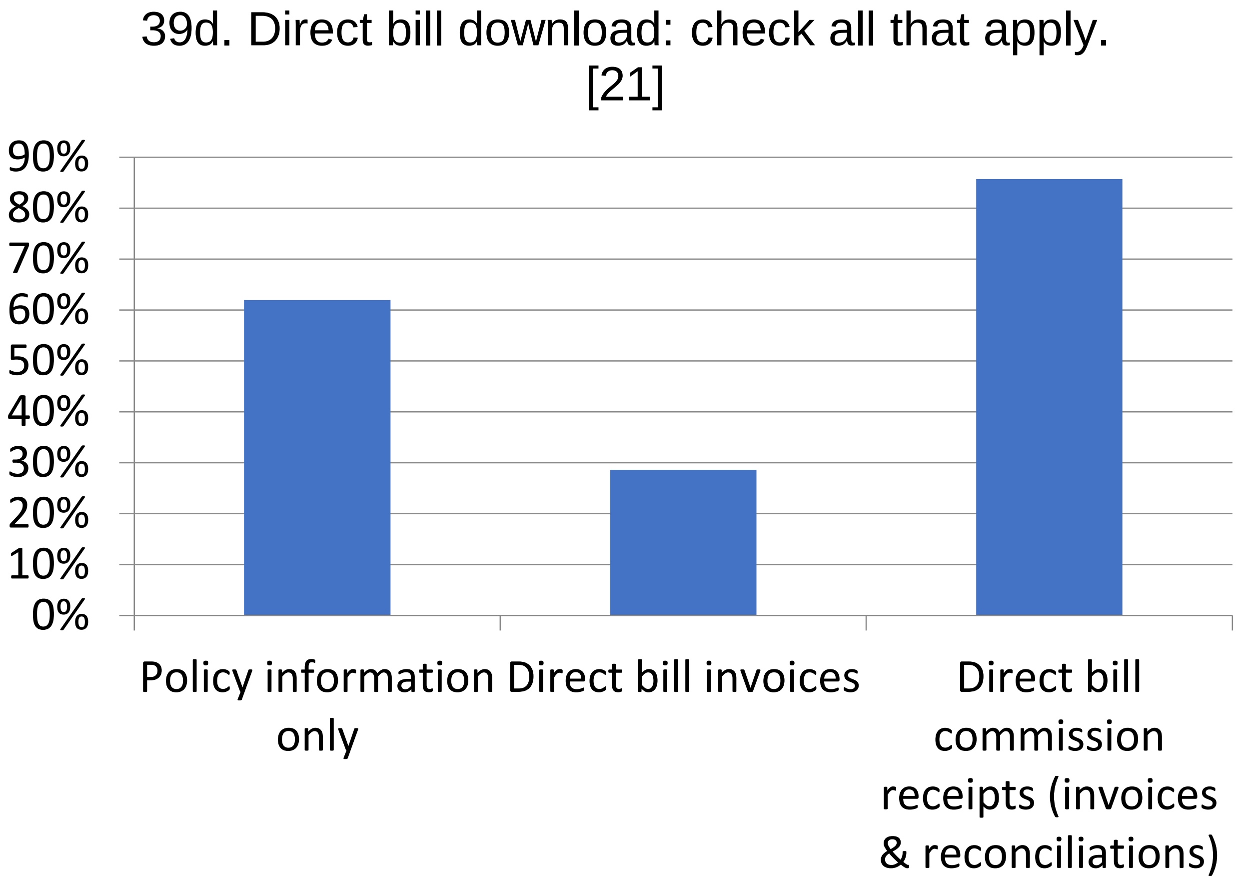


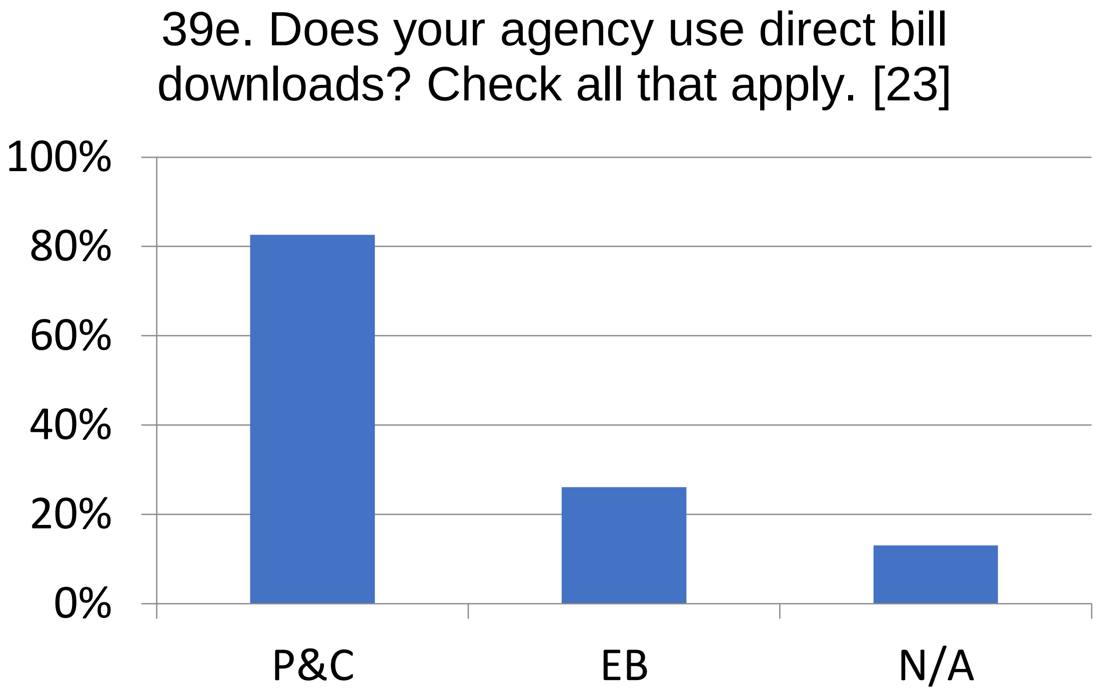
39b. Do you record any type of direct bill accrual? If so, on what basis? [24]

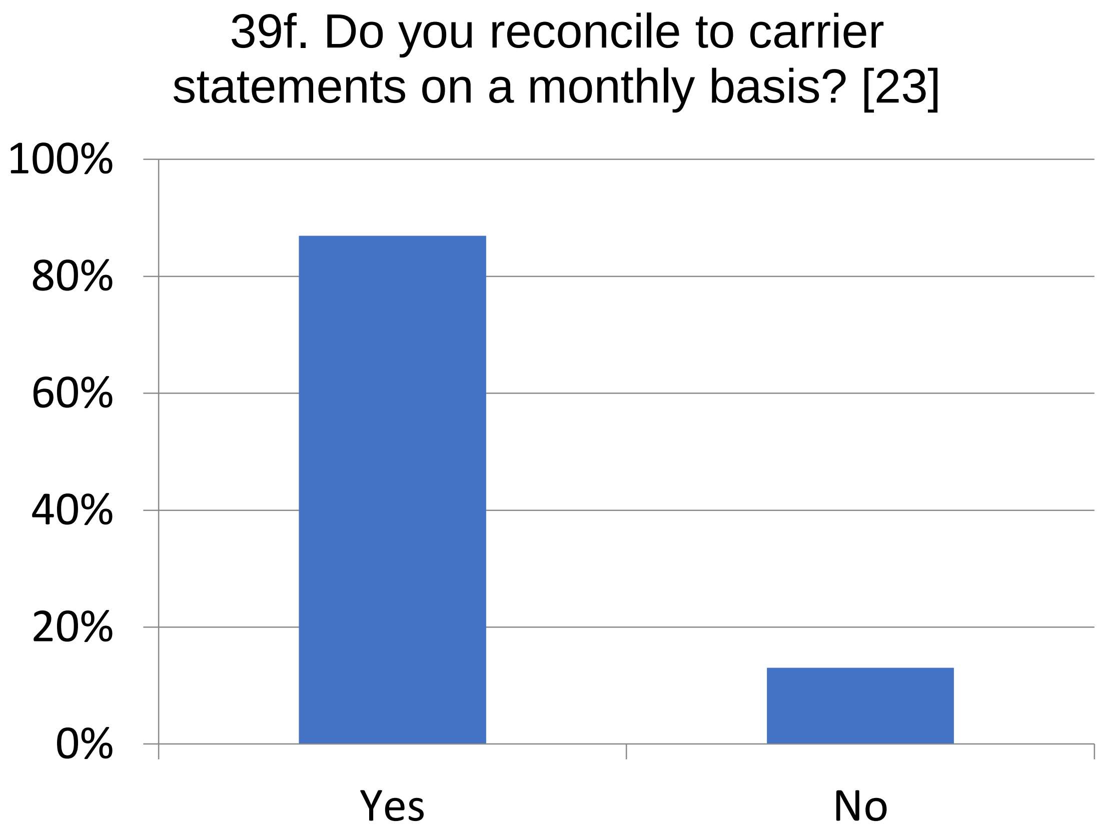
- No (14x)
- We will begin to do on a Premium Due basis.
- Yes, to be compliant with ASC606
- We operate strictly on a cash basis.......no accrual recognition
- Yes, based on approx 45 day avg lag
- Yes. Accrual basis using calculated estimate of what we expect the receivable to be at year end.
- Yes, based upon 30 day lag.
- Benefits, one month. P&C unbilled but active installments, and DB active but not fully received policy commissions
- Yes based on days

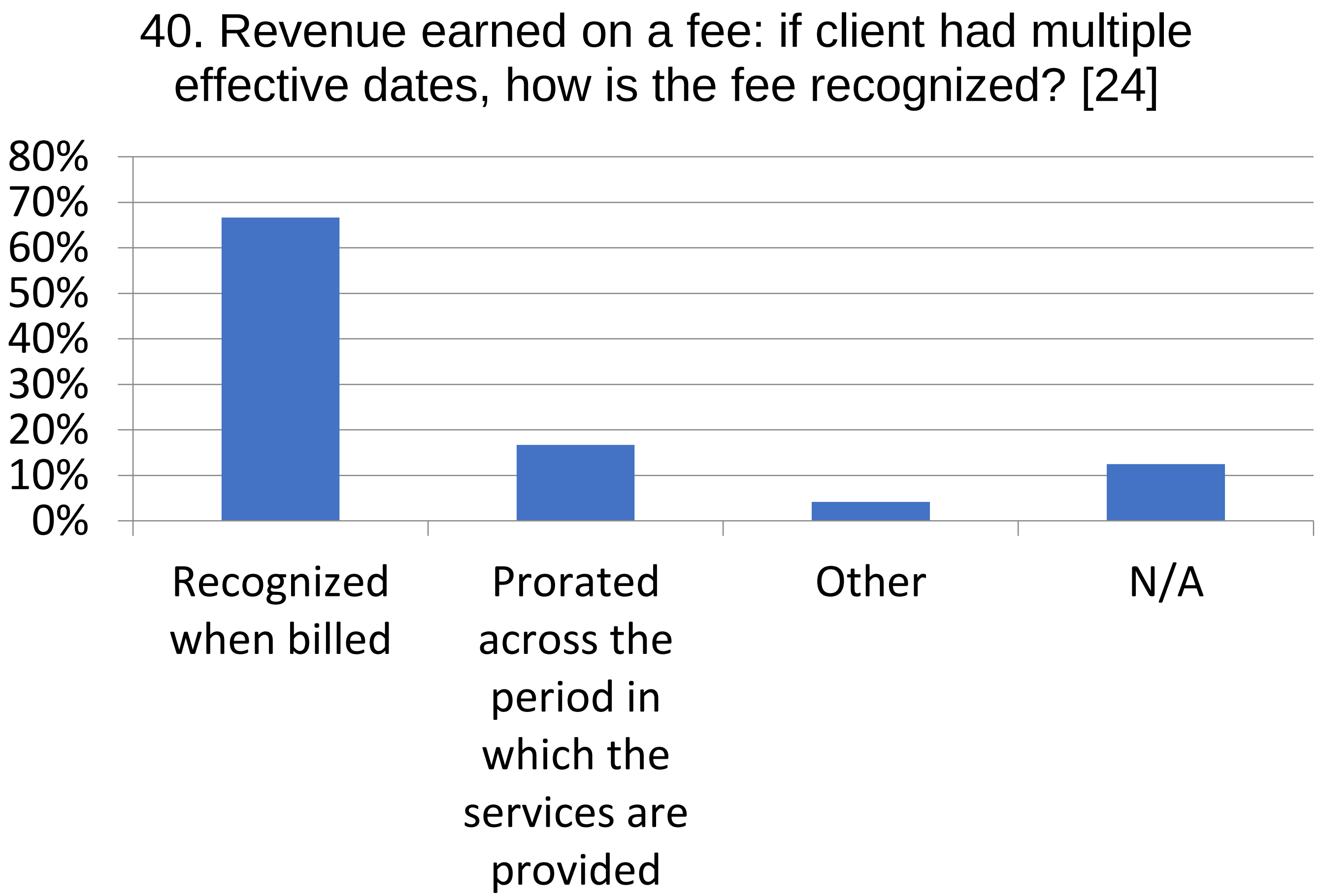
39c. Do you input all of your direct bill transactions, or are some input in "bulk"? Please describe. [21]

- Mix of manual input and download (P/L only)
- Yes input each one against policies no bulk (8x)
- No
- Direct bill transactions are all entered into our AMS. Cash receipts are bulk entered for P&C only - cash receipts are applied for all EB direct bill transactions
- N/A
- We utilize both direct bill upload and direct bill carrier downloads.
- Yes. Where an upload can be accessed through the carrier reporting, we put in place as often as possible. We input all of our direct bill transactions at the policy level. We don't input them in a bulk amount.
- P&C - utilize download as much as possible and those that cannot be downloaded are manually entered.   EB - nearly 90% are imported into tech canary, remaining 10% are manually entered.
- Hybrid depending on the policy.
- Enter all. Have contemplated going to a minimum statement size but producer EA agreements have been an issue.
- We utilize direct bill download where possible, and also utilize direct bill importing. Manual input is the last resort for inputting.
- Bulk digital import into AMS. Very little keying except from smaller ancillary carriers who cannot provide digital files yet.
- Company downloads
- All direct bill are inputted individually but we do reconcile in bulk rather than policy by policy


39d. Direct bill download: check all that apply. [21]
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Policy information only
Direct bill invoices
Direct bill commission receipts (invoices & reconciliations)

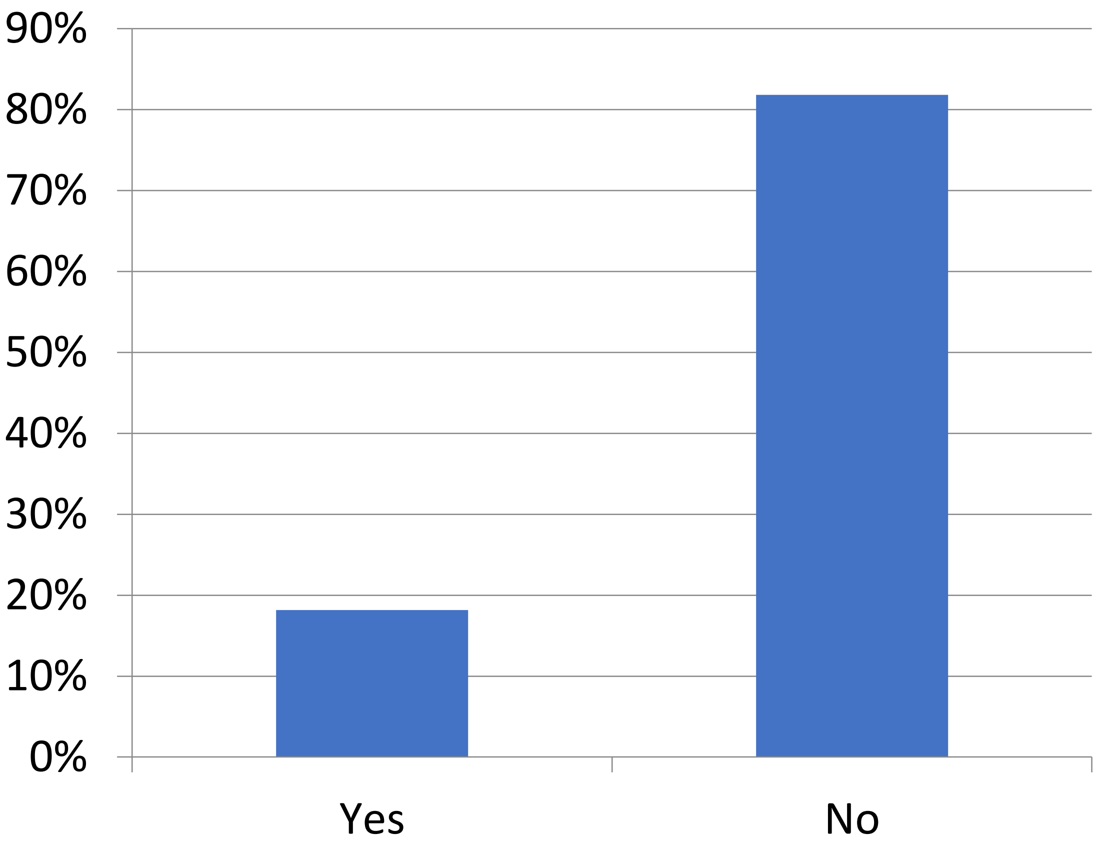

39e. Does your agency use direct bill downloads? Check all that apply. [23]
100%
80%
60%
40%
20%
0%
P&C
EB
N/A





The Council's
2020 Accounting Survey

41. Do you maintain a reserve for cancellations? [22]



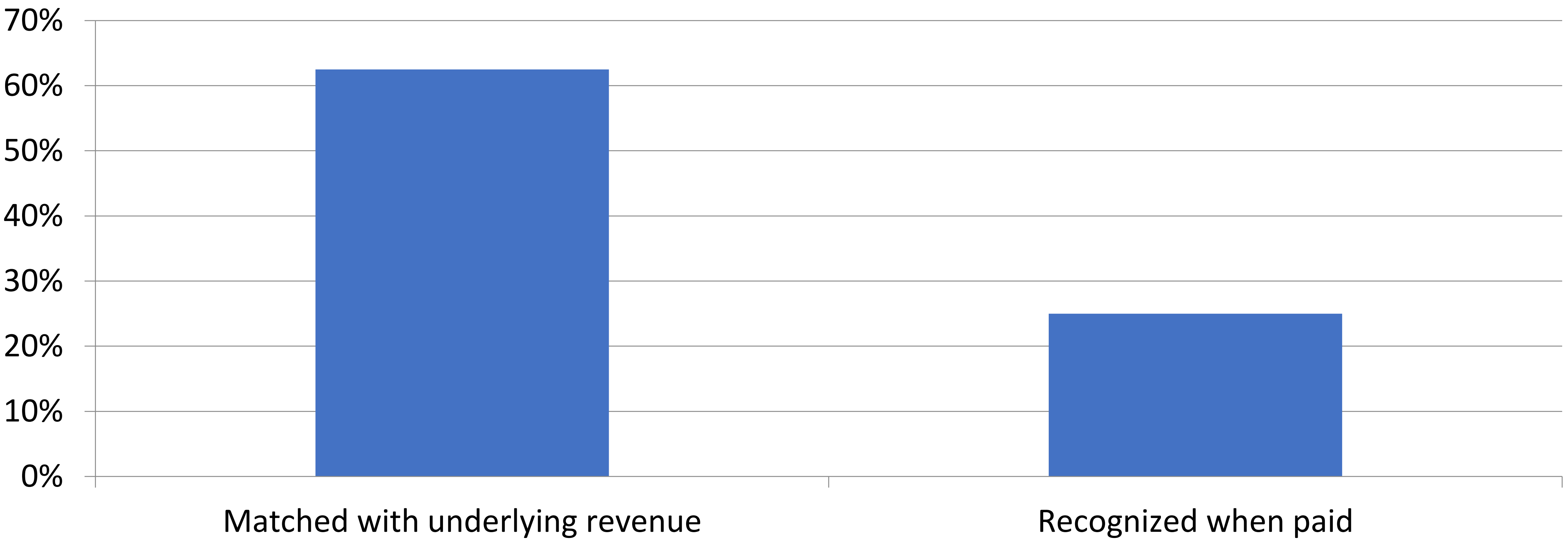
41a. If you answered "yes" to number 41., how do you calculate the reserve? [7]

- Historical cancellation rates
- Flat amount reserved annually - will adjust for any known circumstances
- Look revenue reductions in year 2 as a result of revenue recognized on customers in year 1. (i.e., recognized 40,000 in year 1, policy canceled in year 2 resulting in prorated revenue reduction. Reserve is made based on past trends.
- Based upon historical % of cancellations over the last 3-5 years.

41b. What support do your auditors require for reserves? Please describe. [8]

- Same information we use to determine calculation
- Minimal - our history has been with cancellations has been minimal.
- Annual review of cancellations within reserve.
- Calculation with supporting detail of lost business.

42. Producer commission expense is: [24]



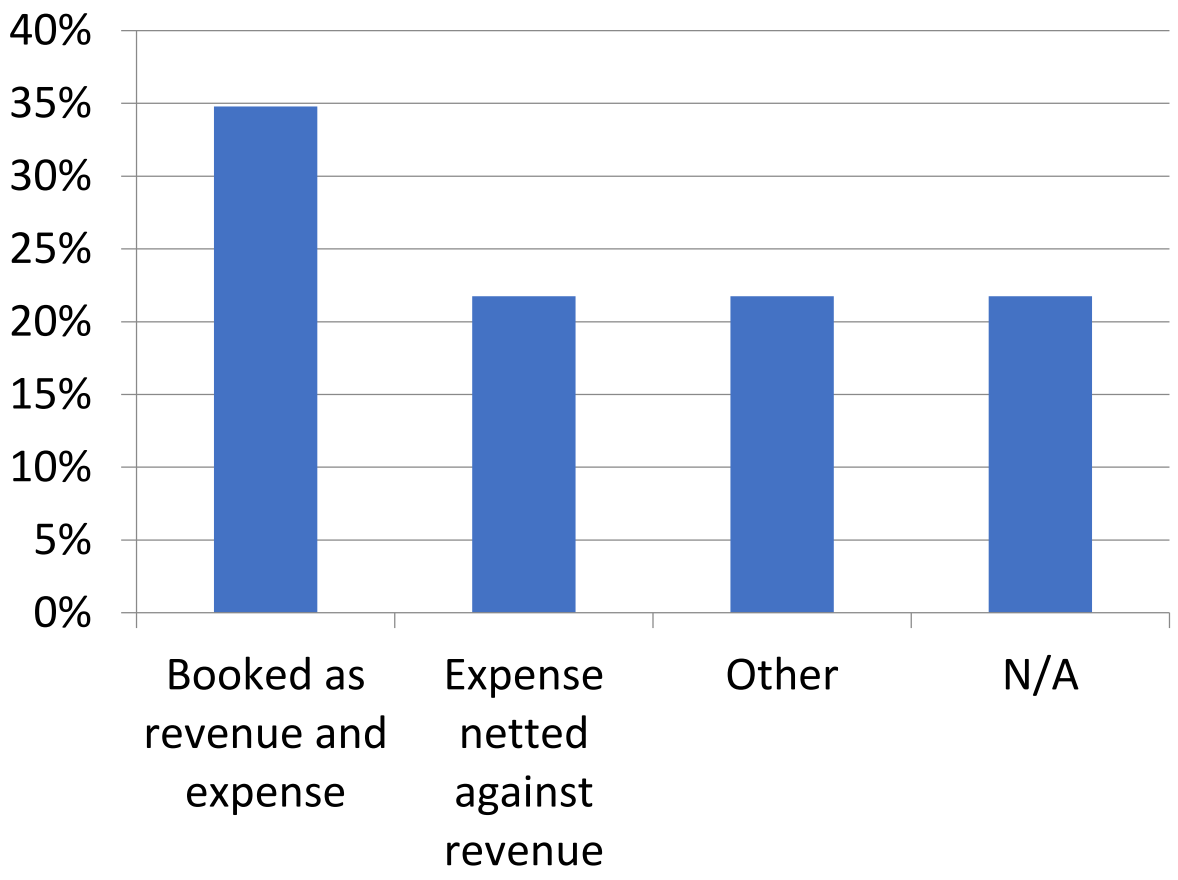
Other (please specify)

- Accrued based on estimate
- Recognized/accrued monthly, paid quarterly
- Accrued based on receipt of revenue
- For GAAP, it must be matched with revenue. For actual payment, we pay based upon when billed.

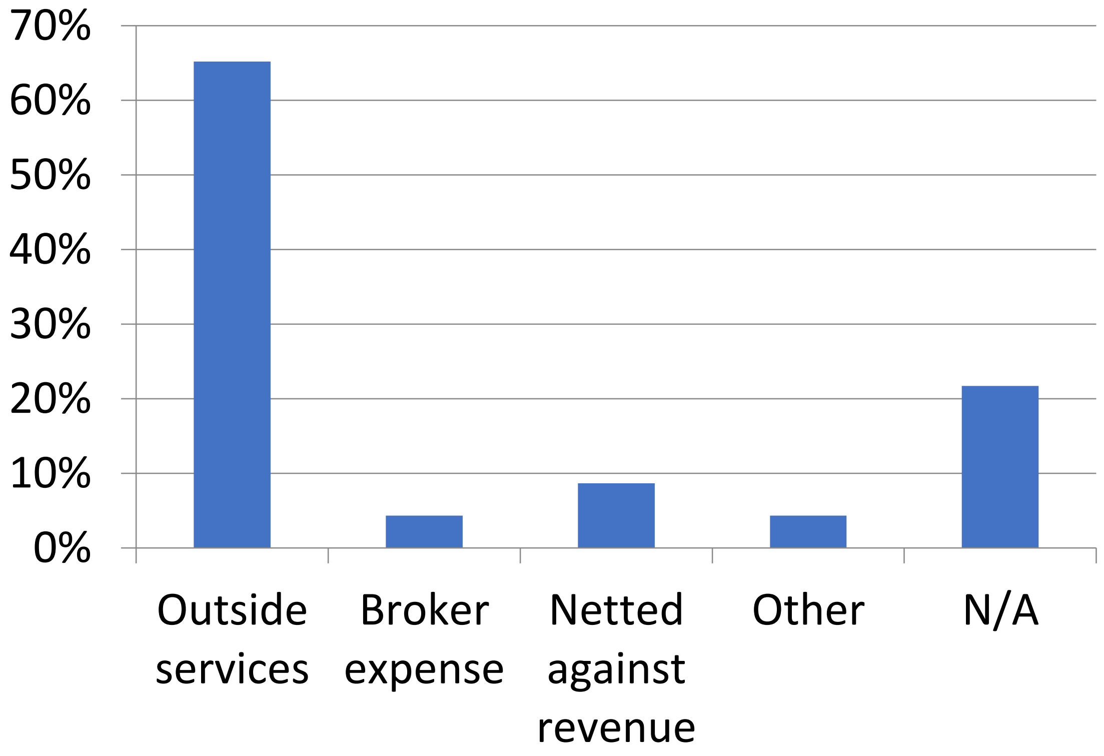
42a. Are you matching producer commission expense to revenue? Describe your policy including frequency. [16, raw data]

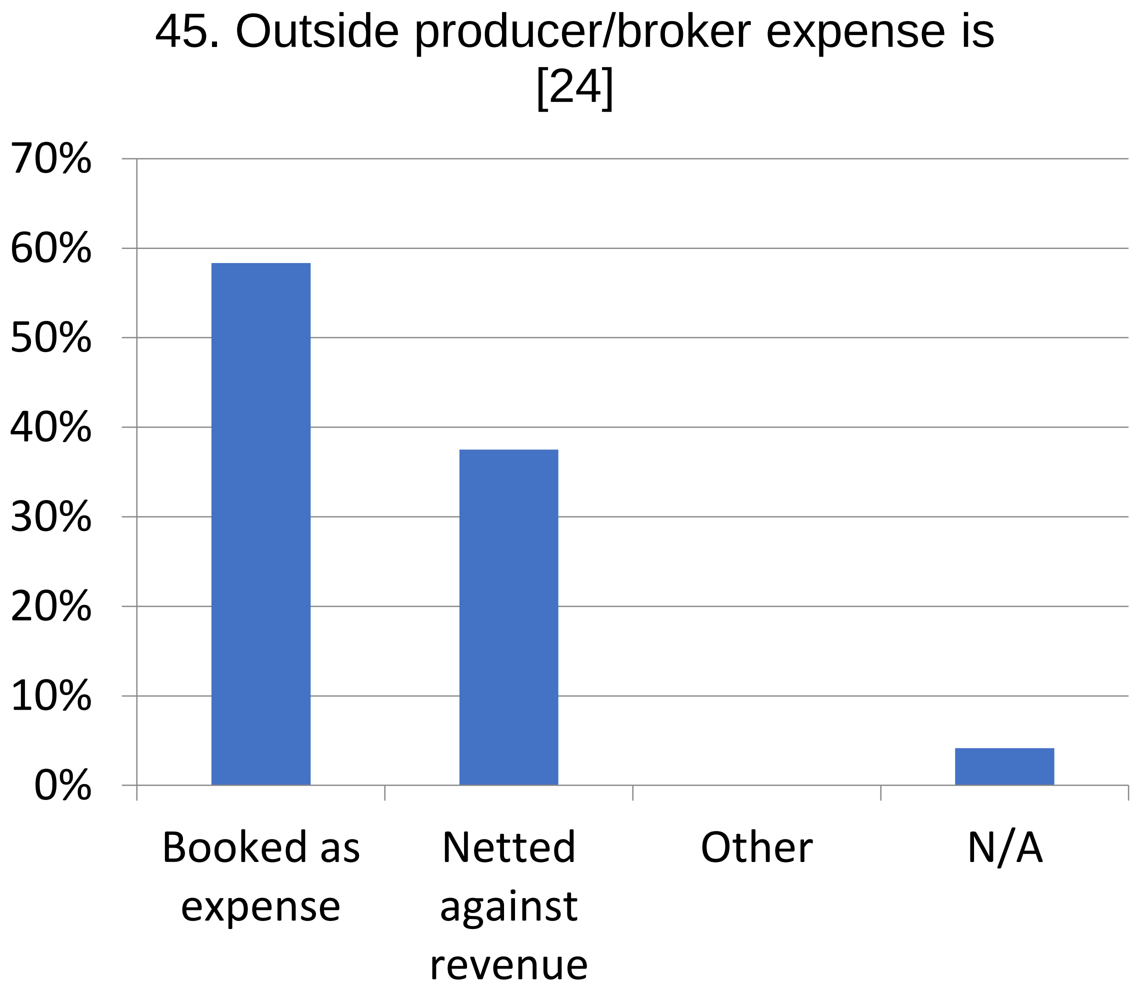
- Yes, the system books everything on an accrual basis except EB (direct bill) on a cash basis monthly
- Yes, every month regardless of what is paid to the producer, commissions are calculated as recognized revenue and booked to match revenue in that period.
- Yes, monthly basis
- We pay producers quarterly. Our formula is 30% of production less quarterly salary less AR/client chargebacks.   We run production reports @ 100% production for the quarter and then track the above process in excel.
- Not before ASC 606
- Accrued monthly with year-end true-up
- Yes. We are GAAP so we follow the matching principal.
- Yes, we are - not quite sure what to articulate here, but we look at revenue per producer and at the end of each month, we accrue to appropriate commission expense given each producer employment agreement that we have.
- We record everything on a cash basis. Being an employee benefits only firm, we do not have the same issues that P&C firms are experiencing with revenue and expense recognition. Our revenue and expenses tend to match very closely, so accruals are not needed to properly reflect the financial position of our operations.
- Yes. Calculated by AMS on a per transaction basis.
- Yes.
- Yes, producer commission calculated and recorded at the same time or in the same month the revenue is recorded.
- Producer comp is paid when the revenue is received. Most producers are paid once per month for receipts collected in the prior month.
- For GAAP, we are matching revenue with expense (i.e Accruing a producer commission expense). The payment of commissions is based on when billed. We do our payment calculations once a year, with a draw during the year.
- Using system accruals to match expense with revenue rec
- As earned on both direct and agency bill. We don't pay producers on agency bill until cash is received. Producers are paid monthly.

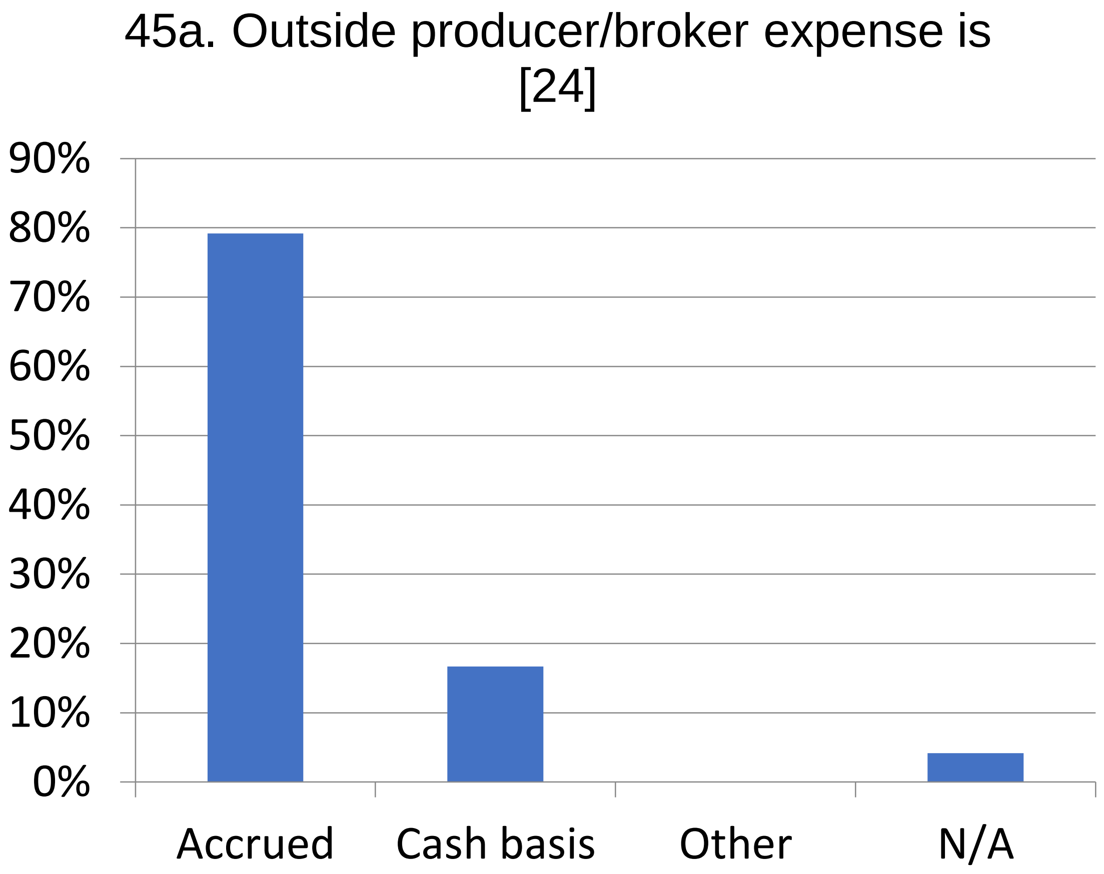
43. Expenses paid on behalf of a client and billed back to client with no markup (i.e., pass-throughs) are: [23]

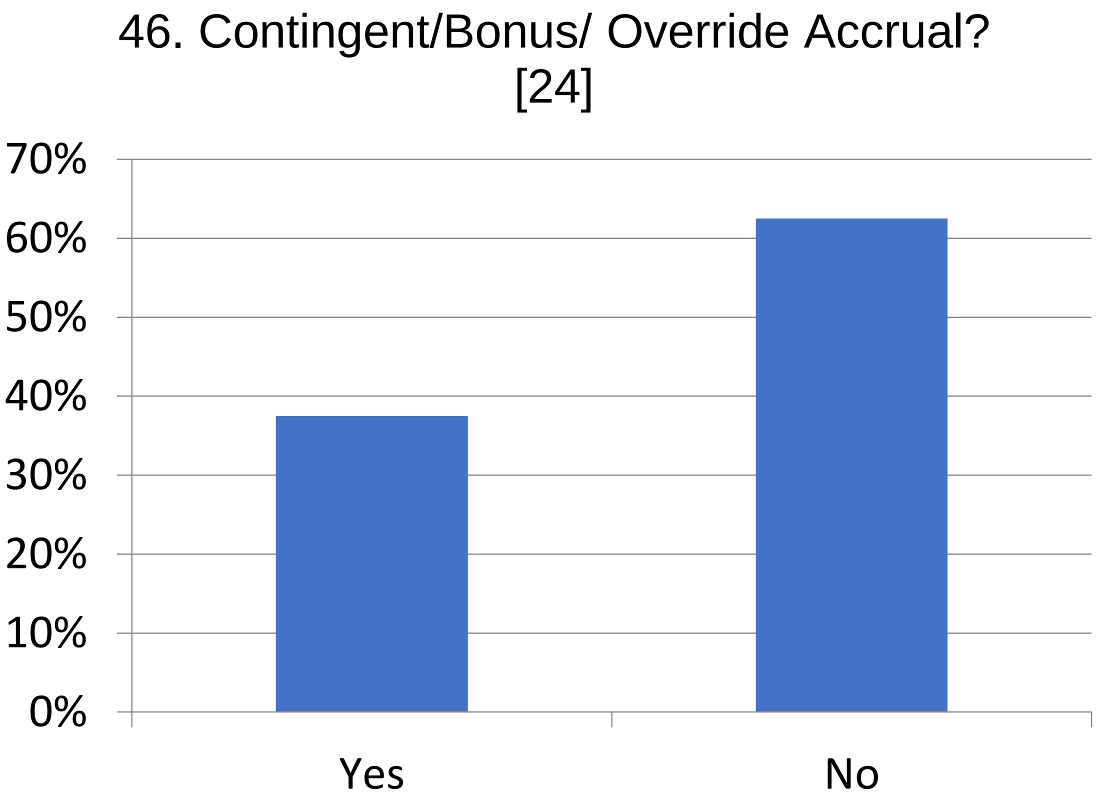


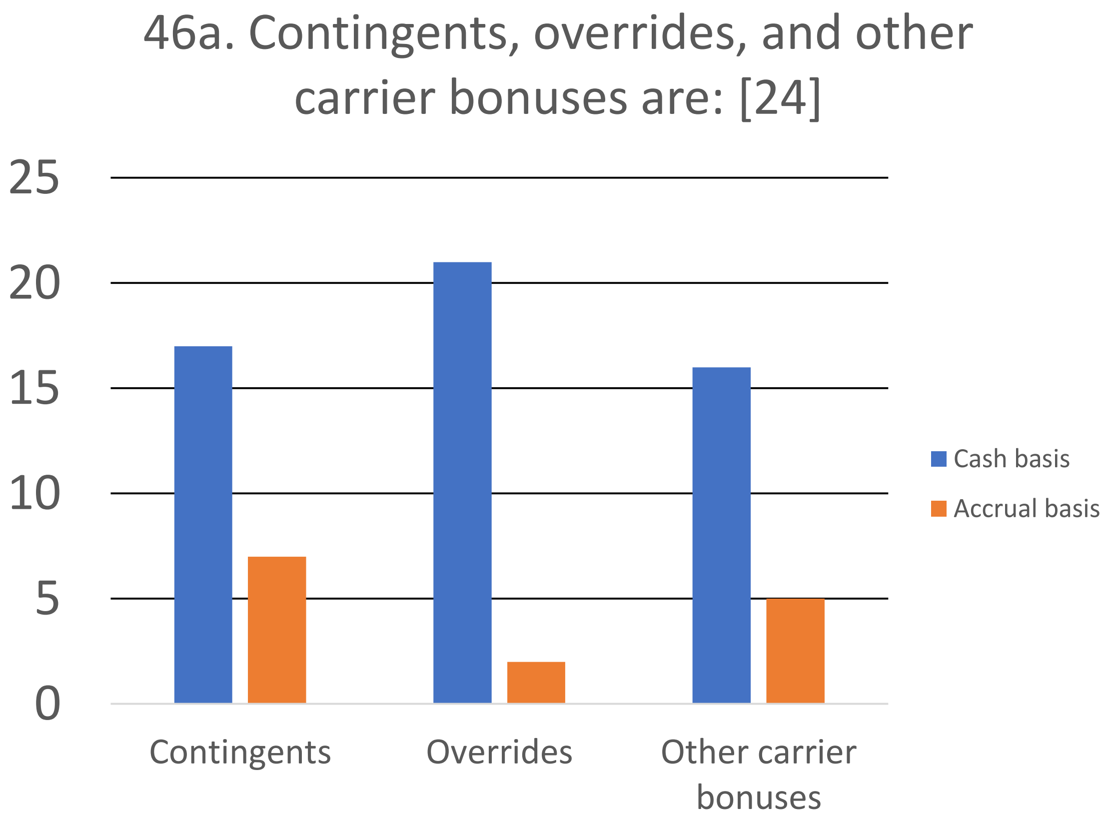
44. Where are value added services recorded? (i.e., expenses paid on behalf of the client then billed back to the client with a markup) Check all that apply. [23]




45. Outside producer/broker expense is [24]
70%
60%
50%
40%
30%
20%
10%
0%
Booked as expense
Netted against revenue
Other
N/A


45a. Outside producer/broker expense is [24]
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Accrued
Cash basis
Other
N/A

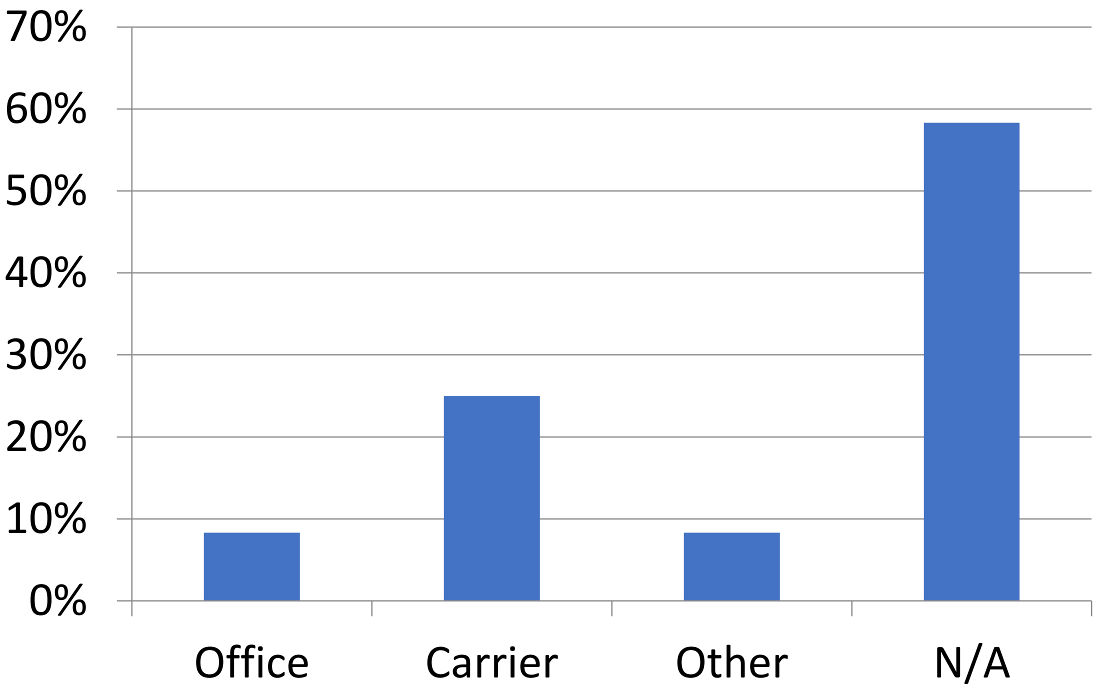

46. Contingent/Bonus/ Override Accrual?
[24]
70%
60%
50%
40%
30%
20%
10%
0%
Yes
No


46a. Contingents, overrides, and other carrier bonuses are: [24]
25
20
15
10
5
0
Contingents
Overrides
Other carrier bonuses
Cash basis
Accrual basis

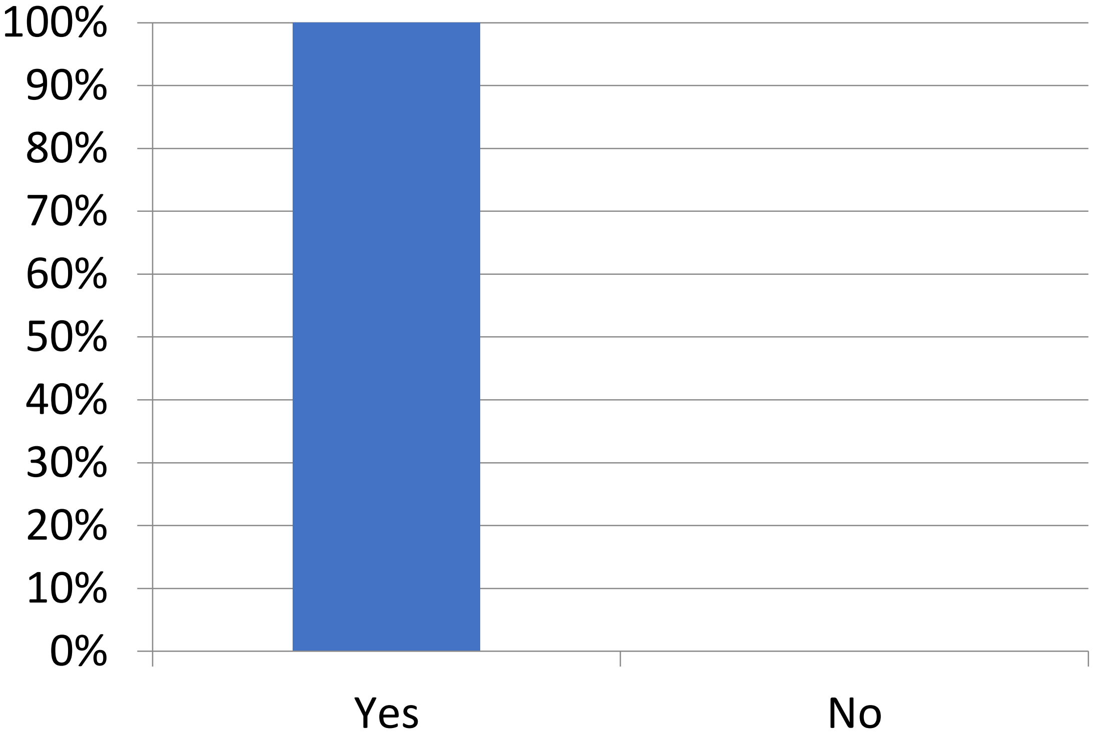
47. Do you allocate any corporate or overhead type expenses to your offices/profit centers? If so, describe basis for allocation, i.e., based on revenue, FTE, or some other measure. [22]

- Yes, contingents based on branch revenue, expenses primarily on FTE
- % of revenue share of business
- Yes. Based on appropriate measure. Some based on headcount, some based on revenue.
- No (3x)
- Allocated based on a cost allocation
- Yes - we base on where those resources are deployed. Most closely align with FTE, but there are some difference.
- Yes, mostly based on FTE. (7x)
- Yes. Average of net revenue and compensation expense, and/or headcount depending on service being allocated.
- Yes, administrative overhead allocated to operating divisions. Formula is a combination of FTE in the division and total expense of the division, before the administrative overhead allocation.
- Based on revenue
- Yes, most are based on revenue, some are FTE.
- Yes, all account/finance - based on revenue IT software/telephone/helpdesk - based on FTE insurance - mostly based on FTE
- Allocated corporate overhead to each department (i.e. CL, EB, PL) based on revenue.
- Yes, corporate departments are allocated based upon relative headcount. Our practice groups are allocated based upon relative revenue.
- Pool indirect overhead and allocate to profit centers on a headcount basis.

48. For those with multiple office locations and centralized accounting, do you split carrier payable responsibilities to individual by office or by carrier? [24]



49. Is payroll rolled up under accounting or HR functionally within your organization? [23]



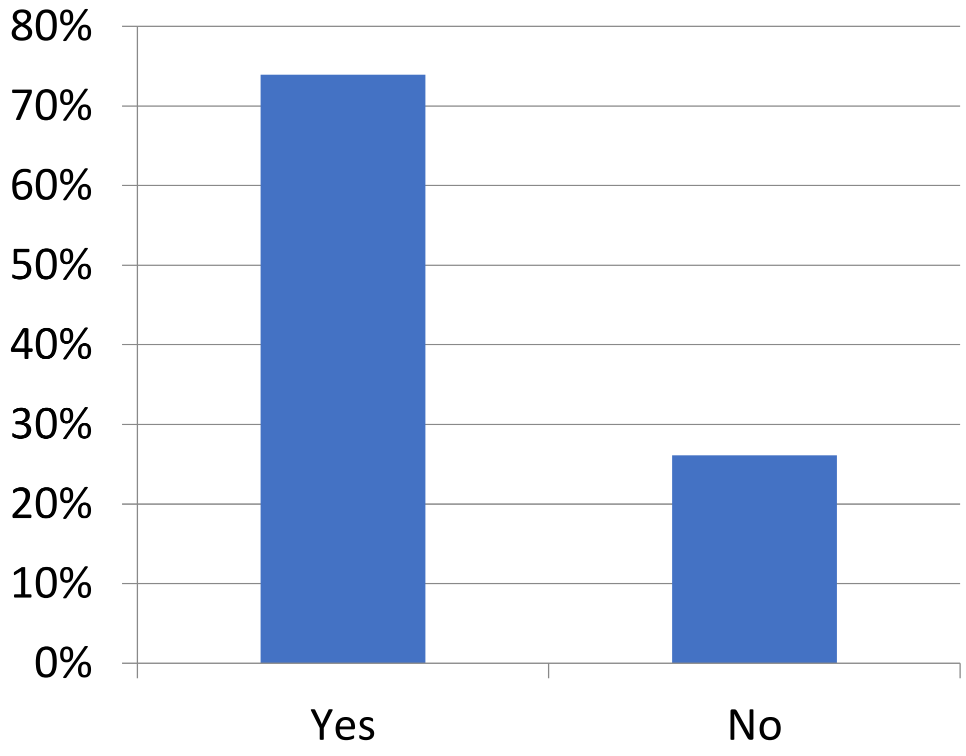
50. Who is responsible for client collections? Check all that apply. [24]

51. Do you do time tracking for any groups of employees by client? If so, which groups? (e.g. resources, loss control, AE's, account managers, producers, etc.) [22]

- No (15x)
- OH&S
- Loss control (2x)
- Not currently, but working on this
- Very limited upon client request
  Managed by service team
- Loss control, HR consulting
- We do for our practice groups
- Yes, all employees

- 52: Do you allow for remote workers? [28]
  - Yes: 100%
    - For certain remote hires, but we are about to kickoff an optional 2 day/wk policy for all EE's
    - 1-5 per case basis
    - Most are account managers but we have begun a program for ops staff to work from home once a week
    - Account Managers & Producers
    - Appx 1 day per week - all positions
    - Various
    - One/Two days a week for Administrative staff. Some sales staff working remote more
    - Sales and marketing only
    - Mostly on service related positions
    - All positions - up to 2 days/week
    - On an as needed basis, all positions
    - Performance matters more than position
    - appx 1 day a week for almost all positions other than producers
    - Determined as appropriate by the manager. Flexible work is available to some associates. At this time no employees are 100% remote workers.

53. Does your firm offer HSAs? [23]

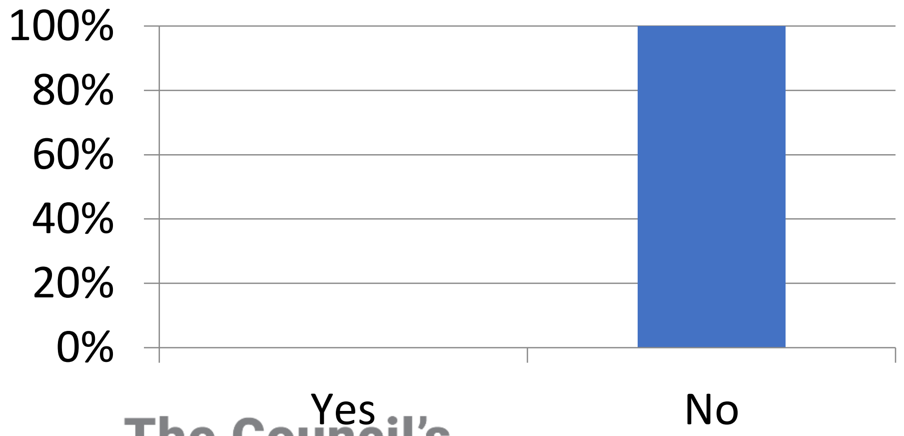


53a. If so, what do they charge for the plan or do they contribute to the plan? [15]

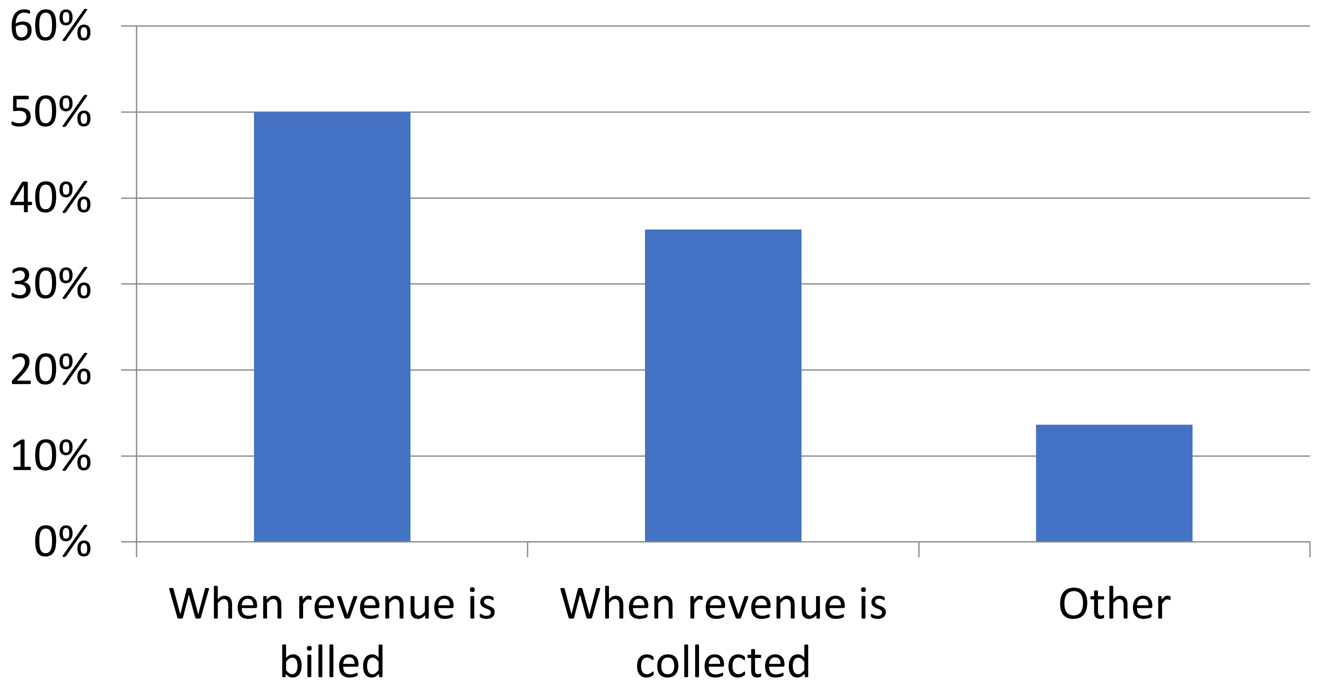
- Company contributes
- We have done employer contribution of 2k and 1k family vs single
- Both
- 10%
- Company contributes to the plan based on participation in an annual health screening
- Company Contributes
- $1,500 for a family plan
- N/A
- No
- Contribute to HSA
- $1,200 single, $1,500 family agency annual contribution
- Company contribute $750 per EE per year.
- Company contributes
- We contribute 2 annual amounts depending on enrolled status of employee or family. Fees are approx $2.95 monthly plus investment fees of another $3 if applicable.
- Company contributes

- 54. What percent of your business do you charge a service fee in lieu of commissions? [20]
    - Average: 15%
    - Min: 1%
    - Max: 30%

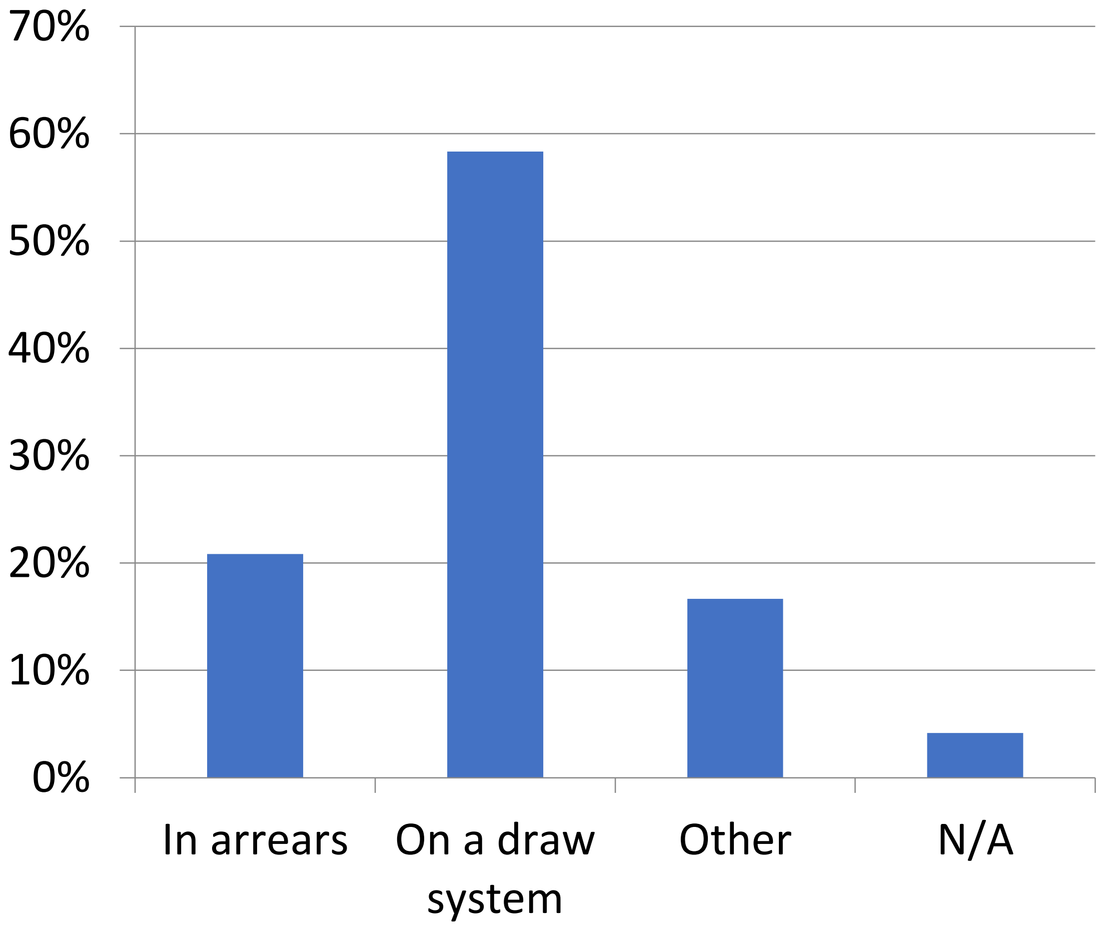
55. Do you pay a lower commission for new business if it is a reference from a parent company? [24]



56. When is your producer entitled to the commissions? [22]



57. How do you pay based on actual commissions? [24]



57a. If on a draw, how are draws set? [16]

- 80% of annual commissions/book
- Approximate to renewal book with some additional for reasonable new business.
- Draw plus excess commission
- Salary based on % of book
- Generally 50-60% of prior year commissions
- Based on prior year's book of business, we do not want draws to exceed about 75% of the commission they would earn on their renewal book.
- Draws (salaries) are set at 85% of expected revenue collections, and trued-up on a monthly basis for what was actually earned (collected) in the prior month.
- Employee benefits is paid in arrears. Property & casualty draws are set based on 80-90% of commissions earned in prior 12 months period.
- Also on a draw system. Determined by individual producer.
- Producers set their draws individually. Recommendations are made by CFO if needed.
- Can not be higher than 90% of their trailing 12 month commissions
- We do allow draws and regional heads must approve. Draw typically based on TTM revenue with estimate for new business/lost.
- Estimate what year commissions will be and set draw at 1/12th slightly lower than that amount.
- Draws are set based upon 80% of book of business, with some discretionary flexibility.
- 85% max to prior year earned commissions
- 80% of previous year

58. If on a draw, how frequently do you settle up with the producer (i.e., true up payments to actual amount owed?) Describe. [19]

- Monthly, end of the following month.
- Quarterly x 3 (number of respondents with this answer)
- Annually x 4
- Annually once our fiscal year is complete.
- Monthly.
- Quarterly and main one annually x 2
- Quarterly. However, they receive monthly statements showing where they are
- Typically at year end
- Salary during year, bonus paid in July and January based on actual trued up commissions
- Typically, annually but we do allow mid-year settle ups if the amount owed grows and if draws are not adjusted.
- Annually compare actual production against draws made during the year and settle-up the difference. Done on calendar year basis.
- No set timeline - they can request a true up any time. We would match against any troublesome AR (generally anything over 90 days) and if there is a positive balance in the producer account we will pay it.
- N/A

59. Do producers receive any commissions from contingent commissions/overrides? If so, describe. [24]

- No (21x)
- Yes for EB, no for P&C
- No commissions from contingents or overrides, but we do have a bonus program on contingent revenue.
- P&C - no L&H - yes

60. Are producers responsible for any bad debt expense? If so, describe policy. [24]

- Yes, they share proportionately
- Yes, the producers are responsible for their own bad debt expense
- Yes. Share in 30%
- Yes. Settled up as part of true up
- Yes - uncollected accounts are applied against their commission
- No (x 2)
- Yes - any bad debts reduce their compensation.
- Yes, share in expense based on their commission rate.
- Yes, partially. No commission paid on bad debt. We are revising our producer compensation policy to have producers be 100% responsible for bad debt.
- Yes (x 2)
- Yes - if we are not able to collect after a period, the producer is responsible for outstanding balance.
- In states that allow language in the EA, we do have a clause stating that unpaid client premiums may be deducted from compensation owed.
- Yes, 100% of premium is held out of bonus if > 60 days past due
- Yes, they are responsible for 25% of bad debt expense
- Yes. If not collected, not paid.
- Yes. 100% of premium.
- Yes - any unpaid premiums are directly attributable back to the producer

61. Are producers responsible for any E&O expense? If so, describe policy. [24]

- No (17x)
- Yes, if responsible, on case by case basis. May forego commissions.
- Yes, 50% of claim deductible and expenses, up to a maximum of $2,500 per claim
- Yes - any E&O is allocated to the producer group proportionate to their book size (regardless of whether it was their client or not that we had the E&O with). “House" business also is allocated part of the E&O loss.
- Partially. 1st time, agency responsibility, 2nd time, $1,000 charge to producer, 3rd time producer is fired
- Yes, 20% of indemnity and defense up to $100,000
- Yes. They pay into the deductible fund. If there is a claim, they pay the first $5,000 and their future payments into the fund increase.
- Technically yes - rarely enforced

62. Do your producers receive reimbursement for travel and entertainment excluding auto related expenses? If so, is there a cap or formula for how much they can be reimbursed based on their book size? Please describe. [23]

- Yes, no cap (4x)
- Yes, 1% of book, for client entertainment and related travel only. capped at $10K.
- Yes reimbursed- Manger approval with no formula
- Yes, 1.5% cap of their revenue with $30k cap
- Yes. Reasonable amount. No particular formula at this point
- Yes - given an annual budget based on their client base
- The maximum expense will incur is .5% of their book of business.
- Our Producers are currently reimbursed for actual business related expenses as incurred. These expenses are monitored by the CFO and reimbursed on a monthly basis. We are actually thinking about going to a cap or formula, but still considering pros and cons. My biggest worry is that providing a cap that is larger than what our Advisor's typically spend, will give them a green light to spend more than they are accustomed.
- Yes. Benchmarks used to track expenses as a % of book size. Budgets are also set and managed to.
- Yes, travel and entertainment expenses are reimbursed by the Agency. Annual budgets are set by producer. The producer book size is the beginning basis for the annual expense budget and adjustments made based on the producers territory, time with the agency and ability to manage their expense.
- Yes. They receive an expense budget which is 1% of their book size. Of that only 50% can be used for true entertainment.
- Yes, currently no formula except for a few producer agreements.
- travel, entertainment, phone, client expenses are deducted from producer bonus (commissions)
- 1.5% of their book size.
- Yes. Discretionary based on prospective or existing client.
- Yes, we use 3% of book as a max beyond which requires payback
- Meals and entertainment are share with the profit center and producer 50/50
- 1% of book
- Yes, based on book size

63. Do your producers also receive reimbursement for auto related expenses such as auto allowance, lease, mileage reimbursement, etc.? Is there a cap or a formula? Please describe. [23]

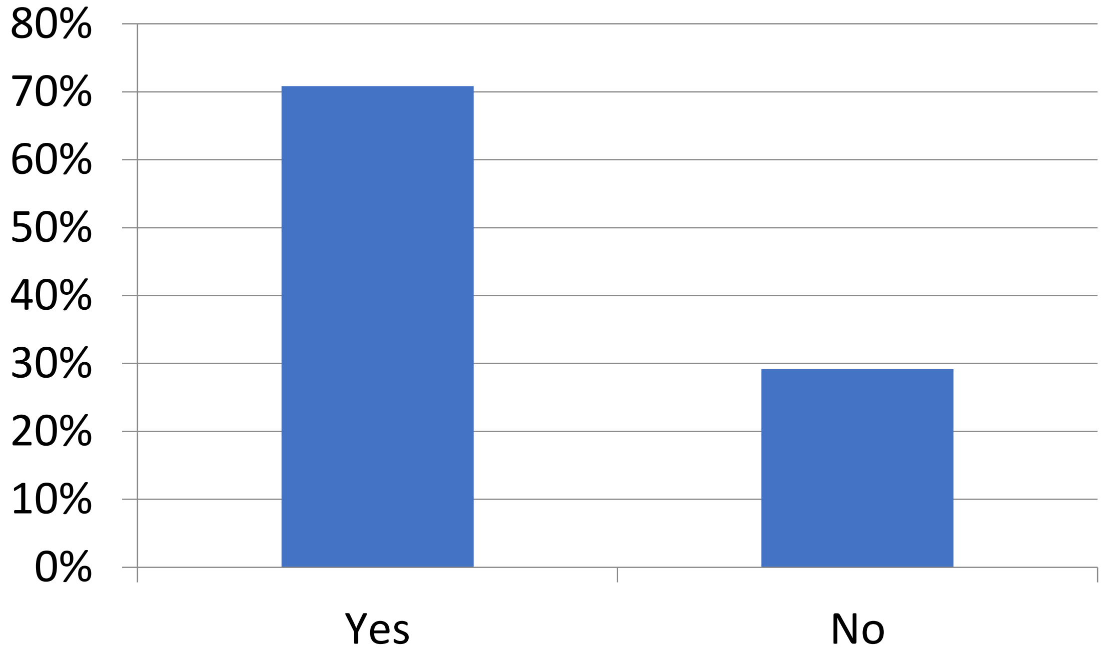
- Yes, no cap (2x)
- No (x3)
- For client related travel beyond 25 miles from the office.
- Mileage- no cap- Manager approval.
- Yes. auto allowance @ managements discretion.
- Yes. Based on mileage. Encourage to rent car for trips over 200 miles.
- Yes - reimbursed for mileage.
- Shareholder can elect an auto allowance or mileage reimbursement. Non-shareholders submit mileage
- Only shareholders have an auto allowance paid by MJ.
- Mileage reimburse when traveling to service our clients only. There is currently no cap or formula.
- yes, reimbursement.   Benchmarks used to track expenses as a % of book size. Budgets are also set and managed to.
- Yes, we have both auto allowances and mileage reimbursement. Auto allowances range from $4,320 to $10,800 annually based on the size of the book. The maximum auto allowance is $10,800 annually. Producers also receive a mileage reimbursement at $0.305 per mile. There is no maximum on the mileage reimbursement. Both auto allowances and mileage are included in the producers annual expense budget total.
- Yes, they receive an auto allowance. This amount is set and the same across the agency for producers.
- Yes. We have fixed auto allowances based on book size for our CA producers and the others are mileage reimbursed.
- Mileage reimbursement.
- 1.5% of their book size and part of M&E allowance.
- Yes, they receive an auto allowance. No set formula, but based on anticipated amount of driving per year.
- Yes. Mileage within accountable plan.
- Yes, we use IRS mileage rates for mileage they submit on expense reports.
- N/A

64. What percentage commission was paid on renewals last year for the following:

- P&C
- EB
- PL

Let's discuss ☺

65. Do you pay a new business commission rate that is higher then your renewal commission rate? [24]



65a. If you answered "yes" on number 65. above, what was the rate last year for the following:

Let's Discuss ☺

65b. Is this rate consistent across your firm? Describe your policy. [20]

- These are for dept dedicated producers. If an account is shared with another dept producer, like C/L and EB, then it splits 50/50.
- Yes for EB & PC, other lines are different
- No. Separate rate for D&O (17%) and Surety (40%).
- Yes, for the most part. Formula is slightly different in high turnover (lower retention) segments.
- Generally yes
- Yes (3x)
- For the most part, we have been able to eliminate many of the "exceptions" that we have had in the past and now just have a couple of exceptions.
- 40% for New Business for first 12 months; 30% for Renewal Business; 20% for House Accounts.
- Yes, majority of sales gets 40% on new business.
- Yes, rates apply to all divisions.
- For the most part.
- Yes, it is only modified if the business is referred from another producer. The max amount the agency will pay for any renewal is 30% and 40% for new business (that may be split between a few people).
- For the most part. Based on book size the renewal rate may vary (ie, 23% to 27%) and have an additional bonus for hitting a sales goal..
- Yes, but not PL
- No. We use a tiered system. Starts at 32.5%, 35%, 40%, 45%, 55%. As new business increases and passes the tiers, the % of commission increases and goes back to dollar 1.
- Owners/shareholders receive an additional 5% commission on new
- Yes (above minimum account size thresholds described earlier)
- We are trying for consistency but there are some legacy arrangements that have not been changed

66. Other than producers, do any staff members receive compensation based on a percentage of revenue? Please describe. [24]

- No (10x)
- We have an EB account exec who makes 10%
- Yes for account managers who qualify and take a certain producer duties they share on commission percentage of producer.
- Yes, there is variable compensation for certain account executives (2.5%) and technical consultants (0.5%)
- Yes. Everyone is eligible for new business.
- Yes. Some directors receive a rate of compensation based upon the growth of the book in which they manage.
- Bonus - midterm and year-end
- Occasionally an account executive may bring in a piece of business and they will earn 20% commission
- Yes, account managers receive a new business commission (1styear only) on business they place. Typically 40%
- Senior account executives share in the commissions with their producer
- Our PL account managers can earn a variable bonus based on new business written.
- Some client service executives have an incentive that pays them 15-20% on new business they originate.
- No on revenue. Yes on profitability.
- As can earn new commission for accounts they bring in to a producer but it comes out of the producers new rate. As paid on first year only.
- Some AE’s are paid based on book size handled

67. Do producers have established targets for new business as a percent of prior year book or some other measure? If so, please describe. [23]

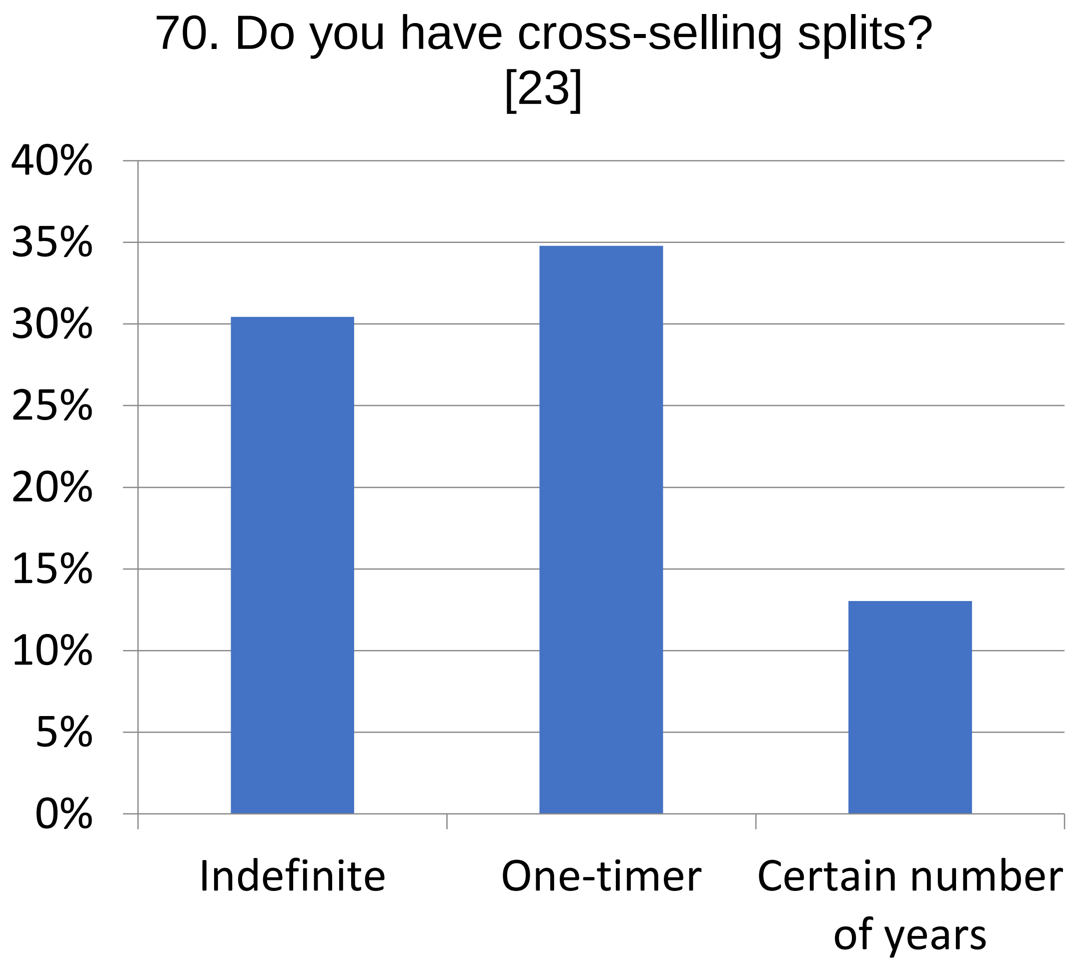
- Yes, there are numeric targets (2x)
- Minimum producer requirement of $60K, targets are set at some level above this based on discussion with the sales manager. $75K for unvalidated, typically $100K and above for validated and sr. Producers.
- Yes- we have minimum qualifiers of 100k for enhanced renewal commission rate: also set goal for trip qualification
- Yes, each producer set their own goal every year during budget season
- Yes - typically shoot for 5-10% growth
- Not based on book. Typically, goal is based upon experience.
- Yes - generally 12.5% of their book
- New business goals by producer
- Not as a % of book, we have a $100K/year expectation regardless of book size.
- We expect our producers to have $100,000 of new sales in every calendar year. If this is not achieved, then their renewal compensation is reduced by 5%......From 30% to 25% for the next calendar year. If the mark is missed a second year, then the renewal compensation will be reduced by another 5%.......From 25% to 20%. If the producer is able to achieve the new sales goal after years of being penalized, then the move up is in 5% increments. They are not immediately returned to the 30% threshold.
- Yes 15% of prior year book.
- Producers establish their goal based on a pipeline & history in coordination with the director of sales.
- Yes, we establish annual new business revenue goals. The NB goals are established by the producer and sales manager. NB goals take into account current book size and past new business performance by the producer.
- Yes, there must be a pipeline
- Yes, this is based on their prior year book. These targets are set/negotiated between the sales manager and the producer.
- Have sales goal that is agreed to with their sales leader.
- No - we reward producers for growth in any form possible
- Yes. Minimum is $50K
- Targets are set by office heads but no specific formula.
- We set minimum goals but most are standardized with experience and shareholders all have a $200,000 min threshold goal.
- % Of prior and historic production results. It is decided upon individually
- N/A

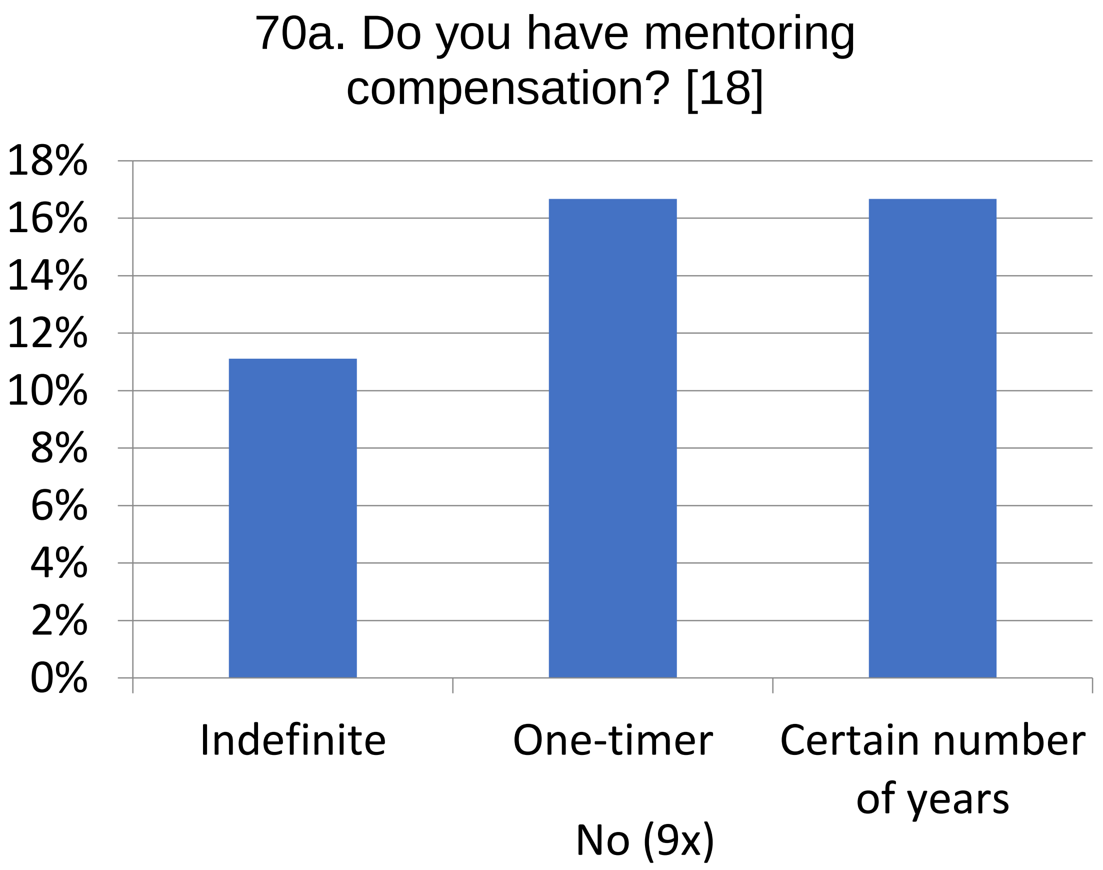
68. If new business targets are in place, is there a penalty for not achieving the target? If so, please describe. [23]

- No (12x)
- There is a penalty for not achieving our minimum (different than the target) of $60K. 5% gross commission penalty for the following year
- Do not receive enhanced renewal commission rate
- No - but it will impact their overall commission income.
- Yes. Need to validate within a set period or salary is reduced.
- Yes - we look at new business produced over a rolling 3 year period. If they do not average the $100K expectation that we have, their renewal compensation goes down by 5%.
- $100,000 per year......................
- We have several incentives tied to new business revenue. If new business goals are not achieved the producer is not eligible for the incentives. We do not reduce commission for not achieving new business goals.
- First offenders get a serious talk
- Yes. After two consecutive years of not reaching targets, their commission % drops by 5 points.
- Yes, their renewal % goes back 2.5% and if they miss a second year we move them to an account executive role.
- Under scrutiny now for change. Previously no penalty for not hitting goals.

69. Do you have a target percent for revenue derived from account rounding, i.e., as a percent of the renewal book? If so, what are your expectations? Please describe. [21]

- No (14x)
- No, however we do have a contest between account managers for rounding and they receive a subjective bonus kicker at the end of the year if they do well.
- 12.5%
- Yes. Their book times the ongoing commission rate should cover their salary.
- As a firm, we have an annual goal of no less than 10% organic revenue growth from year to year.
- 2% budgets are based upon a growth of current clients within product lines or across towers (EB & PC).
- Persistency target of 90% annually across entire book.
- We expect rounding but do not target goal it or establish thresholds.


70. Do you have cross-selling splits? [23]
40%
35%
30%
25%
20%
15%
10%
5%
0%
Indefinite
One-timer
Certain number of years


70a. Do you have mentoring compensation? [18]
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
Indefinite
One-timer
Certain number of years
No (9x)

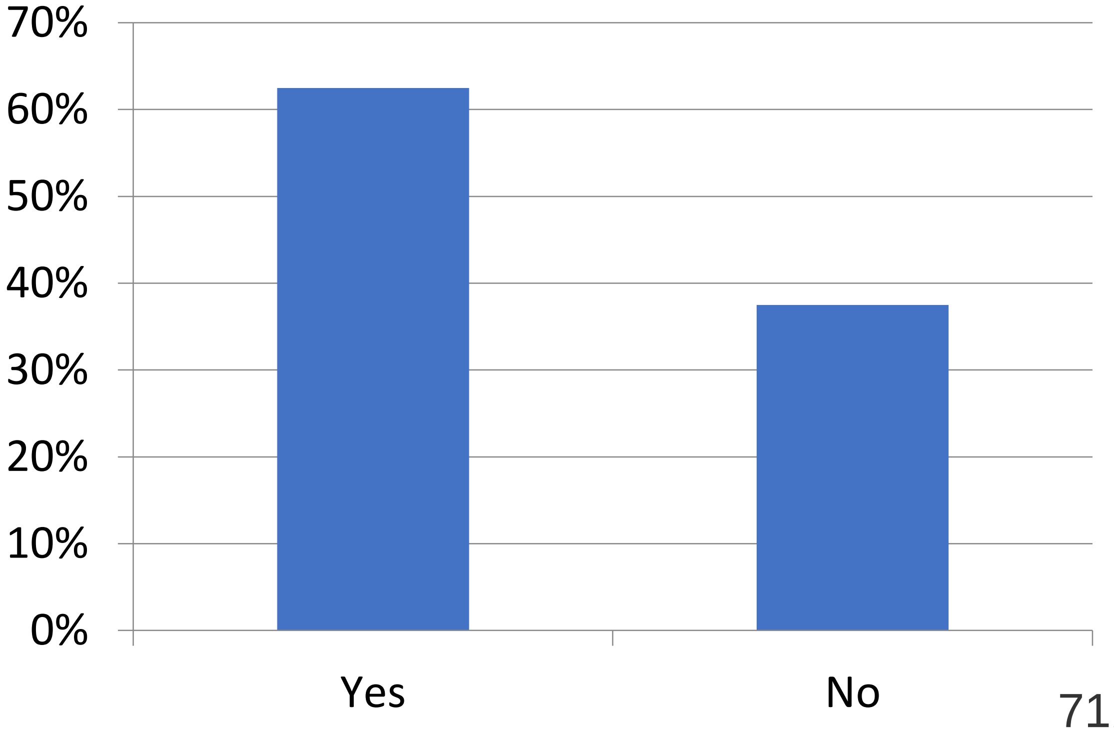
70b. Describe your prevailing policy for commission payments to terminated producers. [21]

- We pay their last month's commissions only, the following month. But they are usually terminated because they are not selling, so they are taking draw and in a deficit. We do not claw back deficits.
- Reassigned accounts are paid at lower renewal rate 25 + 2.5 potential
- None (5x)
- No commissions paid if terminated. (3x)
- We pay them on invoiced revenue booked through their last day of employment and then on direct bill revenue received within 45 days of their last day with us.
- When a producer retires from the firm, we have a 3 year transition period where the successor producer is chosen and the client is gradually turned over to the new producer. During this transition, the retiring producer does receive prorated commission based on amount of value he continues to bring to the relationship and servicing efforts.
- Terminated employees are not paid.
- Earned commission, based on policy effective date, are paid to terminated producers.
- Whatever is owed to them at the time that they leave, is paid on the final pay
- Once terminated, the producer receives commission to the day terminated unless otherwise discussed/negotiated.
- Only pay what is owed for commissions collected while producer was employed.
- After retirement, 20% of renewed annual commissions for a 3 year period
- If they are validated and vested in their book, they get 10% of their book renewed for a 5 yr. Period. Vesting is 1/10th for each year of production.
- Clients are institutionally owned and producers (sales reps) can earn up to 3 months of projected commissions if terminated.
- Paid out for any commissions accrued and booked thru term date.
- Commissions are paid in arrears; once these are earned and paid - they are done.

70c. How often do you make large scale changes to your incentive structure? Please describe. [23]

- Rarely, but the structure is assessed on an ongoing basis to make sure it is working.
- Infrequently (10x)
- I have been with for 20 years and over that time, I would say that we have made 3 large producer compensation changes.
- Never. (3x)
- Sales incentive structure is reviewed every 3 years.
- 3-5 years
- **I HAVE BEEN HERE FOR 10 YEARS AND NOTHING CHANGED**
- Not often
- Approximately in 5-10yr cycles.
- Only on occasion. Probably once every 10 years at most.
- None in last 10 years. Likely once in next 3 years.
- Very rarely - once in 10 years
- N/A

71. Do you compensate account executives with any type of incentive plans in addition to salary? [24]



71a. If so, please describe the plan. [15]

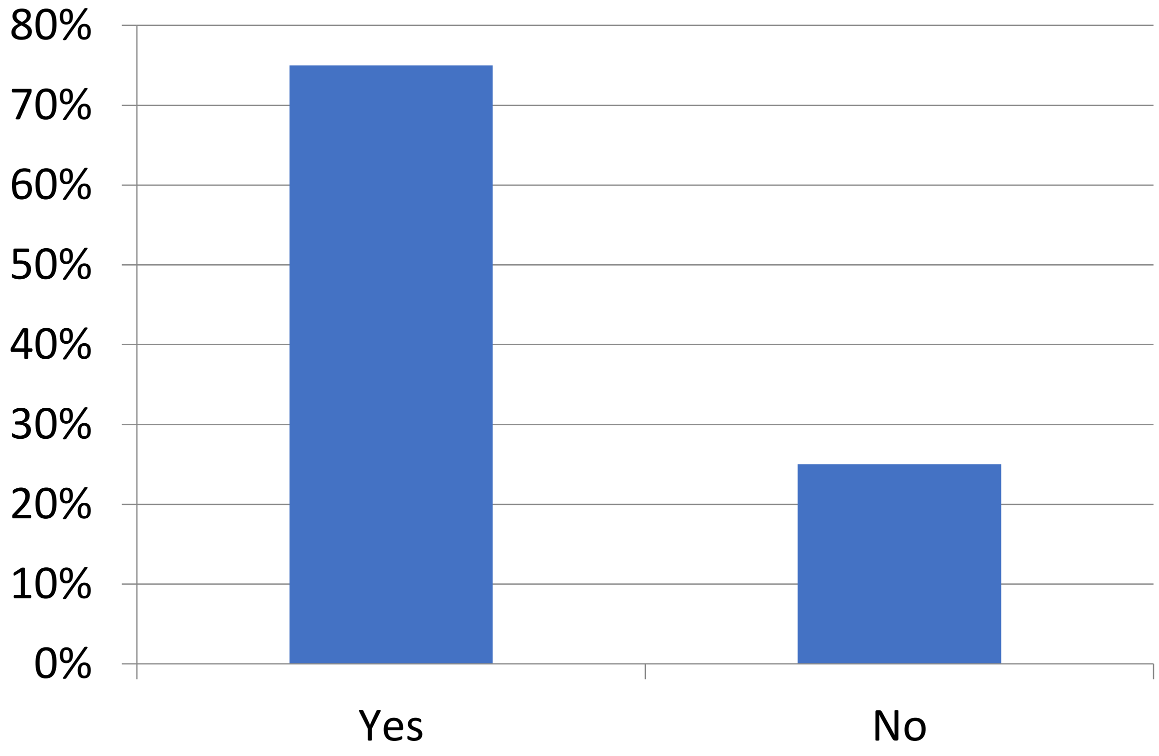
- C/L are salaried, but one of our EB AE's gets 10% of book managed, no salary, a unique deal we agreed to from the prior employer
- % share of renewal commission
- Variable Compensation (3% of revenue)
- Book Size/Retention
- New business + bonus
- Based on retention and new business.
- Individual
- Corporate bonus plan based on years of service.
- 7% on new business
- Typically % of new business placed by them. Looking at a new plan going forward
- Sometimes commissions, sometimes discretionary bonus
- They get percentage of New business that they assist with
- 15-20% New business incentive for certain account executives
- 10% on new business they bring to the agency
- Varies

71b. Does the producer share in the cost of this incentive plan? [14]

Yes (7)

No (7)

72. Do you offer incentive programs for upper management? [24]



72a. If so, please describe. [16]

- Typically up to 40% of salary, with % weighted objectives and scoring factors
- Bonus for financial performance of their unit
- Largely discretionary
- Bonus based on various performance goals.
- Multiple factors
- New business + bonus
- Based on agency profitability (2x)
- This is on an individual basis
- Bonus
- Based on retention and profitability ratio
- Bonus plans and equity incentives for senior executives
- Upper management receives bonus based on profitability targets being met
- Executive physicals
- Based on profitability or new business revenue
- Typical private equity style MIP

- 73. What is your benefit rate load? (Include payroll tax, 401K, insurance – health, dental, life, vision, etc.) [20]
  - Average: 15%
  - Min: 8%
  - Max: 26%

74. Do you offer other “unique” benefits to your employees? (not listed in question 73) [17]

- No (8x)
- Electric stand-up desks, fresh fruit in the office
- Wellness
- Many onsite wellness including boot camp & yoga & ESOP & nonqualified deferred compensation for key executives
- Student loan reimbursement
- Nothing that I would consider unique
- Free fruit, soda, water and snacks. Flexible work hours; wellness programs (free massages performed in-house); staff wind-downs
- Profit sharing in excess of typical 401k contribution
- Yes
- Each employee annually receives $50 to use toward UNICO merchandise. Primarily this is clothing, but can be other UNICO logo'ed items.
- Profit sharing

75. What percentage commission was paid on new business last year for the following:

- P&C
- EB
- PL

Let’s discuss

76. Regarding the "revenue recognition standard" issued by FASB (topic 606) and IASB, what have you been doing differently as a result of this pronouncement? Have you spoken to your auditors about this topic? Describe. [21]

- N/a for us. No GAAP audit, no debt covenant requirement for GAAP books. Trying to keep it that way!
- We expect to make an accrual for estimated direct bill commission not yet received and an accrual for estimated contingent income.
- Not adopting
- Yes - decided not to adopt and will be a departure from GAAP.
- Accrue direct bill commissions, accruing a portion of P&C commissions earlier, one-time adjustments for costs to fulfill, accruing contingent commissions. We have had extensive conversations and prepared a numerous memos and documentation around producer compensation, time studies for staff work, performance obligations throughout policy periods, etc.
- Annual calc to determine impact from DB commissions. Yes - they have agreed with our approach as reasonable.
- No. We will follow the pronouncement.
- Nothing - we have worked with our auditors and will have a "qualified" opinion going forward in our audit report.
- We have done nothing differently as our reporting practices basically adhere to most of the new revenue recognition standards.......Fortunately.
- Did not elect any changes due to topic 606.
- Changed recognition to policy effective date. Have spoken with auditors.
- We have not changed any account procedures on how revenue is recorded. We are working with an accounting firm (not our auditing firm) on evaluation of changes needed, if any, to comply with the revenue recognition standard.
- Yes and we have agreed that we are in compliance
- We are having our auditors adjust on our financials as a "passed" entry. Meaning we are not doing any adjustments in our AMS, only on the financials.
- We engaged outside consultants to help us with the transition. Day to day operations have not changed and recording all entries via topside entries with the corp dept.
- We will be preparing a departure from GAAP financial statement.
- No difference in day to day operations and accounting. Top side entries are done to account for 606. We have had many conversations with our auditors. Much revenue will be accelerated as a result of the pronouncement (P&C agency and direct bill revenue and contingents being the biggest portion).
- Adjusting year end only, but looking at quarterly processes or systemic changes to meet the needs - ongoing
- Have spoken to auditors and are compliant
- No changes / no discussion
- N/A - no audit required

77. Do you have an independent audit, review, compilation, or tax return only? Check all that apply. [24]

- Audit: 9
- Review: 9
- Compilation: 3
- Tax Return only: 9

77a. How often is your independent audit, review, compilation, and/or tax return completed? Please describe. [23]

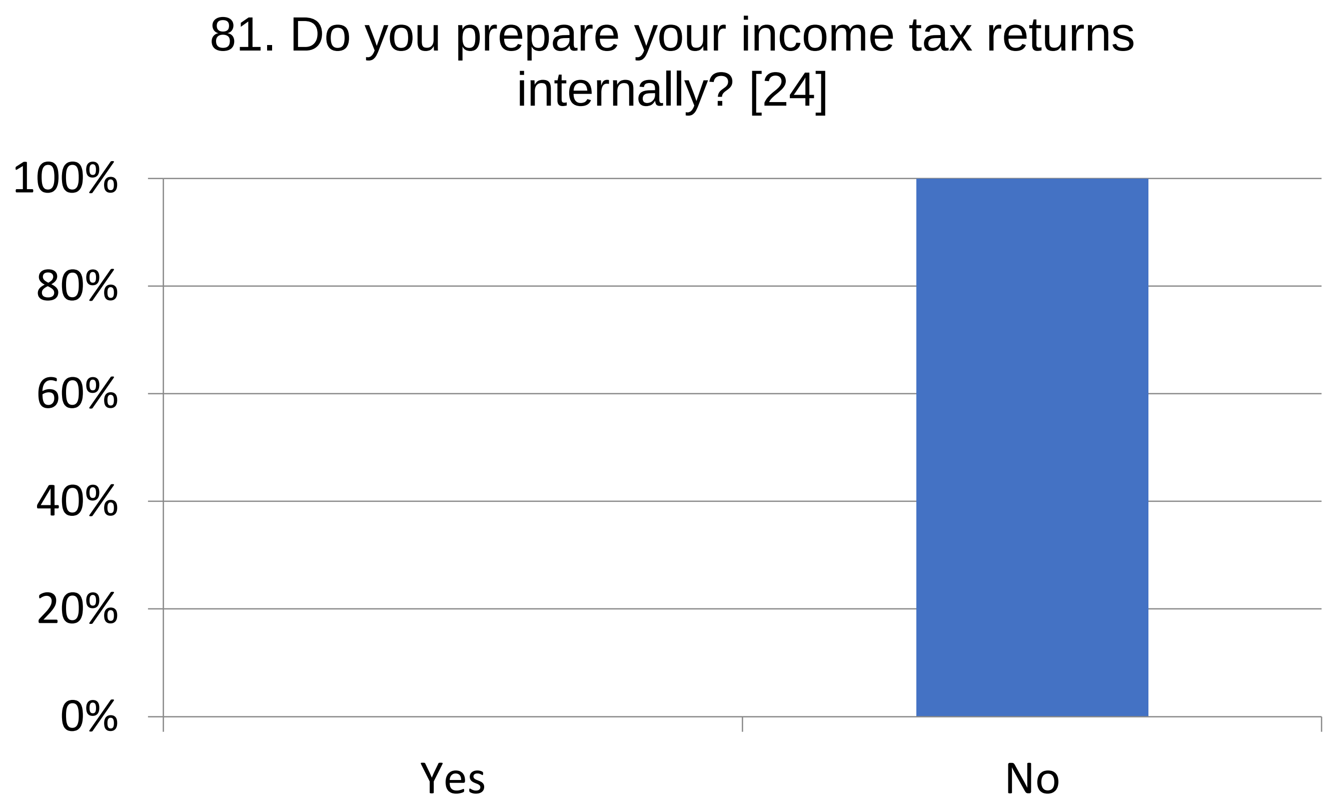
- 100% are annual

79. How often do you change or review your independent audit firm?

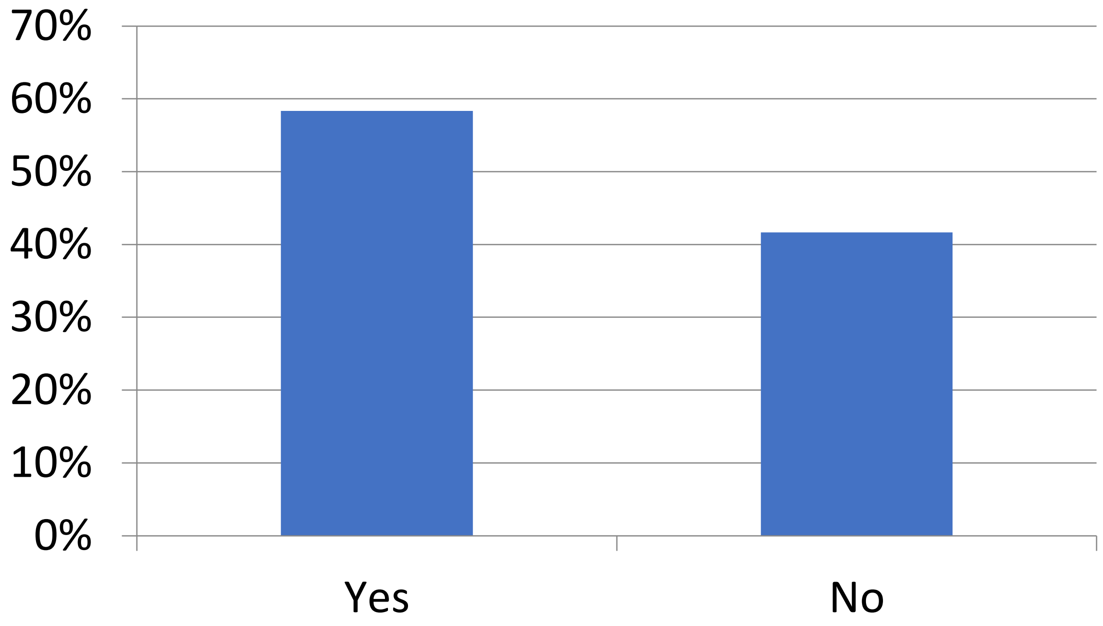
- N/a
- Rarely (2x)
- Never (3x)
- Last change was 5 years ago
- Infrequently
- Annually
- Rarely - once in my 20 years.
- Every 3 years
- Every few years
- 3-5 years
- Once since I joined
- 7+ years
- Have not changed in last 7 years
- Have not in prior 15yrs.
- Rarely. Changed once in 15 years.
- Have not in some time but likely will when move to audit level
- Changed 12 years ago
- N/A

80. How many staff members are internal audit staff? [22]

- Average: 0.25
- Min: 0
- Max: 2



82. Has your firm made any acquisitions in the past three years? [24]



83. If so, do you have a standard percent for allocation of purchase price to goodwill, customer lists, non-compete agreements, etc.? Please describe. [15]

- No (4x)
- No but try often 80-90% customer list & to non compete agreement
- N/A (3x)
- No standard. We have a valuation prepared as basis for determining allocation of purchase price.
- Elect small business treatment
- No, determined on case by case basis.
- Each deal
- Nothing standard. Typically all value goes to customer lists.
- Depends on the book size and the price
- No - each PPA is specific to the acquisition

84. Do you have standard amortization periods for the amortizable intangible assets? If so, what are they? [21]

- 15 years (6x)
- 15 years for asset purchase deals to match tax. (2x)
- Yes, non-compete 5 years and expiration is 15 years
- Yes, for goodwill (10 years). Various for others dependent on historical retention rates etc.
- N/A (2x)
- As defined in the small business election
- 10 years (4x)
- 7 years
- 5 years
- No (2x)

85. If you utilize earnouts in your deals, how do you estimate the amount of the earnout for capitalization? [18]

- N/A (9x)
- We'll accrue at the expected level based on historical or our strategic assessment
- Through use of valuation and management estimates.
- Modeling
- Yes
- Discuss with management, and use the amount they estimate.
- For prior acquisitions made, the amount capitalized is the purchase price as calculated at the closing date. If the amount changes due to the earn out in subsequent years, then the capitalized amount is reduced (negative capitalized amount) for the remaining years to be amortized.
- Measured at fair value based on the best estimate of the earnout to be earned
- Estimated based upon historical internal retention with consideration given to risk of book and whether or not owners/producers are coming with that book
- We use retention expectation based on acquired trend and/or our own depending on lines of business involved