# The Numbers Behind an Independent Insurance Agency

*A free field guide from Bytell Press. The figures come from our example financial model for a new independent agency writing personal and small-commercial lines. They are planning assumptions, not quotes for your market; the worksheet at the end is for your own numbers.*

A new agency rarely fails because the owner cannot sell a policy. It fails because the cash ran out before the renewals started to pay. This guide gives you that arithmetic in two pages.

## 1. How the money comes in

An agency does not set the premium. It is paid a **share of the premium its clients pay**, and it is paid again each year a policy renews. The example model uses these lines:

| Income or cost line | Model figure |
|---|---|
| Commission on personal and small-commercial premium | 10–15% of premium |
| Contingency or profit-sharing bonus | 2–4% of eligible premium |
| Blended yield across the whole book | About 13.5% of premium |
| Cost of producing and servicing the book | About 42% of revenue |
| **Gross margin** | **About 58%** |

The margin is in the renewal, not the first sale. In the model, a household paying $3,200 a year in premium for auto and home earns the agency about $416 in the first year. Kept at 88% retention, that one household is worth about $2,050 in commission over seven years.

## 2. What it costs to open

The example model opens on about **$75,000**.

| Use of funds | Amount |
|---|---|
| Working-capital reserve | $50,000 |
| Office and technology setup | $12,000 |
| Insurance deposits and first marketing | $9,000 |
| Onboarding fees and training | $4,000 |
| **Total** | **$75,000** |

Most of the money is the reserve, which pays the bills while the book is still small.

## 3. What it costs to stay open

The model carries these costs every month, whatever the book brings in:

| Monthly fixed cost | Amount |
|---|---|
| Office, insurance, software, phone, utilities and misc | $2,800 |
| Loan payment | $869 |
| Owner draw | $6,000 |
| **Total** | **$9,669** |

Marketing is not in this table. The model treats it as a variable cost of about 5% of revenue.

## 4. The break-even: the one number to know

**Break-even revenue = monthly fixed costs ÷ margin.**

Start with the 58% gross margin and take off the 5% for marketing. That leaves 53 cents of every commission dollar to cover fixed costs. With the model's numbers: $9,669 ÷ 0.53 = about **$18,243 a month** in commission income.

At a 13.5% yield, that is about **$1.6 million of premium in force**, or roughly 500 households like the $3,200 example. Without the owner draw, the same sum is $3,669 ÷ 0.53 = about $6,923 a month.

## 5. The ramp is the risk

The model does not start at break-even. It opens near $6,000 a month and takes **18 months** to reach a steady $24,000 a month, on about $2.1 million of premium.

| Point in the model | Monthly revenue | Against the $18,243 break-even |
|---|---|---|
| Opening month | About $6,000 | Well below |
| Average month in year 1 | About $11,833 | Below |
| Steady state, around month 18 | About $24,000 | Above |

Every month below the line is paid for out of the $50,000 reserve. Spend the reserve on early hires, or go light on lead generation in the thin months, and the book stops growing before it can carry the costs.

The 13.5% yield is counted before any share kept by a network the agency joins. If a network keeps a quarter of commission, the steady $24,000 becomes $18,000, which is under the break-even. The model's answer in that case is a reserve of $70,000–$80,000, a smaller draw during the ramp, or both.

## 6. Your numbers

Fill this in with your own commission schedule and costs before you sign a lease.

| Question | Model | Yours |
|---|---|---|
| Blended yield you keep on premium | 13.5% | _____ |
| Margin after servicing costs and marketing | 53% | _____ |
| Monthly fixed costs, with loan payment and your draw | $9,669 | _____ |
| Break-even revenue (fixed costs ÷ margin) | $18,243 | _____ |
| Premium in force to break even | $1.6 million | _____ |
| Opening cash reserve | $50,000 | _____ |

If your break-even sits further out than your reserve can carry you, fix the plan before you open: hold more cash, take a smaller draw through the ramp, or raise retention so each household pays for longer.

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