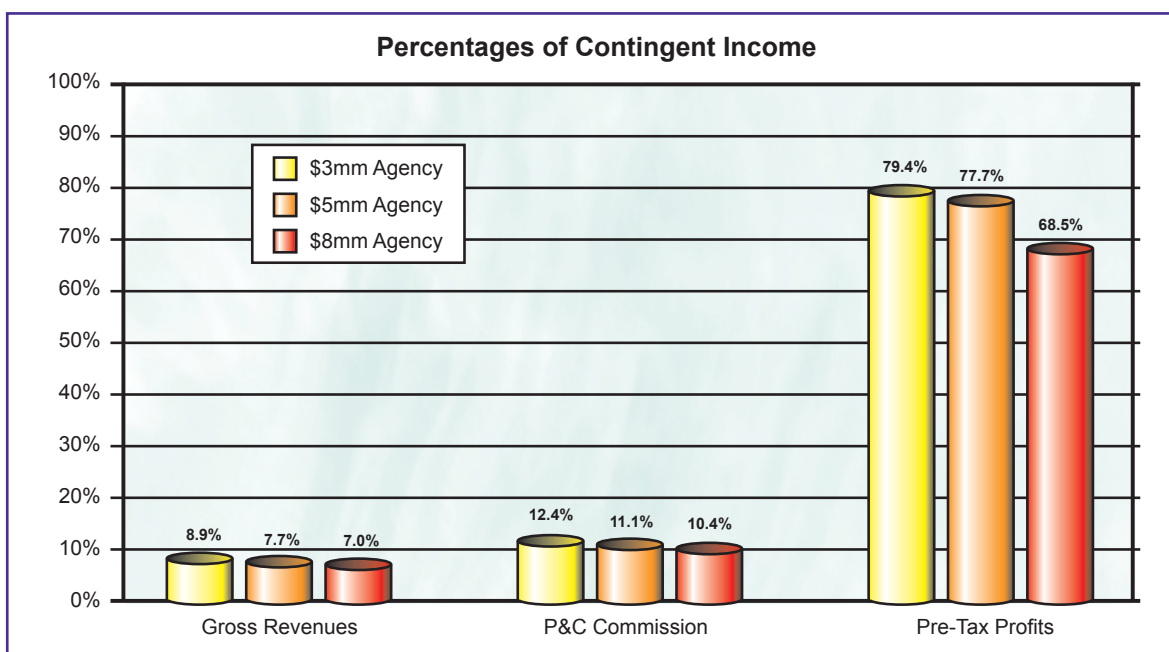


## Reliance on Contingent Income

For many independent agencies and brokers, contingent payments represent a substantial portion of top-line revenues and are integral in supporting pre-tax profits and owners' compensation. Additionally, they serve to insulate agencies from the unpredictability of premium rate increases in the market and thus forestall agencies from making the operational and financial changes necessary to reduce their dependence upon them.

The chart below, based on data from our Perspectives for High Performance (PHP) Database, compares the impact that contingents have on agencies of various revenue sizes.



The reduction or elimination of contingent income would have a profound personal impact on the average agency owner and in some cases, deliver a crushing blow to the agency's balance sheet. If you are included in this group, you should take the steps necessary to ensure your viability and reduce your reliance on this revenue stream to make your agency profitable.

The best agencies realize that contingents are simply bonuses. They budget and operate as if no contingents will be paid. This forces them to get their financial house in order and to make difficult decisions on staffing, compensation and agency expenses. They also create an organic growth engine that will foster top-line growth. By managing this way, agencies drive towards profitability without expectations of contingent payments.

*Authored by Craig Niess, Product Manager / Consultant, 440-392-6584*



# MarshBerry Solutions

Information Services	Management Consulting	Exchange Networks	M&A Advisory
<p><b>Benchmarking Services</b>            Perspectives for High Performance (PHP)            Sales Portal – Pipeline / Service Timeline            Confidential Employee Morale Indexing            Perpetuation Preparedness            Operational Assessment            Sales Management Benchmark Report</p> <p><b>MarshBerry.com</b>            Performance Calculators            Forms &amp; Documents            Position Descriptions            Discussion Groups            Research Studies            Market Data            On-Line Value Estimator            Published Articles</p> <p><b>Monthly Publications</b>            The MarshBerry Letter           <ol style="list-style-type: none"> <li>Market &amp; Financial</li> <li>Agency Compensation</li> <li>Agency Operations</li> <li>Surveys</li> </ol>           For The Record (Statistical Analysis)            Dealmaker's Dialogue (M&amp;A Advisory)</p> <p><b>Public Speaking Engagements</b>            Keynote / State of the Industry            Topical education</p> <p><b>Carrier Services</b>            Distribution System Management            Field Personnel Training and Development            Agency Management Symposiums</p>	<p><b>Sales Management</b>            Cultural Mapping and Alignment            Producer Goal Setting            Sales Portal – Pipeline / Service Timeline            Accountability / Compensation Design            Producer and Sales Manager Training            Differentiation Design and Execution</p> <p><b>Business Planning</b>            Strategic Business Planning            Execution / Action Plan Management            Strategic Options Analysis</p> <p><b>Agency Valuation</b>            Agency Fair Market Valuation            Valuation Assessment</p> <p><b>Perpetuation Plans</b>            Perpetuation Plan Design            Plan Execution Management            Transfer Strategies (Stock / Leadership / Books of Business)</p> <p><b>Financial Consulting</b>            Internal Financial Controls            Compensation Consulting            Value Enhancement Planning            Contingent/Supplemental Plan Mgmt.</p> <p><b>Operational Consulting</b>            Staff Workload / Comp. Management            Workflow and Procedures            E&amp;O Audit, Policies and Procedures            E&amp;O Market Access</p> <p><b>Recruiting</b>            Position profile, search, screen, hire            Compensation development plan            Technical and sales training year one</p>	<p><b>Agency Peak Performance EXchange (APPEX)</b>            Over 115 Agencies            Over \$1.1 Billion Revenue</p> <p><b>Bank Agency NetworkK (BANK)</b>            Over 25 Banks            Over \$1.0 Billion Revenue</p> <p><b>Total Agency Sales Culture (TASC) Network</b>            Over 35 Agencies            Over \$1.1 Billion Revenue            Nation's leading organic growth agencies            Enhanced new business production and retention strategies</p> <p><b>Royal Sun Alliance (RSA) Summit Brokers Improvement Network</b>            Canadian agencies affiliated with Royal &amp; Sun Alliance Insurance Company</p> <p><b>Standard Partner Services</b>            State of the Industry Research            CEO Peer Exchange / Networking            Semi-annual Conferences            Semi-annual Consultation            Regimented Benchmarking Services            MarshBerry.com            The MarshBerry Letter and other Monthly Publications            Priority Consulting Opportunities            Exclusive Programs            Distance Learning Groups (DLGs)</p>	<p><b>Strategy</b>            Acquisition Planning            Deal Return Modeling            Strategic Options Analysis            Alternative Buyer Comparison</p> <p><b>Preparation</b>            Sale Preparation Management            Offering Memorandum Development            Strategic Pitch Book Design            Candidate Profile Creation</p> <p><b>Representation</b>            Buy Side Representation (including Search and Screen)            Sell Side Representation            Letter of Intent / Negotiation            Creative Deal Structure Alternatives</p> <p><b>Analytics</b>            Agency Fair Market Valuation            Market Comparables / Benchmarking            After-Tax Return Optimization            IRR, ROI and EPS Analysis</p> <p><b>Execution</b>            Diagnostic Due Diligence            Confirmatory Due Diligence            Intangible Asset Allocation – GAAP Rep.            Fairness Opinion            Definitive Agreement (Best Terms / Conditions)</p> <p><b>Post-Deal Management</b>            Post-Closing Integration            Goodwill Impairment Testing            Peer to Peer CEO Exchange            Earn-Out Maximization Consultation</p>

MarshBerry's clients are committed to realizing their fullest potential with respect to growth, profit, survival and shareholder value. Our agent, broker, bank and carrier clientele engage us to achieve their goals within the retail and wholesale channels of the insurance distribution system. Our unparalleled industry-specific services include consulting, performance benchmarking, peer-to-peer exchange networks, merger and acquisition intermediation and producer recruiting.

MarshBerry • 4420 Sherwin Road • Willoughby, Ohio 44094 • 800-426-2774 • [www.MarshBerry.com](http://www.MarshBerry.com)

