

REAGANVIEW

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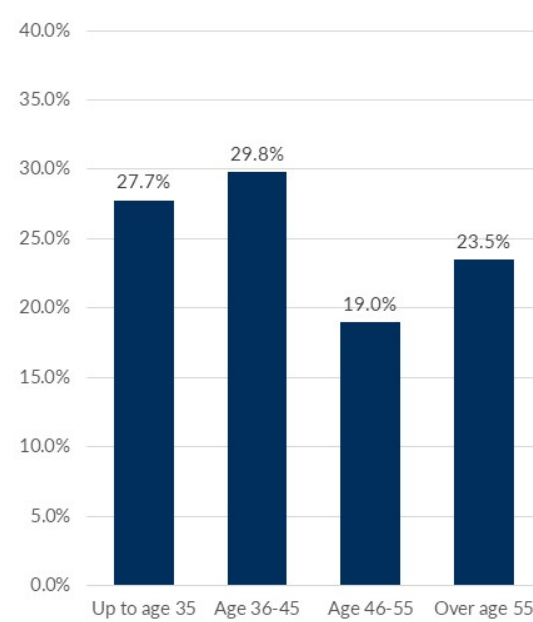
Producer Generation Gaps Kill Perpetuation Options

Brokers sell their agencies for three primary reasons: compelling economics, access to resources, and because they don't have enough producers to perpetuate internally.

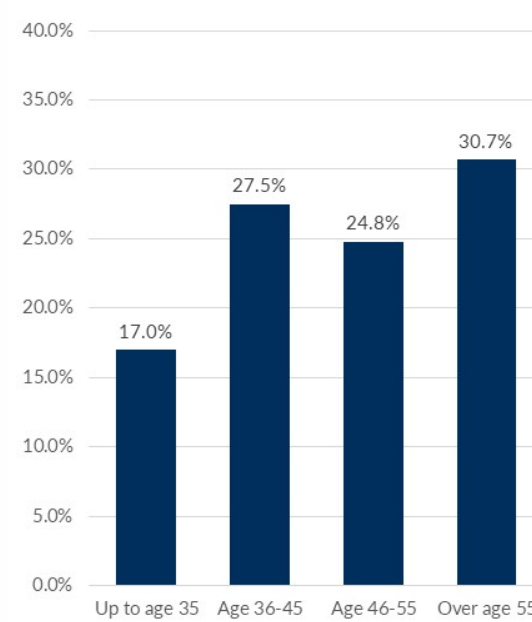
Most insurance brokers would prefer to remain independent. Few develop a plan to do so. The cornerstone of any perpetuation plan is a continual cycle of hiring and developing producers. Many brokers favor a more opportunistic approach: "We keep our eyes open for good producers." Often, this is simply an excuse for doing nothing. An opportunistic producer hiring strategy is likely to doom internal perpetuation.

In the *Best Practices Study*, we refer to producer generations based on ages: Under age 35 (Freshmen), 36-45 (Sophomores), 46-55 (Juniors), and over 55 (Seniors). We see solid production contributions from all four classes in an agency well-suited for internal perpetuation.

Agency New Business Contribution by Producer Age



Agency Book of Business Concentration by Producer Age



Source: 2022 Best Practices Study, Agencies with \$5-10M in revenue. New business contribution as expressed by Sales Velocity.

Do you see any producer generation gaps in your agency? Is there an age group missing or dramatically undersized? Any under-representation by even one of the four producer classes will lead to serious perpetuation problems if left unaddressed.

Why are multiple generations of producers so critical in a perpetuation plan? Producers play four crucial roles in agency perpetuation:

1. They provide next generation leadership
2. As high wage-earners, they can help fund the perpetuation of retiring shareholders
3. They are the new business generators necessary to grow the agency (a key to obtaining a high valuation for the retiring shareholders)
4. They are the individuals to whom retiring producers will transition their books of business

A common feature of agencies that are forced to sell to third-party buyers is a generation gap – a lost generation (or more) of producers. Remember that decade in which your agency dropped the ball on hiring enough new producers? The check for this oversight may be coming due soon unless you take immediate action.

If your Junior and Senior producer generations are approaching retirement without multiple generations of producer backup to fill the gap when they leave, a sale to a third-party buyer may be your best option. If you have weak producer classes, take the time now to develop a rehab plan.

Don't let an undiagnosed generation gap torpedo your agency's perpetuation plan. Call us to help design a comprehensive perpetuation plan, including a detailed producer hiring schedule. To learn more, check out our [Private Ownership](#) and [Producer Recruiting and Development](#) studies.

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