



A Path to Independence

Considering an agency network? Here's how to evaluate your independent agency options.

Whether you are an insurance agency owner seeking to generate more revenue, an experienced producer following your dream of opening your own business, or part of an exclusive agency system considering independence, it is inevitable that you will consider the large number of aggregators, clusters, and alliances as a credible path to independence.

While it's important to thoroughly evaluate these opportunities, comparing one group to another may very well be like comparing classical music to rock and roll.

The intent of this document is to provide you the questions to ask any organization offering to help you transition to independence.

...and yes, this document is a bit biased as we, SIAA, offer you our responses to these commonly asked questions. Please know that if you walk down the path with us, you'll quickly learn that we are transparent and dedicated to the creation, growth and evolution of the local independent agent.

For 40 years, we've strived to help insurance agencies, and our results show that by doing the right things, rewards can be shared at all levels.

First steps in the process: It's all about YOU!



Tom Steckler, Tom Steckler Agency, Inc., Fort Wayne, IN

"SIAA has delivered on every promise they made me. Finally, I am competitive, and I will never have all my eggs in one basket again! I am excited about the future."

Member Agent of Underwriter's Alliance of Indiana

Define your goals. What do you want to do, where do you want to be in 1, 3, 5 and 10 years? Be careful to not make decisions based on today's needs alone. Identify your Strengths, Weaknesses, Opportunities and Threats (SWOT) for today and for the potential life-cycle of your agency. Write them down and, as you review the opportunities before you, make sure your best options address your needs.

Key questions to ask when considering an affiliation:

- Will the organization help you obtain your goals in the short and long term?
- What are the other services offered; how are they delivered?
- How are companies accessed and commissions paid?
- Do they have a proven track record of helping successful insurance professionals establish an independent insurance agency?
- Does the contract take into account the short and long term, include the ability to leave with clients AND carriers?
- How has the organization traditionally performed financially, with carriers, member agencies and profitability (loss-ratios)?

Making Sense of Independent Agency Models: Insurance Aggregators, Clusters, and SIAA

Insurance Aggregators:

- Insurance agents join an aggregator to get access to insurance carriers' contracts.
- Aggregators provide market access and aggregate premium, sometimes with additional compensation, but without support services or tools.
- This relationship tends to be very transaction oriented and simply based on writing or placing policies.

Clusters:

- A group of agents form either a formal joint venture or a loose affiliation to place their individual books of business as part of a larger book in order to receive higher commissions or profit sharing.
- Cluster members maintain independent ownership of their accounts and agency and continue to operate individually.
- Generally, clusters are not formed for aggressive premium growth, but rather, to increase income by combining carrier volumes.
- Due to lack of organic growth, many clusters are struggling, especially as some larger agents sell or exit the group.
- Without organic growth and cohesive management and services, clusters are under increased pressure from their own member agencies as well as from insurance companies looking for a return on profit sharing.

In the September 18, 2023 edition of Insurance Journal, the magazine published its annual **Top 20 Agency Partnerships** article, which stated that at the end of 2022 there are more than 150 insurance networks nationwide, representing about 22,000 agencies, controlling approximately \$138 billion in total premium. That's an indication of the volume of business being handled through the channel.

There are many options for agencies to consider as they move towards independence. Look at a few and take the time to understand how the business model **and the people** can help you. It's NOT black and white and it's incredibly important to choose the right fit to meet your goals!

The SIAA Difference:

- SIAA is perennially number 1 or 2 on the Insurance Journal List, and has been since the list was introduced.
- SIAA is neither an aggregator nor a cluster. We started our alliance with an idea to help other agents grow their entire business, a model which is now proven to help the independent agent and the independent agency distribution system grow.
- SIAA has assisted over 4,800 insurance professionals realize their dream of owning and operating a successful independent insurance agency.
- While SIAA is a significant organization, it's important to understand that it is comprised of 49 regional Master Agencies located throughout the United States.
- These regionally based organizations can work with you to define and customize the path from your exclusive agency to your independent agency.
- Collectively, SIAA and the Master Agencies have hundreds of insurance professionals including a field force of over 160 individuals incentivized to help you succeed!



David W. Kushner, Kushner Agency-Nationwide Insurance, Gaithersburg, MD

"Having the opportunity to represent additional commercial carriers and partnering with SIAA/Potomac Insurance Network has been successful for our agency. Truly valuable for us, was:

1. Referral process for acceptance and appointment of commercial carriers.
2. Direct appointments/Commission Statements to agency- not third party.
3. No Non-Compete.
4. Established Bonus Program.

I look forward to expanding our relationship on personal lines when contract permits."

Member Agent of Potomac Insurance Network

Questions to ASK: (and Answers from an SIAA perspective)

Q: Will the organization help you obtain your goals in the short and long term? Simply having access to insurance companies and aggregating premiums will not make an independent agency successful.

A: SIAA is committed to helping its Member Agencies become sustainable for the long term. An agency is not built overnight, and the services and benefits needed will change over time. Our business model is unique, based on the overall performance and success of our Member Agencies.



PJ Lewis, Homestead Insurance Group, Frederick, VA

“SIAA has been great to work with, securing the appointments I need to be competitive, and are always there whenever I need them.”

Member Agent of Mountain Empire Agency Alliance
(NC, TN, and VA)

Every agency owner is different. The lifecycles of an agency will vary, and you should make sure that your potential relationship has a proven track record and services and benefits for the lifecycle of your agency, not just the tools to get started. Our model has been operating successfully since 1983, showing continuous growth and an ability to evolve as the needs of independent agencies evolve.

While many organizations provide access to insurance companies that may otherwise be unavailable to the independent agent, how they go about providing this access varies widely. SIAA provides broad access through various means to preferred, standard, E&S and specialty markets. SIAA is also more than just company access, it's a model uniquely focused on providing Member Agencies the tools for success. This can include agency access to mentors, the ability to work with our Agency Growth Coaches, marketing support, programs & specialty markets, E&S partnerships, training and education, life & benefits partners, and perpetuation planning. These services are available when you need them to run a successful independent insurance agency.

We urge to you take the time to understand the key differences in business models.

Q: What are the other services offered; how are they delivered?

A: SIAA and the Master Agencies provide four key benefits:

- Company and Market Access (to include standard, E&S, program and specialty markets)
- Enhanced revenue programs to increase agency income
- Agency Development Services
- Technology and Data

Company and Market Access
Enhanced Revenue Programs
Agency Development Services
Technology and Data



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| <p>/Portfolio Management Service Fees™</p> | <p>Quarterly and year-end strategic partner incentives paid to member agencies. Year-end incentives based on overall book performance.</p> |
| <p>/Business Insurance Advantage</p> | <p>Step-by-step program designed to efficiently build “main street” commercial lines books of business for member agencies and strategic partners for retention, income and value.</p> |
| <p>/SIAA MarketFinder</p> | <p>Exclusive web-based resource for member agencies to access numerous excess & surplus lines and specialty markets, as well as strategic partner program business.</p> |
| <p>/Agency Foundation 3.0</p> | <p>Fast track system to help new members become successful and profitable independent agencies and agency owners. Real-time assistance and support to start-up independent insurance agencies. Creating a solid base for agency growth, income and value.</p> |
| <p>/TechFinder</p> | <p>Web portal for SIAA member agencies only, providing access to technology vendors who deliver information and products with exclusive discounts for members.</p> |
| <p>/Marketing</p> | <p>Marketing services and tools needed to increase sales, cross-sell, and retain clients – includes traditional, digital, and social marketing channels.</p> |
| <p>/Training & Learning Center</p> | <p>Sales training, continuing education curriculum and more - designed to help member agencies increase growth, income and value. This training resource, including insurance agency product education, assists member agencies in preparing for the future.</p> |
| <p>/Premier Families</p> | <p>Premier Families is a Training & Learning Center based, self-study program offered in a format to provide member agencies the convenience of taking the course on their schedules. Those taking the program learn how to identify, market to, and service personal lines of high-value clients in order to become their trusted advisor.</p> |
| <p>/Book Profitability Management</p> | <p>In concert with strategic partner companies, actively identify, monitor and manage member agency business placed with strategic partners for quality and profitability.</p> |
| <p>/Direct Access/AccessPlus</p> | <p>Used for member agencies to access non-appointed carriers and provide a gateway to earning direct codes. Ultimately, our goal is to have over 95% of member agency business placed in direct codes.</p> |
| <p>/Life & Benefits</p> | <p>Providing revenue, account-rounding, and retention of clients through life insurance (and group & individual benefits and supplemental coverages) by making submissions easy with quality partner companies and favorable commissions.</p> |

The four key benefits of SIAA are implemented with well-defined and proven processes and programs:

These programs are implemented both nationally and locally through dedicated teams of insurance professionals or through the SIAA Training & Learning Center, which today has over 8,000 active students.

Key to success are the Agency Growth Coaches. These individuals, with significant independent agency experience, are the SIAA Member's gateway and 'traffic cop' to all the services and benefits, and can act as a go-to resource with the transition to independence and as the agency continues through its lifecycle.

SIAA also provides access to all services, benefits and financial information relative to the business relationship between the Master Agency and Member on our Members' portal at siaconnect.com.

Ask your local SIAA representative for a tour of the site or for additional details on any of the services.

Q: How are companies accessed and commissions paid?

Make sure you know how new business is placed, whose name is on the policies, and most importantly, how commissions are paid. In some instances, organizations will direct the placement of accounts or use their facility as a commission pass-through. In these instances, agencies should make sure they are receiving the full benefits of any preferred commissions.

- A:**
- **Direct Access:** Members have the ability to earn direct codes. Upon receiving the direct code, all commissions - including any preferred commissions - are paid directly to the producing agent by the writing company. Policies are issued in the Member's name and the Member now qualifies for any additional profit sharing, bonuses and overrides.
 - **AccessPlus:** Members may also access the placement facility in the local Master Agency, AccessPlus. AccessPlus allows agents to place business with non-appointed insurance companies. This allows Members to place business while learning about the company's competitiveness and appetite, while using the production to ultimately earn additional direct access codes. Upon earning direct access, all business is transferred to the direct access code.

Note: Over 95% of all SIAA business is placed via Members' direct access.

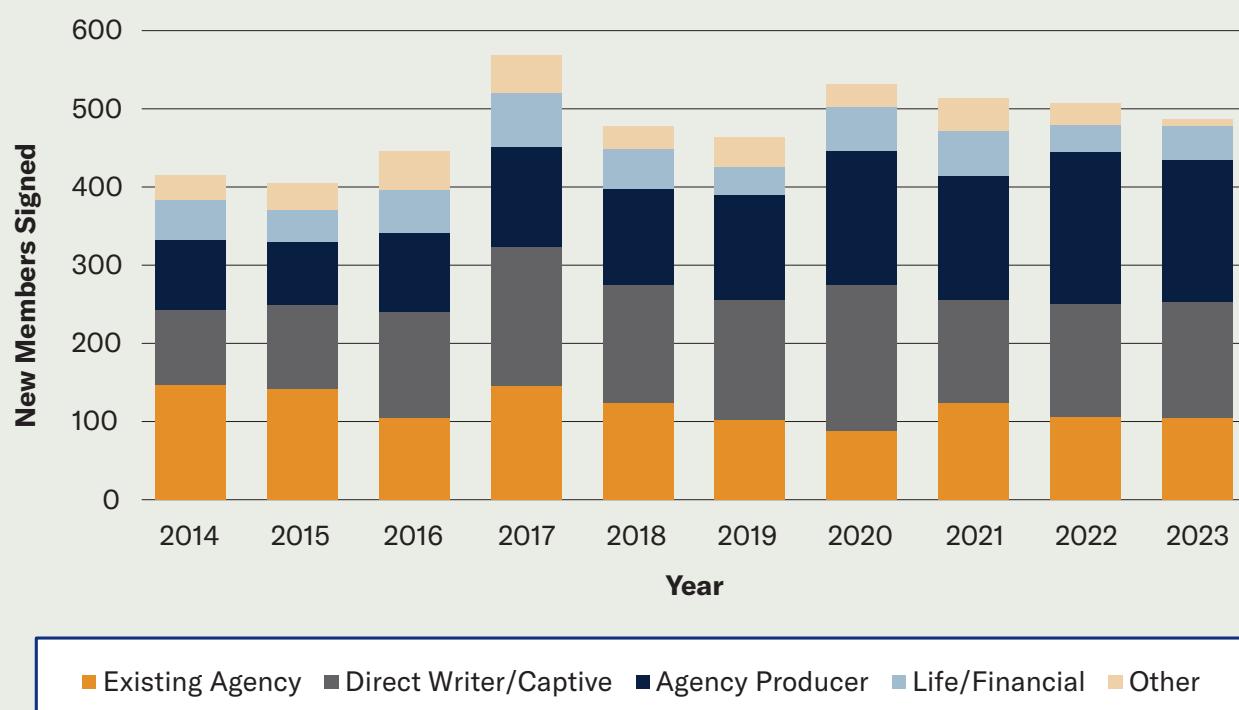
- **Alternative Market Access:** Not all business fits standard insurance companies. SIAA and the regional Master Agencies have developed significant relationships with national Excess and Surplus Wholesalers as well as numerous program and specialty market providers. Members can utilize SIAA's MarketFinder functionality on SIAAConnect to quickly identify the appropriate market access. These Market Access partners provide direct access, enhanced commissions and additional overrides.

Q: Do they have a proven track record of helping successful insurance professionals establish an independent insurance agency?

Many organizations suddenly see an opportunity to assist exclusive and captive agents in making the transition to independence. You should discuss how their people, services and benefits will help with your transition. Ask for references - these agents may help with your decision and may also become a good source and relationship for you in the future.

A: SIAA has a proven track record of assisting over 4,800 insurance professionals transition to their independent agencies. Member Agencies have access to the regional resources of the Master Agency teams, which includes the Agency Growth Coach as well as the SIAA Training & Learning Center. Former exclusive agents will find these resources similar to those they enjoyed as part of a larger insurance company.

Experience of New Member Agencies Signed



Q: Does the contract take into account the short and long term; does it include the ability to leave with clients AND carriers?

Notes: Take the time to understand the agreement before joining any organization. If you don't understand it, make sure to schedule detailed discussions and contract review. If there are clauses you don't understand, seek to understand the business intent. If that does not satisfy your concerns, take the contract to a business attorney. Any quality organization focused on the long term will make the time to get you comfortable with the agreement you are signing.

Make sure the contract addresses the beginning, middle and end of the relationship. Understand who owns the business. Many organizations will state that you own the business, however, there are many forms of ownership.

Some organizations will say that you own your clients, but you later learn that if you leave, they keep your commissions and/or prevent you from representing insurance companies for several years. This is, in essence, taking the ownership of your business while limiting your future company access and ability to grow beyond the affiliation.

Make sure that if the affiliation fails, you own not just your clients and accounts, but that you can take your commissions and the ability to represent your insurance companies without restrictions. Ask how business will be transferred (cancel/rewrite, broker of record letter or code transfer) in the event you terminate.

A: SIAA and the Master Agencies strive to make sure that any agent joining our organization knows the terms of the agreement for the beginning, middle and end of the relationship. It's imperative that when working with SIAA, you understand the business model, contract and the benefits to your independent agency. At the end of the relationship, Member Agents have the ability to leave with clients, commissions and carriers.

Q: How has the organization traditionally performed financially, with carriers, member agencies and profitability (loss-ratios)?

In recent years, there have been a multitude of new organizations moving into the market access and insurance distribution business. Your insurance agency is your most important asset, and with the ability to become independent, your value will increase exponentially.

Notes on performance: Do not be fooled by the newest or 'next best thing'. If an organization is comparing itself to others, with the only difference being the 'price', challenge them to provide facts. Additionally, get specifics on services and training. Most importantly, meet the people who will be providing these services! Ask them to SHOW you their results.

A: Operating since 1983 (as founding Master Agency SAN), SIAA and the Master Agencies operate throughout all 50 states and the in-force written premium is over \$12.8 Billion.

SIAA is one of the largest independent agency writers with numerous insurance companies and, in several instances, the largest source of new business for these companies.

This size and these results place SIAA in a unique position to support its Member Agencies.

Notes on profitability and production results: How is the profitability and experience of other members monitored to assure that you have income and company access down the road?

A: Over the last 40 years, SIAA's Strategic Partner Companies have come to rely on the growing SIAA alliance to meet certain benchmarks in new business, loss-ratios and total premium. SIAA employs a proven book management process to the benefit of all involved.

This attention to book quality ensures each SIAA Member Agency will continue to be offered the best possible commissions, incentives and markets available.

Notes on profit-sharing, incentives and overrides: When joining an aggregator, cluster or SIAA, make sure you understand how compensation is earned and distributed. Can they give you complete transparency and examples?

A: SIAA strives for complete transparency and your understanding of how you can maximize your revenue. We have a unique compensation program that gives Members the ability to participate in up to 5 different ways to increase revenue on a book of business with each of our 35+ Strategic Partner Companies.

Your local SIAA representative can share redacted examples of actual Members' financial participation as well as examples of your potential revenue opportunities based on your business and participation.

For growing and participating agencies, an affiliation with SIAA and the Master Agency can cost nothing and, in many instances, generates a positive cashflow to the Member. Essentially, once an agency hits their stride, they will receive more than they pay for the affiliation and still have access to all the services and benefits.

We welcome you to take the time to learn more about how SIAA can assist you in the transition to independence and to develop a path to meet your needs and goals. You may like what you see, and at a minimum, you'll have all the right questions to ask other organizations in your decision-making process.



***We make a difference in people's lives
by helping them build successful careers and businesses.***