

ONESTOP REPORT

BHSF GROUP LIMITED

14-Jan-2024

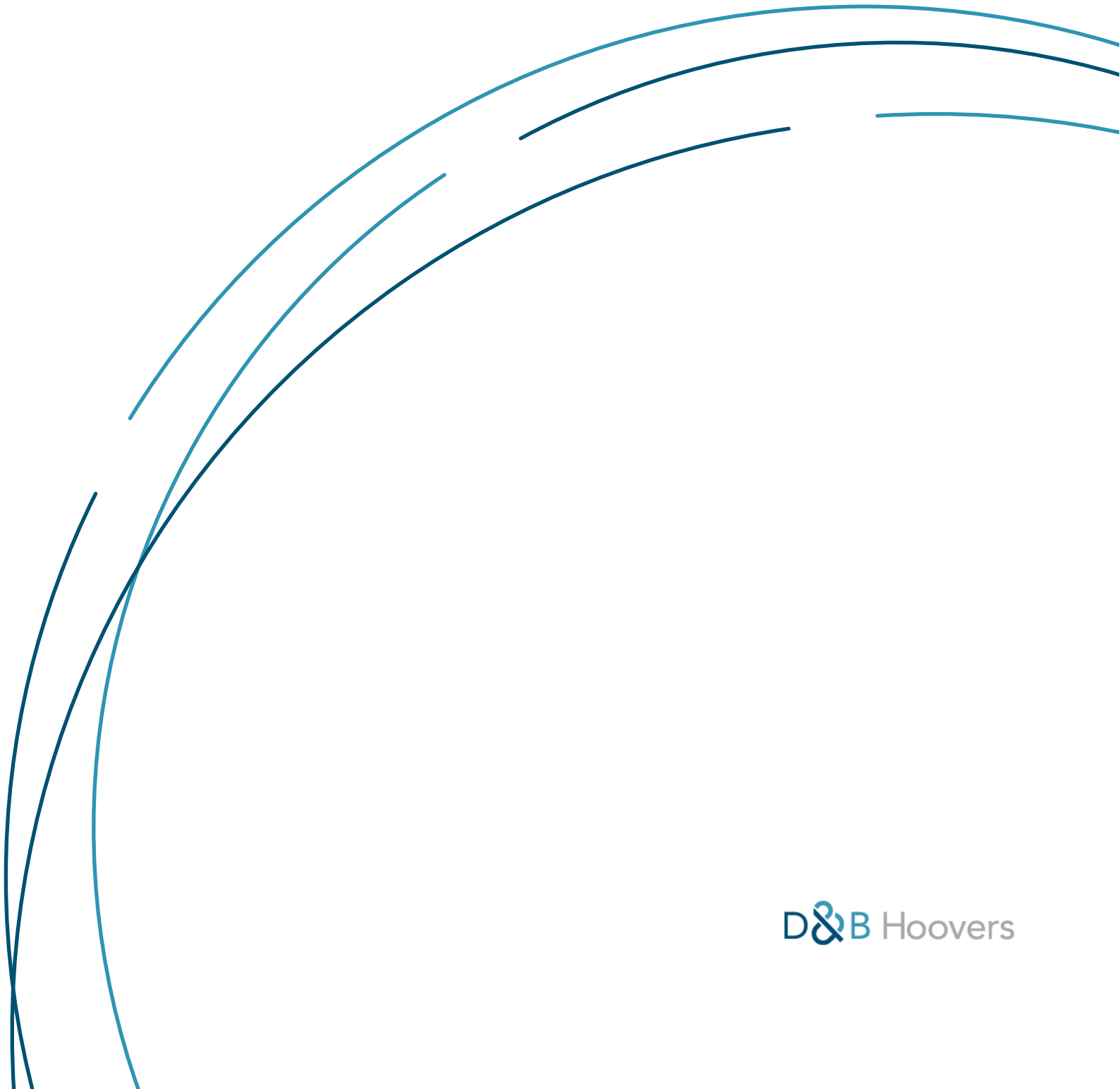


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BHSF GROUP LIMITED

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On TPS: No
Private Parent • Headquarters • [★](#)Decision HQ

EMPLOYEES 250 (Total) 🔄	SALES 35.49M A	ADDRESS 13Th Floor54 Hagley Road Birmingham, B16 8PE United Kingdom (Primary Address) Latitude: 52.4713 Longitude: -1.92252
D&B LEGAL STATUS TYPE i Corporation	FISCAL YEAR END 31-Dec-2022	
CORPORATE LINKAGE 3 Companies	REPORTING CURRENCY GBP	
INDUSTRY Insurance Agents	TOTAL ASSETS 30.68M	
	D-U-N-S® NUMBER 73-504-5309	

Company Summary

Business Description

Agents primarily representing one or more insurance carriers, or brokers not representing any particular carriers primarily engaged as independent contractors in the sale or placement of insurance contracts with carriers, but not employees of the insurance carriers they represent. This industry also includes independent organizations concerned with insurance services.

Source: D&B

Industry

D&B HOOVERS INDUSTRIES Insurance Agents	NAICS 2022 524210 - Insurance Agencies and Brokerages
ANZSIC 2006 6420 - Auxiliary Insurance Services	UK SIC 2003 6720 - Activities auxiliary to insurance and pension funding
US 8-DIGIT SIC 64110000 - Insurance agents, brokers, and service	UK SIC 2007 6629 - Other activities auxiliary to insurance and pension funding
ISIC REV 4 6629 - Other activities auxiliary to insurance and pension funding	US SIC 1987 6411 - Insurance Agents, Brokers, and Service
NACE REV 2 6629 - Other activities auxiliary to insurance and pension funding	
View All	

Company Identifiers

D-U-N-S® NUMBER
735045309

LEI NUMBER
213800ATVWLFNDW9OT12

COMPANIES REGISTRY OFFICE NUMBER (GB)
04767689

Corporate Highlights

PARENT D-U-N-S® NUMBER
735045309

GLOBAL ULTIMATED-U-N-S® NUMBER
735045309

DOMESTIC ULTIMATED-U-N-S® NUMBER
735045309

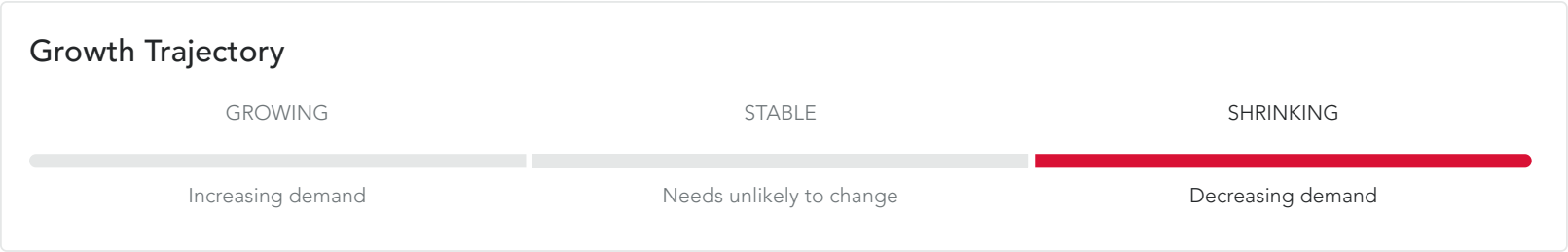
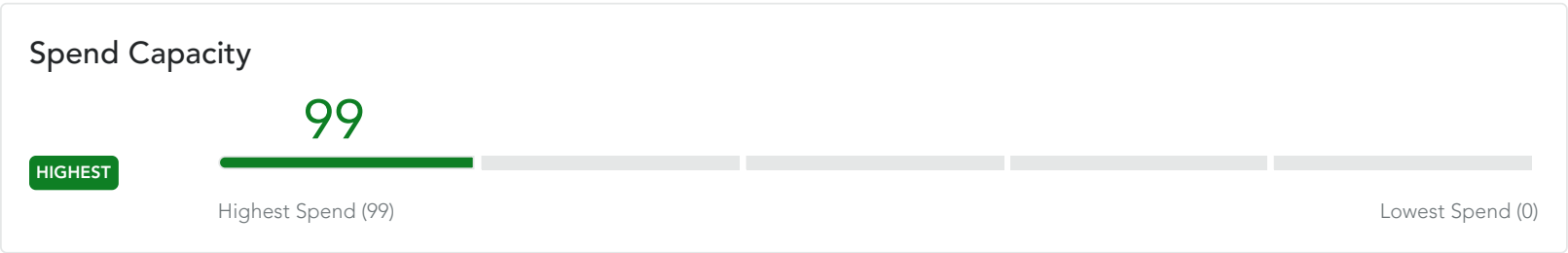
AUDITOR
BDO LLP

SALES 1 YEAR GROWTH
(3.38)%

EMPLOYEES 1 YEAR GROWTH
2.36%

YEAR FOUNDED
1873

PREScreen SCORE
LOW RISK



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Corporate Overview

Key ID SM Number: 48489243

Key Corporate Relationships

AUDITOR

BDO LLP, Auditor History, BDO LLP, 31-Dec-2022, GBP(mil), Audit Fees:, 0.2, Audit Fiscal Year:, 12-31-2022

Industry Codes

ANZSIC 2006

6420 - Auxiliary Insurance Services (Primary)

6322 - General Insurance

ISIC REV 4

6629 - Other activities auxiliary to insurance and pension funding (Primary)

6512 - Non-life insurance

NACE REV 2

6629 - Other activities auxiliary to insurance and pension funding (Primary)

6512 - Non-life insurance

NAICS 2022

524210 - Insurance Agencies and Brokerages (Primary)

524128 - Other Direct Insurance (except Life, Health, and Medical) Carriers

UK SIC 2003

6720 - Activities auxiliary to insurance and pension funding (Primary)

6603 - Non-life insurance

UK SIC 2007

6629 - Other activities auxiliary to insurance and pension funding (Primary)

6512 - Non-life insurance

US 8-DIGIT SIC

64110000 - Insurance agents, brokers, and service (Primary)

63990000 - Insurance carriers, nec

US SIC 1987

6411 - Insurance Agents, Brokers, and Service (Primary)

6399 - Insurance Carriers, Not Elsewhere Classified

Business Description

Agents primarily representing one or more insurance carriers, or brokers not representing any particular carriers primarily engaged as independent contractors in the sale or placement of insurance contracts with carriers, but not employees of the insurance carriers they represent. This industry also includes independent organizations concerned with insurance services.

Source: D&B

Financial Summary		
Financials In	GBP(mil)	1 Year Growth
Sales	35.5, Net Income:, -6.6	-3.4%
Assets	30.7, Current Assets:, 12.3, Fixed Assets:, 18.3, Total Liabilities:, 6.4, Working Capital:, 8.1, Net Worth:, 24.0	NA
Date of Financial Data	31-Dec-2022	

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Industry Overview

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Insurance Agencies & Brokerages

Fast Facts

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

The global insurance industry, which includes carriers as well as agents and brokers, generates about \$5.5 trillion in premium volume each year, according to Statista. The largest global insurance markets are still dominated by the US, accounting for more than half of the entire insurance market in 2020.

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

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

[View A Glossary of Acronyms](#)

Industry Growth Rating HIGH



Reflects snapshot of industry performance vs. industry risk over the next 12 to 24 months relative to other U.S. industries, along with short descriptions of vital demand and risk factors influencing the industry. Use to quickly determine the overall projected health of an industry.

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

[View Financial Information](#)

[View Challenges, Trends & Opportunities](#)

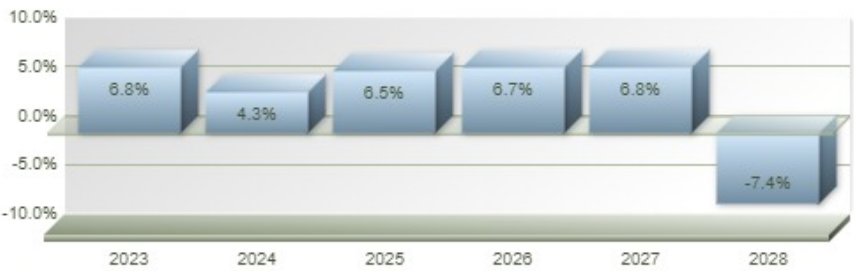
Industry Indicators

US corporate profits, an indicator of corporate demand for insurance, fell 6.50% in the second quarter of 2023 compared to the same period in 2022. US personal income, which drives consumer ability to pay for insurance, rose 4.70% in September 2023 compared to the same month in 2022. Total US revenue for insurance agencies, brokerages, and other insurance related activities rose 14.10% in the second quarter of 2023 compared to the previous year.

Industry Forecast

Revenue (in current dollars) for US insurance agencies, brokerages, and related activities is forecast to grow at an annual compounded rate of 6% between 2023 and 2027, based on changes in physical volume and unit prices.

Data Published: August 2023.



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

Top Challenges & Talking Points

Revenue Depends on Economic Conditions

The revenue of many insurance agencies swings with economic conditions, especially in property and casualty insurance.

💬 How does the agency or broker manage shifts in demand due to economic conditions?

Competition from Direct Marketing to Consumers

Insurers can easily sell auto and term life insurance through the internet rather than through an independent agent.

💬 How have agency or broker sales been affected by online competition?

Competition from Banks, Brokerages, and Digital

Banks and stock brokers sell insurance and provide consumers with personalized insurance services, in direct competition with traditional agents.

💬 How does the agency counter competition from banks and brokerage houses?

[View More Business Challenges](#)

Top Opportunities & Talking Points

Online Services

Agencies can increase their level of service by giving customers greater access to products, services, and information via the internet.

💬 How does the agency or broker use the internet to find new business or serve customers?


Investment Products

Insurance agents can take advantage of their customers' financial situations to sell adjacent financial products.

 How is the agency or broker benefiting from changes to regulations affecting the financial services industry?

Consulting Services

The increased complexity of financial and risk management allows agencies to expand their role as consultants and advisers.

 What other services, such as consulting, does the agency or broker provide? What expansion of services is the agency or broker planning?

[View More Industry Opportunities](#)

Executive Talking Points

Chief Executive Officer - CEO

Most agencies prefer to work with well-known insurance companies, due to branding, but smaller companies often provide better compensation.

 CEO: What benefits does the company see in affiliating with larger or smaller insurance companies?


Chief Financial Officer - CFO

Many smaller agencies don't actively manage their current accounts, which can result in the increase of arrears of customers and insurers.

 CFO: What plans does the company have to improve current accounts management?


Chief Information Officer - CIO

Backoffice systems can organize and speed document preparation and flow, consolidate customer information, and interface with insurer systems.

 CIO: What benefits does the company see in automating backoffice operations?

Human Resources - HR

State regulations may apply to agent licensure and continuing education requirements, and to selling investment products and health care policies.

 HR: How does the company ensure compliance with regulations?

VP Sales/Marketing - Sales

Agencies make personal presentations and may sponsor golf tournaments, financial seminars, or charity events they invite existing customers to.

 Sales: How does the company build relationships with sources of referrals?

[View More Talking Points & Executive Insight](#)

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Industry Description

Insurance Agencies & Brokerages

Industry Description

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

Competitive Landscape

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

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

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

When the economy contracts, demand for insurance falls as consumer income and commercial activity decline. During periods of economic difficulty, smaller agencies may branch into more diversified fields to build business. Despite the prominence of large companies in the commercial segment, the US industry remains highly fragmented: the largest 50 firms account for about 30% of revenue.

Competitive Advantages:

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

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

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

Companies to Watch:

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

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

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

Products & Operation

Major insurance products sold by agents and brokers include property and casualty (P/C), health and medical, and life. More than 50% of the industry revenue in the US comes from insurance brokerage and agency services, followed by commissions on property and casualty insurance. Other revenue sources include health and medical insurance (about 15%), and life and accident insurance (about 10%).

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

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

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

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

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

Technology

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

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

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

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

Sales & Marketing

Agencies that sell insurance products to individuals depend heavily on referrals from existing customers; agencies also sell through banks, workplaces, car dealers, realtors, travel agents, and other channels. Customer retention is critical for the insurance industry, as even small changes in retention rates can significantly affect revenue. Customers are more likely to switch carriers to save money during challenging economic times. However, if a customer uses more than one product from a provider, they are more likely to stick with that company. Because of the personal and local aspect of the business, even large agencies may work through small local offices. Agencies or brokers that sell commercial or group health insurance typically use a direct sales force, advertise in local business publications, and may sponsor local business events. Agencies also use call centers to market their products and services.

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

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

Finance & Regulation

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

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

Regulation

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

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

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

Working Capital Turnover by Company Size

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



FINANCIAL INDUSTRY DATA PROVIDED BY MICROBILT CORPORATION COLLECTED FROM 32 DIFFERENT DATA SOURCES AND REPRESENTS FINANCIAL PERFORMANCE OF OVER 4.5 MILLION PRIVATELY HELD BUSINESSES AND DETAILED INDUSTRY FINANCIAL BENCHMARKS OF COMPANIES IN OVER 900 INDUSTRIES (SIC AND NAICS). MORE DATA AVAILABLE AT WWW.MICROBILT.COM.

Regional & International Issues

The global insurance industry, which includes carriers as well as agents and brokers, generates about \$5.5 trillion in premium volume each year, according to Statista. The largest global insurance markets are still dominated by the US, accounting for more than half of the entire insurance market in 2020. Growth in non-life (property/casualty and health) and life insurance premiums is driven by strong sales in emerging markets in Asia and Central and Eastern Europe and in mature markets in North America.

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

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

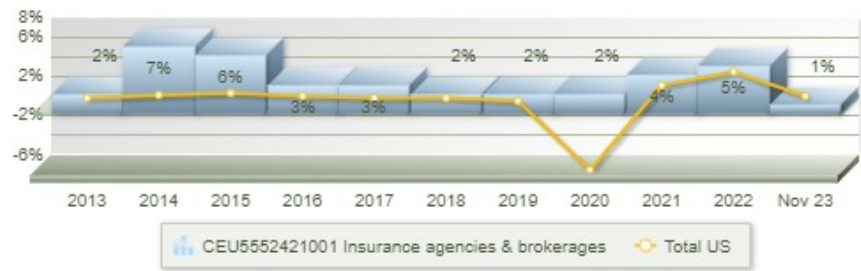
The global insurance industry suffered \$140 billion in insured losses due to disasters in 2019, compared to \$176 billion in 2018, according to Swiss Re. The industry must adapt to varying levels of catastrophic losses from year to year, and catastrophe-related losses have grown in recent years due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

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

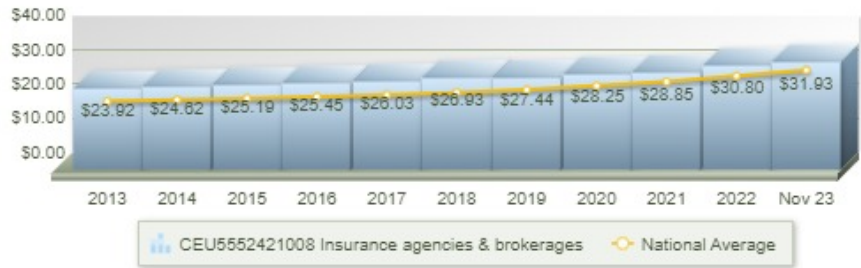
In the US, the volume of locally generated insurance is related to economic conditions and population growth. States with the most insurance agency establishments include Illinois, Tennessee, Colorado, Michigan, and New York.

Human Resources

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



Industry Employment Growth - Bureau of Labor Statistics



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

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Quarterly Industry Updates

Powered by  First Research

Insurance Agencies & Brokerages

OCT 09
2023

Opportunity: Patient Protections in Medicare Payment Installment Plan

The Centers for Medicare and Medicaid Services (CMS) released proposed guidance on the Medicare Prescription Payment Plan (MPPP) on August 21, according to The Alliance for Aging Research. The MPPP will allow Medicare Part D beneficiaries to pay out-of-pocket costs for prescription drugs in monthly installment payments beginning in 2025. Companies may need to develop ways to ensure that the beneficiaries can have access to the MPPP.

Industry Impact

Insurance agencies and brokerages may need to collaborate with other organizations to create programs helping beneficiaries afford their medications.

JUL 03
2023

Opportunity: Rules to Prevent Fraud and Deception

The Securities and Exchange Commission (SEC) adopted rules this June to prevent fraud, manipulation, and deception with security-based swap transactions. The Commission focuses on protecting investors and market integrity by adopting the antifraud and anti-manipulation rule to avoid misconduct in any transaction in or purchasing or selling of any security-based swap. SEC also aims to protect the independence and objectivity of the chief compliance officer (CCO) of a security-based swap dealer and major security-based swap participant (SBS Entities). Companies may need to improve their security and develop ways to protect investors and market integrity.

Industry Impact

Companies may need to create effective strategies to protect investors and market integrity by adopting rules to prevent fraud and deception.

APR 10
2023

Trend: Market for Cybersecurity Insurance

Cybersecurity insurance is expected to grow as the Internet of Things continues to expand, pushing the need for better cybersecurity. The White House's recent report on cybersecurity is focused on enhancing collaboration with the following principles: Defending critical infrastructure with required cybersecurity measures; negating attacks by disrupting threat actors; implementing best practices in cybersecurity; garnering public interest for investments in research and development for cybersecurity; and collaborating with international groups to identify and improve state behavior in cyberspace. According to Identity Theft Resource Center, nearly 2,000 data compromises impacted over 400 million people in 2022. Losses from cybercrime complaints also continued to rise through the same year, according to the Internet Crime Complaint Center. Consumers remain at risk which is expected to drive the growth of the global cyber insurance market to over \$90 billion by 2031.

Industry Impact

Insurance agencies may want explore new services they could provide to cover cybersecurity risks.



Trend: Digitalization of Insurance Agency Operations

Insurance agencies and brokerages are improving their efficiency through increased digitalization of their operations. According to PropertyCasualty360, about half of insurance companies feel like they are slow in adapting to new technology. However, about 75% of these customers still purchase online. Some insurance agencies are already offering new innovations to their customers. Companies such as JetFile Technologies, that offer management software, have focused digital payments into their platforms that are being adopted by insurance agencies already.

Industry Impact

Insurance agencies and brokerages may continue adopting new technologies such as digitalization of payments to improve operations.

Quarterly Update Question

 How can the company provide better services?

The Centers for Medicare and Medicaid Services (CMS) released proposed guidance on the Medicare Prescription Payment Plan (MPPP) on August 21, according to The Alliance for Aging Research.

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Executive Insight

Powered by  First Research

Insurance Agencies & Brokerages

Chief Executive Officer - CEO


Staying Competitive through Diversification, Technology

Due to competition from banks and online providers, many buyers of car and life insurance no longer use a traditional agent. Health care reform also is allowing for more do-it-yourself health insurance plan enrollments. In order to compete, insurance agencies that typically specialize in a particular customer or type of insurance product are diversifying into other lines and are also meeting demand by establishing an online presence, call centers, and other customer service technologies.


Evaluating Insurance Company Affiliation

Although some agencies represent a single insurance company, most work with a number of companies, all of which have their own agency compensation formulas. Because of better brand recognition from customers, agencies prefer to work with well-known insurance companies. But smaller companies often provide better compensation.

[Hide Talking Points](#) ▼

 CEO: What benefits does the company see in affiliating with larger or smaller insurance companies?

Most agencies prefer to work with well-known insurance companies, due to branding, but smaller companies often provide better compensation.

 CEO: How is the company meeting demand through diversification?

Insurance agencies that formerly specialized in particular insurance lines are selling additional insurance products to existing customers to help stay competitive.

Chief Financial Officer - CFO


Ensuring Compliance with Tax and Regulatory Authorities

Insurance agencies must comply with a multitude of state and government regulations while managing revenue streams that combine premiums, investments, and commissions. New regulations of a complex nature, such as principles-based regulations, can be challenging to master quickly.


Improving Current Accounts Management

Insurance agents and brokers may handle large amounts of cash and have large receivables and payables accounts. Customers pay premiums that are owed to insurers and insurers owe commission payments on coverage that has been contracted but not yet paid for by the customer. Many smaller agencies don't actively manage their current accounts, which can result in the increase of arrears of customers and insurers.

[Hide Talking Points](#) ▼

 CFO: What plans does the company have to improve current accounts management?

Many smaller agencies don't actively manage their current accounts, which can result in the increase of arrears of customers and insurers.

 CFO: How does the company meet its regulatory requirements?

Insurance agencies must comply with state and federal regulations and manage a variety of revenue streams.

Chief Information Officer - CIO

Installing Customer Relationship Management Systems (CRM)

CRM systems are used by some agencies to maintain regular contact with customers. Because insurance is perceived as a necessary but unattractive product that is difficult to understand, customers can be dissatisfied with their insurance company or agent. CRM systems like

Salesforce.com help agencies maintain frequent customer contact, which can improve business retention by enabling customer problems and anxieties to be resolved quickly.

Automating Agency Backoffice Operations

Agency automation systems can organize and speed document preparation and flow, consolidate customer information, and interface with insurer systems. Agencies with integrated information systems can provide internet-based information services to existing customers. Agencies often need scanners and document imaging systems to help them cope with paper documents.

[Hide Talking Points](#) ▼



CIO: What benefits does the company see in automating backoffice operations?

Backoffice systems can organize and speed document preparation and flow, consolidate customer information, and interface with insurer systems.



CIO: How important is a CRM system to the company?

CRM systems help agencies stay in frequent customer contact, which can improve business retention by resolving problems and addressing anxieties.

Human Resources - HR

Providing New Product Education

The development of more complex insurance products, such as those with investment features, requires continuing education of agents. Independent agencies may carry products from dozens of insurers. Education is also required because of personnel turnover, which had been quite high until recently.

Ensuring Compliance with State and Federal Regulations

Insurance agencies and agents are subject to regulations that differ from state to state. States generally require that agents be licensed and some states require continuing education. Agents and agencies that sell investment products and health care policies may be subject to additional regulations.

[Hide Talking Points](#) ▼



HR: How is the company challenged in keeping agents up-to-date on insurance products?

Ongoing training is needed to handle many insurers and products, especially with investment features, and to train new employees, due to high turnover.

VP Sales/Marketing - Sales

Establishing Relationships with Referral Sources

A large amount of individual insurance business is acquired through personal referrals or referrals from related professionals such as accountants, investment brokers, or bankers. To establish relationships with other professionals, agencies may make personal presentations of the services they offer, or may join with them in sponsoring golf tournaments, financial seminars, or charity events to which they invite existing customers.

Increasing Internet Sales

Some agencies enable potential customers to get automatic quotes for various types of insurance from their websites. Based on information provided by the customer, agencies like QuickQuote show quotes for insurance from a half dozen insurers and may allow customers to apply online. While commercial insurance is typically too complicated to be automated, consumer insurance sales over the internet have increased rapidly.

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Sales: How does the company build relationships with sources of referrals?

Agencies make personal presentations and may sponsor golf tournaments, financial seminars, or charity events they invite existing customers to.



Sales: What benefit does the company see in selling via the internet?

Some agencies enable prospects to get automatic insurance quotes from the agency website or online insurance quoting sites.

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Challenges, Trends & Opportunities

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Insurance Agencies & Brokerages

Business Challenges

Revenue Depends on Economic Conditions

The revenue of many insurance agencies swings with economic conditions, especially in property and casualty insurance. A slower economy generally means fewer new homes built and sold, fewer cars bought, and fewer investment-type insurance products bought. Commercial insurance sales also decline along with economic conditions.

Competition from Direct Marketing to Consumers

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

Competition from Banks, Brokerages, and Digital

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

Weather and Other Catastrophes

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

Business Trends

Industry Consolidation

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

Online Research and Sales

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

Telemarketing and Call Centers

The importance of the contact center, along with other service technologies, is also changing how consumers interact with insurance agents. Some insurance agents who want to reduce the cost of customer service are replacing live telephone assistance with interactive voice response

(IVR) systems, web queries, or online transactions. However, many agents create brand recognition based on personal service and must be able to deal with many customers who demand to speak to a live customer service rep.

Industry Opportunities

Online Services

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

Investment Products

Insurance agents can take advantage of their customers' financial situations to sell adjacent financial products. Such products and services include annuities, stocks, and retirement and estate planning. Agents have to be licensed to sell other financial products in the state in which they do business.

Consulting Services

The increased complexity of financial and risk management allows agencies to expand their role as consultants and advisers. For example, more insurance agents are providing risk management services to small and midsize business clients who often can't afford a risk manager on staff. Insurance agents are using consulting to build stronger relationships, retain existing clients, and attract new ones.

Cyber Risk Coverage

Selling cyber risk coverage is a growing opportunity for insurance brokers. Annual US cyber insurance premiums increased by 74% in 2021 to nearly \$5 billion, according to Fitch Ratings. Insurance brokers are becoming an integral part of the process by helping customers understand coverage options and select appropriate policies, as well as by providing cyber risk management services. The overwhelming amount of disaggregated data related to cyberattacks makes it difficult for brokers, government agencies, and other parties to assess underwriting risk.

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Call Prep Questions

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Insurance Agencies & Brokerages

✓ Talking Points



How does the agency or broker manage shifts in demand due to economic conditions?

The revenue of many insurance agencies swings with economic conditions, especially in property and casualty insurance.



How have agency or broker sales been affected by online competition?

Insurers can easily sell auto and term life insurance through the internet rather than through an independent agent.



How does the agency counter competition from banks and brokerage houses?

Banks and stock brokers sell insurance and provide consumers with personalized insurance services, in direct competition with traditional agents.



How does the agency or broker use the internet to find new business or serve customers?

Agencies can increase their level of service by giving customers greater access to products, services, and information via the internet.



How is the agency or broker benefiting from changes to regulations affecting the financial services industry?

Insurance agents can take advantage of their customers' financial situations to sell adjacent financial products.



What other services, such as consulting, does the agency or broker provide? What expansion of services is the agency or broker planning?

The increased complexity of financial and risk management allows agencies to expand their role as consultants and advisers.

✓ Operations, Products, and Facilities



What type of insurance does the agency sell?

The two broad categories of insurance (excluding group health) are life and property/casualty (P/C).



How many companies does the agency or broker represent?

Agencies usually have agreements with multiple insurance companies, although some work with only one company and are, in essence, franchisees.



How does the agency or broker decide which insurance companies to work with?

Large insurance companies have name recognition and marketing power behind them; small insurance companies may offer better commissions.



How many offices does the agency or broker operate from?

Most agencies have just one office; brokers tend to be larger.



Do the agency's or broker's salespeople have securities licenses?

Independent agents now have access to a wider role as financial advisers to customers.



What other services does the agency or broker offer?

Investment advice, risk management, employee benefit management, property appraisals, and consulting are often provided.



How does cyclical affect the company's business?

January is the busiest time for insurers, as this is when many new policies are written or renewed.



What weather-related challenges arise in selling insurance in the agency's area?

Because of severe damages caused by hurricanes and other natural disasters, insurance carriers are increasingly adjusting their coverage to reduce risk in some geographical areas.

✓ Customers, Marketing, Pricing, Competition



Does the business sell mainly to commercial or individual customers?

Within a category, agencies may also specialize in selling to individuals, businesses, or groups. Agencies that sell to individuals provide highly personalized service that customers value because of their complex insurance needs.



How does the agency find new customers?

Referrals from existing customers are an important source of new business. Advertising and direct mail are also common. Many agencies also now use the internet.



What methods does the agency or broker use to recruit individual versus commercial customers?

Selling to commercial customers often requires presentation skills; selling to individuals is more personal.



Who are the company's competitors?

Insurance agencies face competition from the financial services industry as a result of deregulation and from companies with strong internet presence.



What advantages does the agency or broker have over its competitors?

Agencies have an entrenched customer base, good prices, good personal service, and a variety of policies.

✓ Regulations, R&D, Imports and Exports



How has the agency or broker been affected by the deregulation of the financial services industry?

Deregulation allows banks and stock brokers to sell insurance, but it also allows insurance agents to sell financial products.



In which states is the company licensed to do business?

By law, those who underwrite or sell insurance must be licensed in any state in which they do business.

✓ Organization and Management



How is the company organized?

Most agencies are independent small businesses, but consolidation in the industry has been bringing agencies under one roof.



How does the company find and train new agents?

Agencies must often compete with banks and financial services companies for personnel.

✓ Financial Analysis



To what degree is cash flow uneven throughout the year?

Many insurance agencies have a large annual cash flow to manage.



How does the company manage its cash flow (short-term borrowing or investment)?

Revenue may swing with economic conditions, especially in property/casualty insurance.

✓ Business and Technology Strategies



How does the company counter increased competition from banks and brokerage houses due to financial deregulation?



How does the company use the internet to find new business or serve customers?

Many agencies add financial services expertise and diversify their products and services.

The internet allows agencies to increase service by providing customers greater access to products, services, and information.



To what extent does the company plan to grow through mergers or acquisitions?

Consolidation is increasing as competition among insurers affects premium income.



How much has the company invested in internal IT systems and data warehousing?

Online information-collaboration can enable agencies to communicate information with insurers and insureds more efficiently.

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Industry Websites & Acronyms

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Insurance Agencies & Brokerages

Industry Websites

- [AM Best Company](#)
- [Asia Insurance Review \(AIR\)](#)
- [Big I - Independent Insurance Agents & Brokers of America \(IIABA\)](#)
- [InformationWeek - Insurance & Technology](#)
- [Insurance Brokers Association of Canada \(IBAC\)](#)
- [Insurance Information Institute \(III\)](#)
- [Insurance.com](#)
- [Lloyd's List Intelligence - Insurance Day](#)
- [National Association of Benefits and Insurance Professionals \(NABIP\)](#)
- [National Association of Insurance Commissioners \(NAIC\)](#)
- [National Underwriter \(NU\) Resource Center](#)
- [Property and Casualty.com](#)
- [Swiss Re Institute](#)
- [The Council of Insurance Agents & Brokers \(CIAB\)](#)

Glossary of Acronyms

CIAB	Council of Insurance Agents and Brokers
FASB	Financial Accounting Standards Board
IIABA	Independent Insurance Agents and Brokers of America
III	Insurance Information Institute
ISO	Insurance Service Organization
K&R	kidnap and ransom
RMS	Risk and Insurance Management Society
SMART	State Modernization and Regulatory Transparency Act

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Industry Codes

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Insurance Agencies & Brokerages

Associated Industry Codes

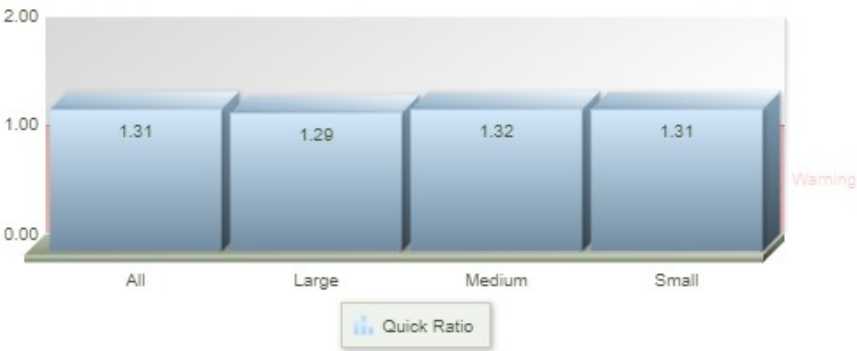
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Insurance Agencies & Brokerages

Company Benchmark Trends

Quick Ratio by Company Size

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



FINANCIAL INDUSTRY DATA PROVIDED BY MICROBILT CORPORATION COLLECTED FROM 32 DIFFERENT DATA SOURCES AND REPRESENTS FINANCIAL PERFORMANCE OF OVER 4.5 MILLION PRIVATELY HELD BUSINESSES AND DETAILED INDUSTRY FINANCIAL BENCHMARKS OF COMPANIES IN OVER 900 INDUSTRIES (SIC AND NAICS). MORE DATA AVAILABLE AT WWW.MICROBILT.COM.

Working Capital Turnover by Company Size

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



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Current Liabilities to Net Worth by Company Size

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



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Company Benchmark Informations

Data Period: 2022	Last Update August 2023
Table Data Format	Mean

Company Size	All	Large	Medium	Small
Size by Revenue		Over \$50M	\$5M - \$50M	Under \$5M
Company Count	110334	48	853	109433

Income Statement				
Net Sales	100%	100%	100%	100%
Gross Margin	92.6%	92.6%	92.6%	92.5%
Officer Compensation	9.6%	9.5%	9.6%	9.8%
Advertising & Sales	1.2%	1.2%	1.2%	1.2%
Other Operating Expenses	79.1%	79.7%	79.5%	78.6%
Operating Expenses	90.0%	90.4%	90.3%	89.6%
Operating Income	2.6%	2.2%	2.2%	3.0%
Net Income	1.2%	1.0%	1.0%	1.5%

Balance Sheet				
Cash	27.1%	26.9%	26.7%	27.4%

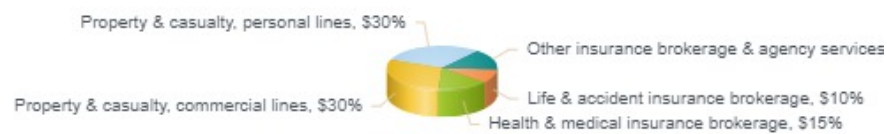
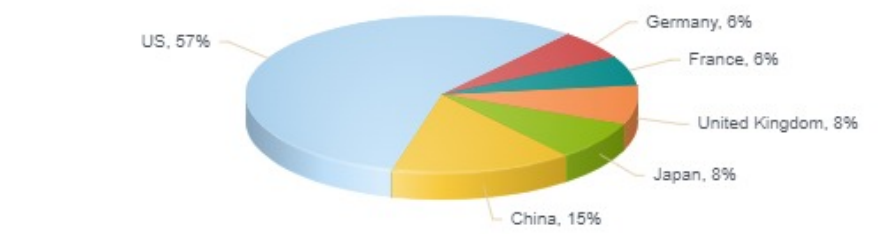
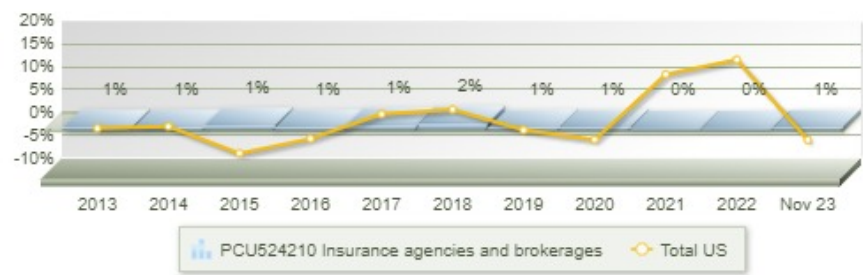
Accounts Receivable	19.6%	19.4%	19.8%	19.7%
Inventory	0.0%	0.0%	0.0%	0.0%
Total Current Assets	57.6%	57.1%	57.5%	58.1%
Property, Plant & Equipment	5.9%	5.9%	5.9%	5.9%
Other Non-Current Assets	36.5%	37.0%	36.6%	36.0%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	19.0%	19.1%	19.0%	19.0%
Total Current Liabilities	38.3%	38.3%	37.9%	38.4%
Total Long Term Liabilities	20.1%	19.0%	20.5%	21.0%
Net Worth	41.6%	42.7%	41.6%	40.6%

Financial Ratios

Quick Ratio	1.31	1.29	1.32	1.31
Current Ratio	1.50	1.49	1.52	1.51
Current Liabilities to Net Worth	92.2%	89.8%	90.9%	94.6%
Current Liabilities to Inventory	x1,920.45	x1,917.00	x1,893.18	x1,918.57
Total Debt to Net Worth	x1.41	x1.34	x1.40	x1.46
Fixed Assets to Net Worth	x0.14	x0.14	x0.14	x0.14
Days Accounts Receivable	69	69	70	69
Inventory Turnover	x386.01	x380.89	x384.58	x390.85
Total Assets to Sales	98.8%	99.9%	99.1%	97.9%
Working Capital to Sales	19.1%	18.8%	19.5%	19.3%
Accounts Payable to Sales	18.4%	18.6%	18.4%	18.2%
Pre-Tax Return on Sales	2.0%	1.6%	1.7%	2.3%
Pre-Tax Return on Assets	2.0%	1.6%	1.7%	2.4%
Pre-Tax Return on Net Worth	4.8%	3.8%	4.1%	5.9%
Interest Coverage	x1.73	x1.46	x1.56	x1.97
EBITDA to Sales	5.4%	5.0%	5.0%	5.7%
Capital Expenditures to Sales	3.8%	3.8%	3.9%	3.7%

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Economic Statistics And Information



Valuation Multiples

Insurance Agencies & Brokerages

Acquisition multiples below are calculated medians using at least 3 US private industry transactions completed between 1/2011 and 12/2022 and are based on middle-market transactions where the market value of invested capital (the selling price) was less than \$1B. Data updated annually. Last updated: January 2023.

Valuation Multiple	MVIC/Net Sales	MVIC/Gross Profit	MVIC/EBIT	MVIC/EBITDA
Median Value	1.67	1.77	3.88	3.88

MVIC (Market Value of Invested Capital) = Also known as the selling price, the MVIC is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer.

Net Sales = Annual Gross Sales, net of returns and discounts allowed, if any.

Gross Profit = Net Sales - Cost of Goods Sold

EBIT = Operating Profit
EBITDA = Operating Profit + Noncash Charges



SOURCE: DEALSTATS (FORMERLY PRATT'S STATS), 2023 (PORTLAND, OR: BUSINESS VALUATION RESOURCES, LLC). USED WITH PERMISSION. DEALSTATS IS AVAILABLE AT [HTTPS://WWW.BVRESOURCES.COM/LEARN/DEALSTATS](https://www.bvresources.com/learn/dealstats)

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Mortgages and Charges

Mortgage Summary

Mortgage Counts

ALL MORTGAGES
1
FULLY SATISFIED MORTGAGES
1
PARTIALLY SATISFIED MORTGAGES
0
MORTGAGES OWED IN FULL
0

Mortgage Recency

LATEST MORTGAGE CREATION
27-May-2020 (44 months elapsed)
LATEST FULL SATISFACTION
26-May-2021 (32 months elapsed)
LATEST PARTIAL SATISFACTION
NA

Mortgage History	Last 0 to 12 Months	Last 0 to 24 Months
Mortgages Created:	0	0
Mortgages Fully Satisfied:	0	0
Mortgages Partially Satisfied:	0	0

Mortgage Details

	Date Created	Description	Status	Lender
▼	27-May-2020		Fully Satisfied	The Royal Bank Of Scotland Plc

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