

## What You Should Know Before Joining an Agency Network



**T**oday is a great time to be an independent agent, but running an independent agency is not easy. Without an awareness of how the industry is evolving, and having access to ongoing training and education, you may not be adequately preparing for the future. If you are too busy handling day-to-day business so there is no time to work on growth simultaneously, you could lose your current and potential clients in a hurry.



By Matt Masiello

Whether you are a captive or independent agent you need a solid foundation. Ask yourself: Are you a well-known professional in your community? Are you working with carriers that meet your clients' needs? Are you technologically savvy with a fully automated office? How about a year from now? You need to know how you will drive growth and profitable results in the long term and, with the prevalence of innovation and technology impacting the industry, how to evolve as the industry does.

In this context, you may do better as part of a larger team. Many independent agents are joining alliances/networks, clusters and aggregators to generate more revenue, while experienced producers may join to follow their dreams of opening their own independent agency. If you're consid-

ering joining one of these organizations, remember the saying, "Only fools rush in." If you don't have the answers before joining, you may regret it in the long run.

That's why it's important to thoroughly research the differences between the options you're considering. Here, I will focus on the questions you should ask to make the best choice and to understand the majority of services available to an agent today.

### Networks

Networks are valuable in many ways. They can provide a path to building your business, help insurance professionals to own and operate their own independent agency, provide extensive training and education to build personal, commercial and specialty income, and help carriers and independent agents grow, helping the distribution system overall.

When evaluating networks, first, understand where your business is today. Before you sign any contract, get granular and review your agency by examining your Strengths, Weaknesses, Opportunities, and Threats (SWOT analysis):

- Is your book of business solid?
- Have you built a recognizable local brand?
- Do you have the technology to interact with clients through multiple channels?
- Are there weaknesses that stand out and how are you addressing them?

- What opportunities do you have that you have not yet explored?
- Are there threats to your agency's survival such as increased competition or high turnover?

Remember, any worthwhile network/alliance will also perform their due diligence on you and your agency. Recruiters of a quality network will examine your history and production to ensure you have the skills, experience, etc., to succeed. If they don't, you should question the potential impact of their other members on the organization as a whole and your agency. They should also work with you to identify areas where their organization can help you meet your needs and goals.

### Understanding the Fine Print

The network you join should align with your branding and reflect the quality you seek. Without vetting the network properly, you will bring tension to yourself and your team. Here are questions to ask a network before joining. The answers will bring transparency to the relationship and should remove any unpleasant surprises.

**1. Short/Long-Term Goals:** How will the network help you obtain your goals in the short and long term? Can they help you become sustainable for the long term? Does the network have a proven track record, service and benefits for the life cycle of your agency? How exactly will you

have access to insurance companies? Will you have access to preferred, standard, E&S and specialty markets and at what compensation levels?

**2. Other Services:** What are the other services offered; how are they delivered? Today, just gaining access to markets or aggregating some premiums is not enough for success. Do they have field representatives to act as a go-to resource for a startup agency or existing agency to continue to grow? Is access to services and benefits available 24/7? Will the network help your business grow through training in new markets such as cyber, commercial and niche markets? Will they show you how to become fully automated so your business runs efficiently and creates a seamless experience for your clients? Get specifics on agency development tools, services and training. Meet the people who will provide these services. Ask them to show you their results.

**3. Carrier Access and Commissions:** How are carriers accessed and commissions paid? How is new business placed; whose name is on the policies? Do you have the ability to earn direct codes? If you do, are all commissions paid directly to the producing agent by the writing company? How will you qualify for additional profit sharing, bonuses and overrides? How and when are these payments distributed? Does the network measure key performance indicators with you?

**4. Contract Details:** Does the contract take into account the short and long term, including the ability to leave with clients and carriers? Make sure the contract addresses the beginning, middle and end of the relationship. Understand who owns the business. Make sure that if the affiliation fails, you not only own your clients and accounts, but you also can take your commissions and the ability to represent your insurance companies without restrictions. Some organizations say they don't have any non-compete restrictions, but they prohibit you from representing your carriers in the event of an exit and provide no alternative path. Ask how the

business will be transferred in the event you terminate.

**5. Financial Performance:** How has the network performed financially, with carriers, member agencies and profitability (loss-ratios)? Do they work with successful carriers? How will they help you drive down operating costs and improve your margins? Many new organizations are moving into the market access and insurance distribution business. Make sure you're not joining a flash-in-the-pan option that is not sustainable for the long-term with proven results.

**6. Profitability and Benchmarks:** How is the profitability (loss-ratio) and experience of other members monitored to assure that you have income and carrier access down the road? What benchmarks are set for new business, loss-ratios and total premium? Does the network give attention to book quality? For profit sharing, incentives and overrides, how is compensation earned and distributed? Ask for complete transparency and examples.

### Comparing Other Distribution Models?

Aggregators and clusters may boost profits without providing any ongoing training and education. Make sure you are confident that you have everything you need before choosing an aggregator or cluster vs. a network. Understand the advantages and disadvantages of each before you decide.

With aggregators, agents get access to insurance carriers' contracts. Aggregators provide market access and aggregate premium, sometimes adding compensation but without support services or tools. They tend to be transaction-oriented, based on writing and placing policies, not focused on helping you grow your overall agency.

Clusters can be a formal joint venture or a loose affiliation to combine books in order to receive higher commissions or profit sharing. Members maintain ownership of their accounts and agency and operate individually. Generally, clusters are formed to increase income by combining carrier volumes. If you opt for this route, make sure you understand how premiums

with carriers will be replaced, to prevent reductions in contingencies, if members sell or leave.

Whether you want to move from an exclusive agency model and open an independent agency, or you're an independent agent who wants to increase stability long-term, joining a network can ensure you maintain your competitive edge. Quality agency networks offer not only increased carrier access, but also the ongoing training and education, as well as additional support services your agency needs to thrive well into the future.

At the end of your research on a potential network partner, ask yourself: "Through this process, does it seem that my overall agency's success is as important to the alliance as it is to me, or are they just focused on placing business and receiving fees or commissions?" Your response to that speaks volumes about what you really learned. **■**

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