



THE MASTER PLAN

TO STARTING AN INDEPENDENT INSURANCE AGENCY

IPA



OUR MISSION

Our mission is to provide agents with the very best opportunity to own and operate an independent insurance agency so that they can achieve financial freedom. We speak with agents on a daily basis who are in the planning stages of opening their own agency or preparing to expand their existing agency and we have been asked by thousands of agents to advise them on how to get carrier appointments, how to choose the right business entity, how to pick the right E&O, which management system to use and everything else associated with building a successful independent agency.

We created this Master Plan to make sure that you know exactly what to do and what not to do as you prepare to start your own independent insurance agency or take your existing agency to even greater heights. This guide will support you with the information you need from now until the day you open your agency or until you're ready to take that first step of expansion.

In Part 1, you'll discover how to build your agency on the right foundation to set yourself up for success before you even open your doors.

In Part 2, you'll learn how to prepare for your direct carrier appointment applications and avoid many common mistakes that agents make as you gear up to go through this critical process.





PART ONE

In helping hundreds of agents start their own independent insurance agency, ***one of the key differences that we've seen between those agents that go on to achieve great success and those that ultimately fail is the existence of a well thought out plan going into it.*** In this section, we've laid out what you need to know and resources you can use to set your business up the right way from the beginning to protect yourself and save time and money.

SEPARATING FROM A CAPTIVE CARRIER OR INDEPENDENT AGENCY PRIOR AGREEMENTS

Knowing the best practices for leaving a captive carrier or independent agency can ensure a smooth transition to owning your own independent insurance agency and avoid a lot of headaches.

First, it is important to fully understand your current contractual agreement so you don't end up violating any of its terms. Breaking your prior agreement is a sure-fire way of derailing the exciting and memorable experience of starting your own business. While many agents have been told that non-compete agreements are not enforceable, in truth, carefully prepared and constructed non-compete agreements are enforceable in most jurisdictions.



Most producer agreements have some type of non-compete clause in them. These typically are in effect for one year from your date of termination or separation. The carrier or agency wants to keep you from taking your customers and policies away from them. The agreement may also impose restrictions on competing in the same business within a specific geographical area.

Independent insurance carriers and agency networks do not want to be brought into a legal situation, and often have language in their agreements that allows them to separate from you if you violate a prior non-compete agreement.

Find an attorney knowledgeable in contract law to advise you about anything you don't fully understand.



LEAVING

ON GOOD TERMS

It is always best to leave your current employment on good terms, especially if you are leaving an independent agency to start your own. Remember, you may be writing for many of the same carriers. You don't want the owner of the agency you are working for saying bad things about you to the carriers. They will be reluctant to appoint you if they think it may damage their relationship with the current agency owner.

The same holds true with the carriers you represented at your previous agency. If you were a problem at your current agency, the carriers certainly will not be interested in working with you again.

If your agreement allows you to take your business with you when you leave, be sure to get a release letter from your current agency authorizing you to move your business. It should either state you can move specified sub-codes or include a list of your policies. If you have your own sub-codes, be sure to obtain production and experience reports for your business. Carriers and networks will not allow you to move this business to them without these reports.

Captive agents often make the mistake of leaving their carrier without production and experience reports. These reports show how much premium you have written by line of insurance, and more importantly, they show your loss ratio. Remember, carriers and networks can't evaluate your past performance without these reports and leaving without them can cause delays.



ESTABLISHING

A LEGAL BUSINESS FOR YOUR AGENCY

Many agents start out as “sole-proprietors” because it’s the low-cost option and it saves time. They may operate the agency under a DBA name (doing business as), but this type of entity has no legal status apart from the individual. The agency owner will be personally responsible and liable for all that goes on within the business, regardless of the name they are operating as.

If you plan to form a “partnership” with another agent, be certain there is a written agreement between the partners. Once again, a partnership does not remove the liability from each partner personally.

Fortunately, there are two much better options that are easy to set up and will establish a legal entity separating the liability from its owners.

The first is an “S” corporation. An S Corporation keeps liability away from its individual owners and passes profit and losses through to its stockholders. There can be one or multiple stockholders. This form of entity was very popular until LLC’s came onto the scene.

The second, and by far the most popular amongst accountants, is the LLC. An LLC can have one or multiple owners. Accountants like it because of the flexibility it offers in passing profit and losses to its owners. It also keeps the liability away from its owners.



Your Secretary of State's business website can provide some valuable information and allow you to check the availability of business names you want to use.

Once formed, it becomes the legal entity, and everything related to the business should be in its name, including your E&O, office lease, utilities, credit cards, company cars, etc.

With an LLC or S Corporation you will need to obtain a separate insurance license for the agency. This can be done in fifteen minutes online with the National Insurance Producer Registry at www.nipr.com.

You may be able to establish a business entity yourself without much difficulty, but we recommend you seek the advice of your attorney and accountant about which business entity is right for you.

Here are two great resources:

Legal Zoom

<https://www.legalzoom.com/business/business-formation/llc-overview.html>

Swyft Filings

www.swyftfilings.com





ESTABLISHING

AN AGENCY OFFICE

HOME OFFICE

Many agents would like to operate their agency from an office in their home to keep their expenses down. This may limit the insurance carriers that are willing to appoint you due to the historical statistics showing a high probability that you will not succeed.

There are typically three types of business locations agencies consider for their office; a retail store front, an office building or park, and a virtual office space.

RETAIL STOREFRONT

Many captive agents operate their agency from a retail storefront. It's much more prevalent on the captive side than the independent side, probably due to the captive carrier's name recognition and its ability to drive traffic to their store. I believe many independent agents continue to operate from a retail storefront because they had success with it as a captive agency.



The cost of retail space is often higher than other locations, so as a business owner you want to be certain that the increased cost will generate enough new business to justify it.

There are many ways to help the public recognize your storefront as an independent insurance agency. Carriers offer outdoor signs, indoor electric window signs, and window decals, to give your agency name recognition from nationally recognized insurance company brands. Some carriers will offer to co-op the outdoor sign. In addition, carriers offer wall plaques, posters, and marketing brochures for the interior of the location.

OFFICE BUILDING

An office building is usually less expensive than a storefront location and offers other advantages such as a smaller efficient space, professional appearance, and ample parking. Agents that operate from an office building focus on direct marketing and building a referral network to drive new business.

VIRTUAL OFFICE

A virtual office offers a lot of optional amenities, such as a fully furnished office, multiple locations, phone reception, conference room, mail handling, administrative support, communal kitchen, office cleaning, and building security. An important thing to know is that many insurance carriers will not appoint an agency operating from a virtual office if the agent is not working from the location full-time.



COMMERCIAL LEASES

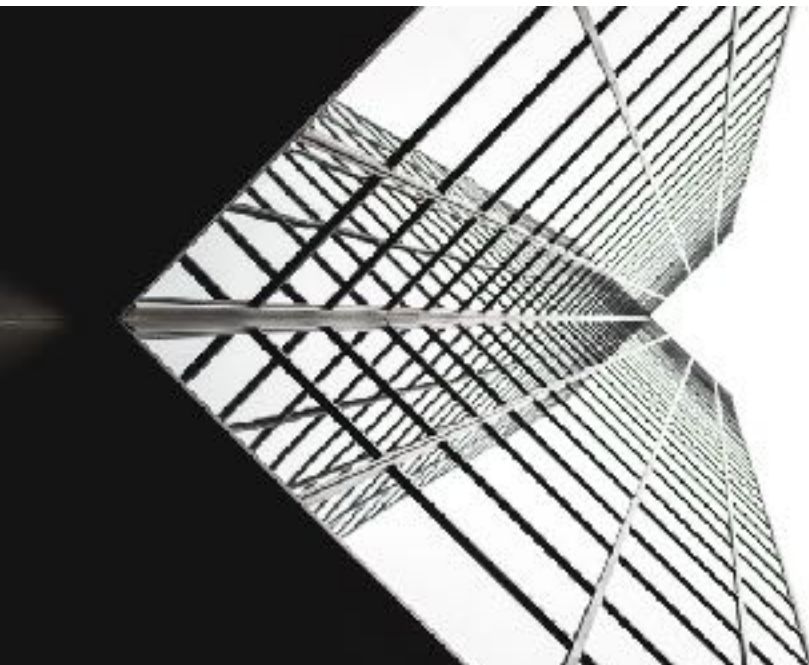
There are two types of leases you are likely to encounter. The first is a "gross lease", meaning you pay rent and the landlord pays for repairs, common area maintenance, and taxes. The second is a "triple-net lease", meaning you pay rent, as well as an estimated portion of taxes and common area maintenance or CAM. Taxes and CAM can vary from year to year and an adjustment is made to your rent each year based on the actual expenses incurred.

OFFICE FURNISHING AND EQUIPMENT

Office furniture plays an important role in the efficient performance of work. It creates a good working environment and can help your staff stay organized and perform tasks quickly. As far as possible, furniture of uniform quality and design should be selected for all areas of the office to give it a professional appearance.

Special attention should be given to chairs, since your staff will spend most of their day sitting in them. They should be adjustable in the seat height and back rest for maximum comfort.

Things to consider when purchasing furniture are cost, design, durability, space, appearance, hygiene, weight, safety, and adaptability.





COMPUTERS

A high processing speed is the main thing to look for when purchasing computers. Insurance carriers, agency management systems, and rating tools, are all internet based with cloud data storage – so speed is king. Cloud based solutions eliminate the need for expensive servers and licenses, give you a high level of client file security, make access available from anywhere, and assure your data is being backed up.

ALL-IN-ONE PRINTER

You'll want an all-in-one printer with a high-quality scanner at each of your workstations. Few people use fax machines anymore but you'll want to set up "fax to email" so you can receive them. Most documents are emailed as an attachment today, so a fast, high-quality scanner is essential. You will likely be asked to email confidential documents that include client information regularly, so you'll want to make sure your email is encrypted.



PHONE VOIP SYSTEM

Voice over internet protocol is the best phone system solution for today's small business. It is rich with features and low on cost. You can forward your calls to your mobile phone, record calls, have an auto attendant, voicemail to email, online fax, music on hold, multiple location interface, and more. Some providers may even include the phones for free.

PREMIUM

FUND TRUST ACCOUNT

Many states require insurance agency owners to maintain a separate bank account for premiums and return premiums to keep clients' premiums completely separated from the agency's business operating funds. Make sure to check your state department of insurance regulations regarding the specific requirements for your state.



The ideal way to set up the account is to have the words “Premium Fund Trust Account” listed on the bank account so that it is clearly identified on the account itself and on your physical checks. In most cases, the account cannot be an interest-bearing account so be careful not to set it up as a money market or savings account which earns interest. You'll want to look for an interest-free checking account with “no monthly maintenance fee” and “no transaction fees”. Keep in mind that if your bank ever does deduct any type of fees from the account, you will need to immediately reimburse the account to keep the account “in trust”. If your agency grows to the point where you are depositing several premium checks each week, you may want to see if your bank offers a remote deposit option to save you time driving to the bank.

It is critical to maintain detailed record keeping of each transaction in the event you are ever audited. Some states require that you save those records for 7 years or more – so make sure to read your state's guidelines. Be sure to also look for your state's requirements regarding service fees as many states require you to keep proper documentation and signatures for service fees collected as well.



AGENCY

LOANS

Whether you're in need of working capital for your agency or to purchase a book of business, there are a handful of financial institutions that specialize in working with insurance agencies. Here are some resources that can help with an Acquisition Loan, Refinancing Existing Debt or Working Capital:

<http://capitalresources.com/agencies-we-lend-to/independent-agents/>

<http://www.crestmark.com/industries-solutions/insurance-agencies/>

<http://www.merger-acquisition.net/services/agency-financing>

<https://www.oakstreetfunding.com/insurance-agency/>

<http://www.springtreegroup.biz/>

<http://www.midwestbusinesscapital.com/>

<https://www.liveoakbank.com/small-business-loans/independent-insurance-agency-loans/>



AGENCY

MANAGEMENT SYSTEM

When utilized properly, the agency management system is the engine that runs your agency. It will maintain a database of your customers and policies, manage your leads and marketing campaigns, track X-dates, integrate with fillable ACORD forms, integrate with your comparative rater and much more. Choosing the right management system for your agency is a big decision and there are several things that you should consider.

It's important that you find a system that is intuitive and that is going to be easy to use for you and your staff. It's also wise to choose a system that's been proven and has been around for several years. There are always newer systems coming out that have all the bells and whistles but may not have some of the basics nailed down like policy downloads and comparative rater integration.

Make sure to schedule a demo of any management system that you are considering to get a feel for what it's going to be like to actually use it. It's good to have a list of questions prepared for each demo and we've compiled a list to help you get started:

- How can I import my existing prospects/leads/data?
- What kind of marketing features do you offer? Do you have pre-existing templates that I can use for emails/letters, etc.?
- What type of reporting capabilities are available?
- Do you offer any accounting features or do you integrate with QuickBooks or any other accounting software?
- Do you download policies with all of my carriers? How do policy downloads work? Do you provide assistance in helping me get my downloads set up? What information do you need from me to help facilitate that process?
- Does the system have ACORD forms built in to it?
- What type of customer support do you offer? What type of initial and ongoing training is available? Do you have a video library on different training topics if I get lost?
- Which comparative raters do you integrate with? How does that work? If I have a consumer quoting portal on my website with my comparative rater, will it pull the data into the management system automatically?
- How can I export my data in the future if I ever decide to change systems? What is the cost for that and what type of data can be exported? (When you are moving from one system to another, most will prefer the data be in a .CSV format – is that available?)
- What is the initial setup fee? How much is it to add additional users in the future? How much does it cost for policy downloads? Are there any other costs?
- What is the term of the contract? Does it renew on an annual basis or month to month?
- Do you offer a trial period so I can test it out?





TIP FOR SCRATCH AGENCIES:

A management system can be a significant monthly expense for a startup agency. While the sales rep for any system will tell you that it's important to get the system now so that you can learn how to use it before you open your agency, we would recommend that you start writing some business and get some cash flow coming in before committing to this monthly expense. You can manage a handful of customers without a management system until you really need it and you'll know when you reach that breaking point. This tip alone could save you \$500 - \$1,000 during your first few months in operation.

There are 2 systems that we recommend you look at:

QQ Catalyst is a lower cost option which is very simple to use and has all the basics that you need. It's nothing fancy but it's a solid system. You can learn more here:

<http://www.qqsolutions.com/solutions/agencymanagement/qqcatalyst/>

EZLynx is at the higher end of the pricing spectrum which has the latest technology and all the features that an agency could ask for. For those of you who are IPA affiliated agencies, keep in mind that you are eligible for a member discount. You can check their system out here:

<https://www.ezlynx.com/management-system.html>





AGENCY WEBSITE

For over 15 years, Websites4Insurance has been helping Insurance Agents/Brokers, Carriers and MGA's enhance their Online presence. IPA has partnered with Websites4Insurance to help provide you with everything that you'll need to run your site – from proven designs to professionally written insurance content to hosting in a world-class data center. Best of all, you can launch your agent website today without hiring an expensive web designer or writing a single line of code. It's never been easier to create your agency's website! Click here to learn more:

www.insuranceprowebsites.com





COMMISSION

PROCESSING VENDORS

If you've run an agency with multiple producers in the past, you can probably relate to the nightmare of trying to manually calculate everyone's commissions at the end of each month before your payroll deadline. Thank goodness there are tools out there to help! For those of you who have to divvy up commissions between multiple producers, we've come across a few vendors with software that can help automate a lot of the process and save you many hours, if not days, each month doing manual calculations. Check them out here:

<https://www.qcommission.com/>

<http://corecommissions.com/>

(IPA affiliate agencies can link their account to IPA's master account with Core Commissions to save even more time!)



ACCOUNTING

SOFTWARE

If you're still in the planning stages of your agency, one of the first decisions you're going to have to make is how you're going to keep track of your agency's financials. One of the most popular online solutions is QuickBooks (<https://quickbooks.intuit.com/>) which is an affordable option. It's very easy to use and certainly a software that your accountant will be familiar with when it comes time for tax preparation. When you start shopping for an agency management system, some of them offer an accounting feature which is very helpful to keep everything in one place. But keep in mind that some agency management systems also integrate with QuickBooks or other accounting apps – so make sure to ask about that when you're going through the demos of the management systems.





PASSWORD MANAGER



If you haven't already run into this, you'll quickly learn that managing of all your passwords as an independent agency can get out of control. Everything involved in the business has a login and password – from all the carrier websites and management systems and raters to your vendor providers for internet, phones, utilities, payroll, licensing, taxes, you name it – there's a login to keep track of! Many of you probably have a scratch pad or an excel document to try and save everything on but it still takes a lot of time going to each site, clicking on the login section, entering your username and password. And for those of you with staff members who may be sharing logins for certain sites – it's a constant back and forth of, "Who changed that password?" and, "I'm locked out again!" Does that sound familiar?

When our agency started using RoboForm to manage our passwords, it was a game changer. We can't even fathom not having it anymore and everyone who we've recommended it to has said the same. If you aren't already using a password manager – you need to check this out. One click to go to any site and it automatically logs you in. They now have a business product that is perfect for an agency with multiple employees who share logins and you can control everything from one central console. Click here to learn more: <https://www.roboform.com/?affid=inspr>



LOGO

DESIGN

If you're in need of a logo for your agency, <https://99designs.com/how-it-works> is an awesome site that can provide you with dozens of designs in just a few days. First, you tell them a little bit about your agency and what you are looking for. Next, you select a prize package for the artist who designs the logo that you end up choosing. Third, you launch your contest and it goes out to designers all over the world who compete to win the prize package. You can provide feedback as the designs start to come in so that the artists can get a feel for what you like and don't like. After 7 days, you choose the design you like the best and you receive the design copyright. If you need a logo, check it out!



BUSINESS CARD

& EMAIL SIGNATURE DESIGN



If you're looking for a beautiful email signature that includes your photo, logo and clickable social links, <https://www.fiverr.com/> is a great option which offers a wide variety of graphics and design solutions for as low as \$5. There are tons of other services available including business card design if that's something you're in need of. You can select the artist you want to work with and get it turned around in just a few days. Keep this site saved as a favorite for when you're in need of designs for things like banner ads, stationery and social media covers.

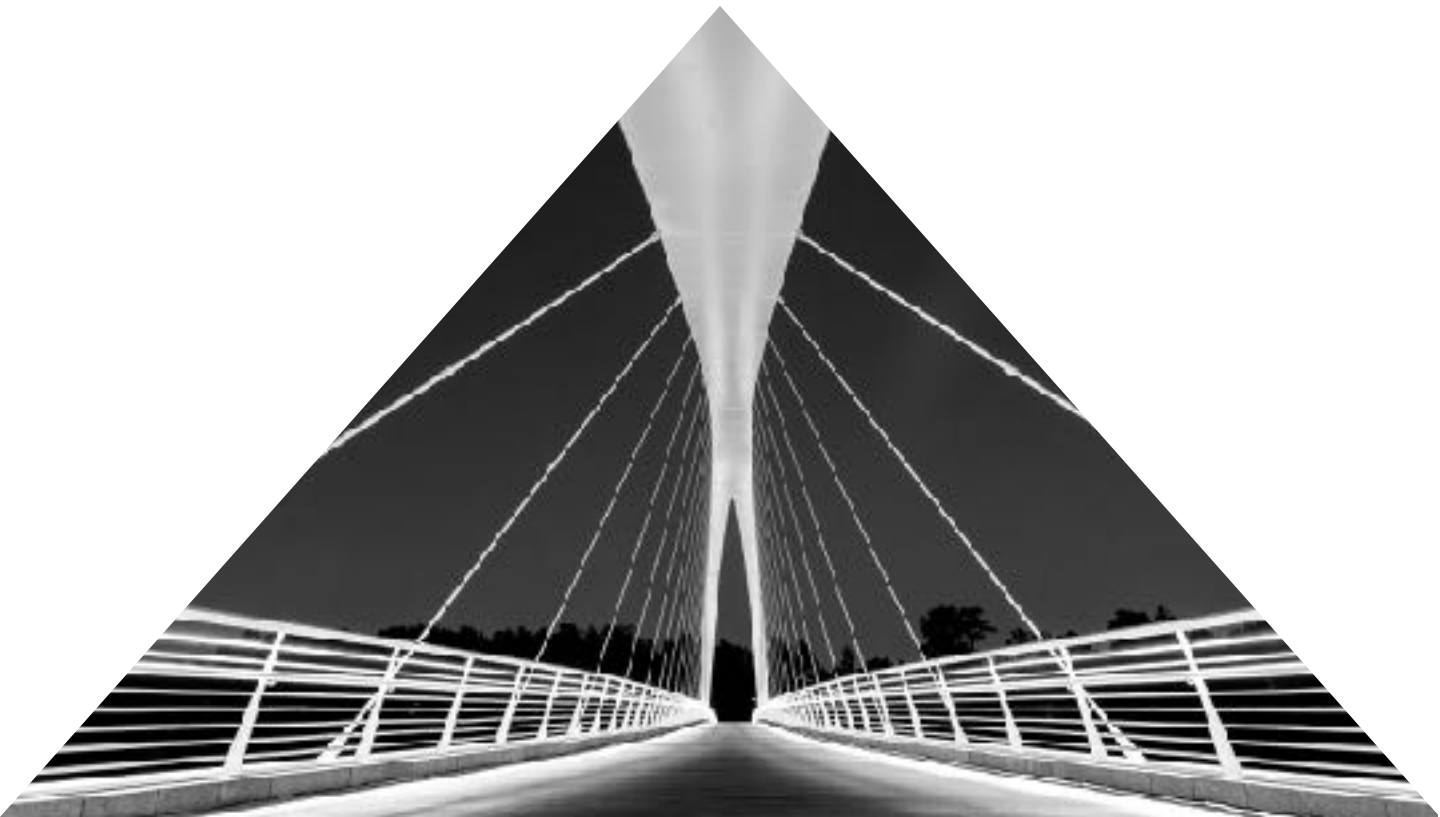


WRITING

THE IMPORTANCE OF WRITING AND PROPER GRAMMAR

Having excellent writing skills is becoming more and more important in the way we communicate with our customers and is a key component to being a top producer. As an insurance agent, the way you write can leave a good or bad first impression with a customer or even an insurance carrier representative. The good news is that it's very easy to improve your writing skills in today's world. There are some great books and even software that can help you with your grammar.

If you struggle at all with grammar, we recommend installing a program called Grammarly on your computer. You can check out their website at www.grammarly.com. Grammarly integrates with Microsoft Word and Outlook to help you double check your writing before you send anything out – such as emails or social media posts.





PART TWO

In working with agents over the past decade, we've had experience in dealing with thousands of direct carrier appointments. There are a lot of things to be aware of as you prepare to go through this process and there is definitely a right way to go about it and many pitfalls that you'll need to avoid along the way. In this section, we've outlined 7 factors that play a key role in the carrier's decision to appoint or decline your agency. Just by being aware of the process and what it entails ahead of time will be of benefit to you but if you truly follow the advice provided here you will stand out from the crowd and give yourself the very best opportunity to get approved with each carrier that you apply for.



FACTOR ONE

EXPERIENCE REPORTS FOR YOUR TOP 3 CARRIERS

Make sure to have a copy of your most recent experience report readily available to submit with your direct appointment paperwork. If you're an existing independent agent, you'll want reports for your top 3 carriers.

Experience reports provide a summary of your history with each carrier. Carrier representatives want to see your track record for growth, retention and profitability across all lines of business. Some experience reports will reveal things such as the quality and total of your submissions and carrier decision makers will evaluate how that would potentially align with their appetite. Even details like the specific discounts you've applied and the percentage of your use of discounts appear on some reports and will be reviewed by each carrier you are applying to so they can check for abuse or missed opportunities.

Many carriers make these experience reports available online and post updated reports on a monthly basis. Typically, you'll find them on the carrier's website when you log in and navigate to the Administration or Management section of the site. If the carrier doesn't provide them online, you can request your experience report from the carrier's local marketing rep. It's extremely important that you obtain your experience report before you leave the carrier to change careers.

It's a good idea to get in the habit of reviewing and saving your monthly experience reports in a folder on your computer or in a binder organized alphabetically by carrier. If you are constantly monitoring your growth, retention and profitability, you can be quick to make necessary adjustments when needed to maintain a good relationship with your carriers. You can be sure that the carriers will reach out to you when there are areas of concern so it's always good to be on top of it ahead of time so they know you're working on it.

Here are some insights into what the carriers are looking for regarding growth, profitability and retention:

Growth: Carriers are always looking for growth and they expect it when an agency receives a direct appointment. There are statistics that show that an agency that becomes stagnant will ultimately become unprofitable. The minimum expectation that they will have for you is to continue to write business with them to make up for lost business (retention) and grow at least 5% above that each year. Your carriers will be very happy with your agency if you are growing at a rate of more than 20% year over year.

Profitability: Most carriers consider a loss ratio of less than 55% to be profitable and many independent carriers will offer profit sharing bonuses to incentivize agents to write business that is within their target appetite. Carriers know that an agency that consistently writes business within its target appetite will almost certainly have a history of profitability. That's why it's so important as an independent agent to really understand each of your carrier's target appetite.

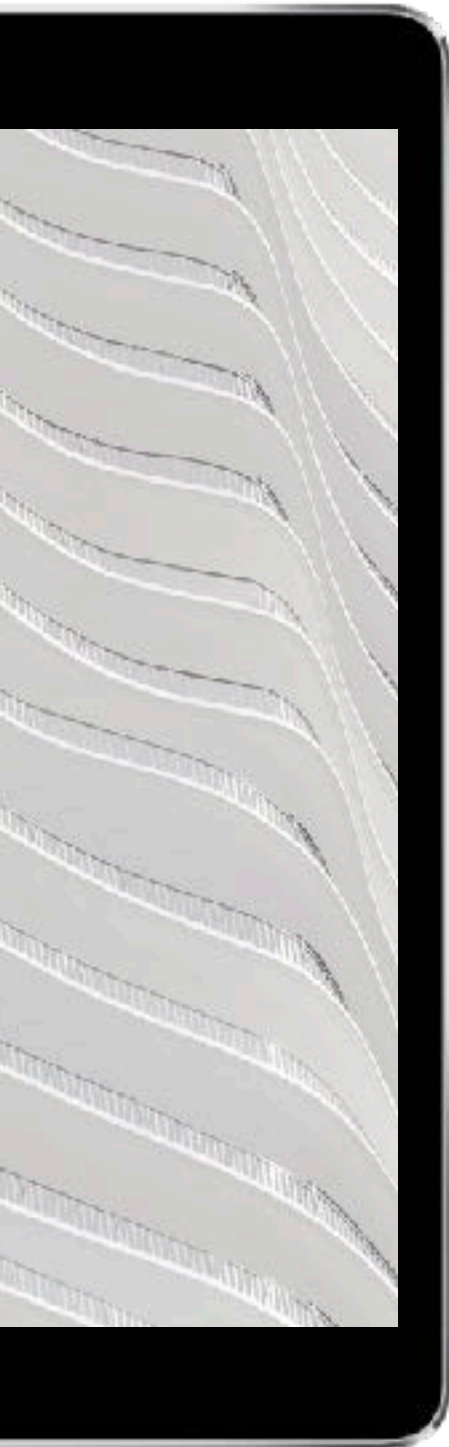
Retention: The average retention rate between carriers can range anywhere from 80% - 90%. Carriers are constantly working to improve their retention rate by providing better customer service, keeping their agents happy and by trying to stabilize their rate increases. Retention is a critical factor that carriers monitor and they will usually be happy with your agency if you maintain a retention rate above 80%. If your customers are constantly shopping price every renewal and your agency's retention rate drops below the state average, you can expect that the carrier will be coming out to speak with you about it.



FACTOR TWO

RESUME

If you're like a lot of agents we speak with on a daily basis, you may not have put a resume together in years. Don't worry – the key here is to keep it simple and limit it to 1 page. We recommend www.myperfectresume.com for an easy to use software to help put together a good looking resume for \$5 bucks. (Remember to call and cancel your account with them to avoid any future payments once your resume is complete.)



HERE ARE A LIST OF THINGS THAT YOUR RESUME SHOULD INCLUDE:

Cover Letter

Heading with your contact information.

Work History

Education

Certifications

Skills

TIP: HERE'S WHAT CARRIER DECISION MAKERS ARE LOOKING FOR WHEN REVIEWING YOUR RESUME:

Insurance Work History

Business Ownership History

Management History

Sales Awards



FACTOR THREE

BUSINESS PLAN

Most carriers are going to require that you submit a business plan with your application for a direct appointment – so it's a good idea to start putting it together ahead of time. Okay, so we've all heard of business plans and you may be thinking, "Oh no, this is going to take me forever to prepare!" – and if you're like most agents we talk to, you're thinking "All I want to do is to start writing business!" Does that sound about right?

Don't worry - we recommend keeping it as simple as possible and limiting your business plan to just 1 page. Carriers don't want to see what your town's population is and what all the demographics are – they already know that information. Most carriers also know how competitive they are in your area and they have more statistics than you'll ever be able to pull up and find online. Keep in mind that carriers don't want to know what you plan to do 10 years from now either. Instead, we recommend that you keep the focus on the next 60 days in detail and your general plans for the first year.

Be mindful that most carriers aren't asking for you to give them an unrealistic production commitment either – so you want to keep it honest. They realize that you are an independent agent and you have other mouths to feed.

Each carrier is a little different but most will be looking for 100k in premium for the first year. Most carriers' profit sharing levels start at 250k and they expect that you will be at that level in 3 years. For comparison purposes, production expectations for a direct sub-code appointment for IPA affiliated agencies is typically only 25 – 50k per year and profit sharing begins at 100k in premium.

A common mistake that we see is that agents send out a generic business plan to every carrier that they apply for. From experience, we can tell you that the best way to do it is to always check the carrier's website to see what their appetite is before applying to them. Your plan should be focused on the carrier's target appetite. Nothing will turn off a carrier more than an agent that doesn't even know what they write.

We recommend that you answer the following questions and incorporate them into your 1-page business plan:

- How are you going to make the phone ring?
- What marketing strategies will you be implementing and how?
- Who is your target customer?
- How many quotes per day will you be doing?
- What is your monthly marketing budget?
- How will you be reaching out to your customers to provide valuable content?
- How much production can you commit to for that specific carrier?



FACTOR FOUR

BACKGROUND CHECK

When you submit your application for a direct appointment, most carriers will run a background check on you as part of their standard process. We know that this can cause some anxiety for agents for a variety of reasons, so we're going to give you some insight into what goes on behind the scenes so that you will be prepared for what to expect going into it:

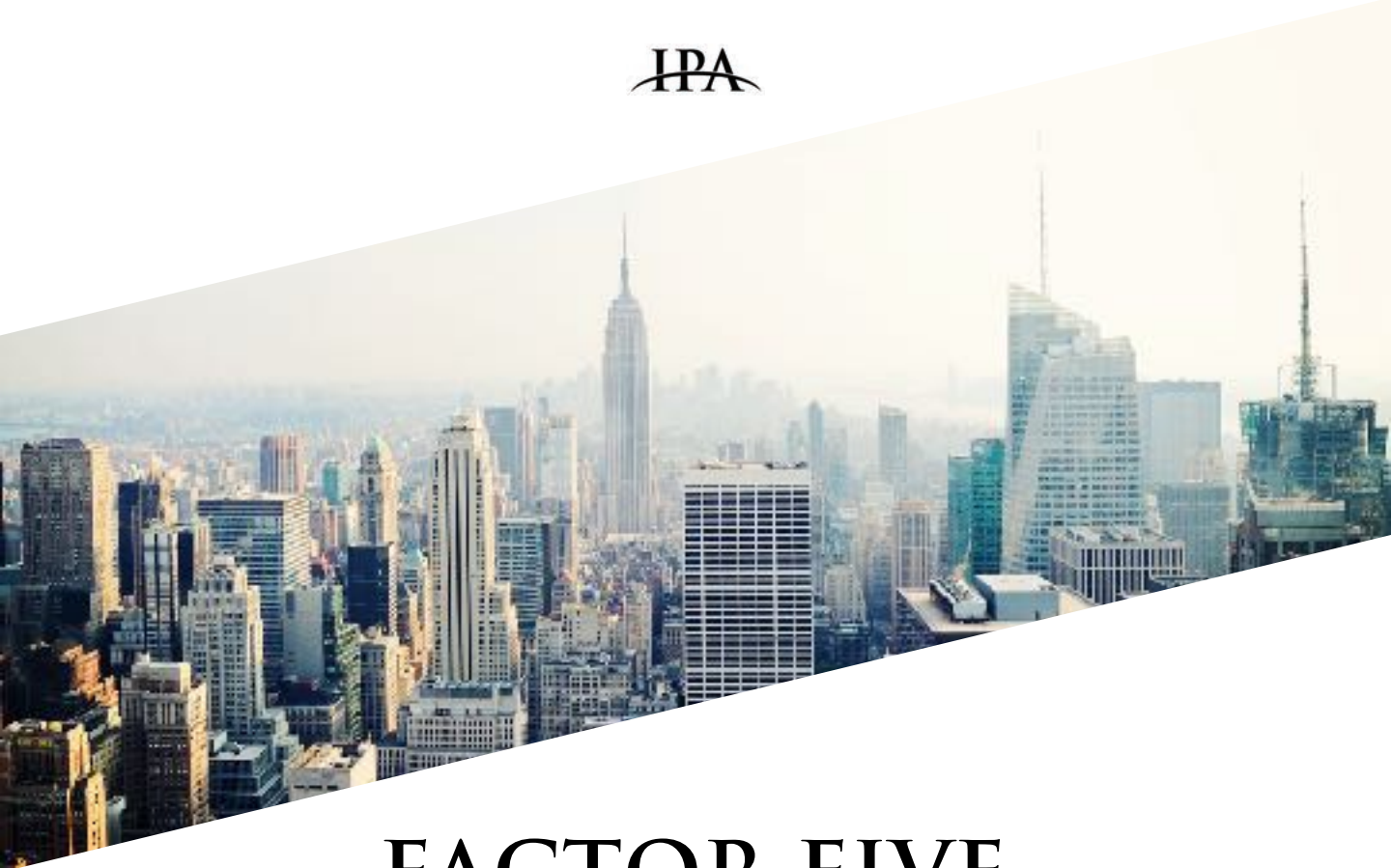
First, carriers will run a credit check. Any accounts past due, in collection or written off will create a concern that may require a written explanation and could lead to a declination. A recent bankruptcy will result in a declination with many carriers. However, a bankruptcy that occurred three or more years ago with no current credit issues has a much higher chance of approval. Unpaid bills are a cause for concern, and every effort should be made to clear up any unpaid bills before applying to a carrier for a direct appointment.

Carriers also run a criminal background check and the most recent three-year period is what they are most concerned with. A DUI within the past three years could lead to a declination. If there is anything at all that could come up as a red flag, it is important to include a written explanation with your initial application paperwork. It should be an honest explanation of what caused the problem and what is being done to correct it. Incidents that occurred long ago rarely cause any issues unless they were very serious in nature. It is important to reiterate the importance of including a written explanation with the original application because, in most cases, it's too late to send in an explanation after the carrier has declined you for something that was red-flagged.

Finally, carriers will obtain a Producer Database Report which provides the status of your license and a history of which carriers you are currently appointed with or have been appointed with in the past, and if there have been terminations for cause.

As a side note, IPA also runs a background check on agents that apply to join the network and will discuss any areas of concern with the agent before moving forward.





FACTOR FIVE

COPY OF YOUR ERRORS & OMISSIONS INSURANCE DEC PAGE

Make sure to have a copy of your E&O declarations page readily available to be included with your direct appointment application paperwork. Most carriers require a minimum of \$1,000,000 in coverage. E&O insurance is something every independent agency owner must purchase to protect themselves from claims made by clients or insurance carriers for inadequate work or negligent actions.

It is important to remember that you don't have to do anything wrong to get sued, therefore, you want a policy that offers first dollar protection for legal defense. Often, agents shop online for the cheapest price, and assume all E&O policies are the same. Nothing could be further from the truth. Cheap policies typically do not include first dollar legal defense. That means you must meet your deductible before the insurer will pick up this expense. The most common deductible for an E&O policy is \$5,000. That's a lot of money to have to put out if a suit is brought against your agency, especially when you haven't even done anything wrong. In addition, these online policies are often pre-packaged "one size fits all", and do not allow for any changes or offer an option to buy-back certain coverages. Sometimes they don't even offer a refund if you want to cancel.

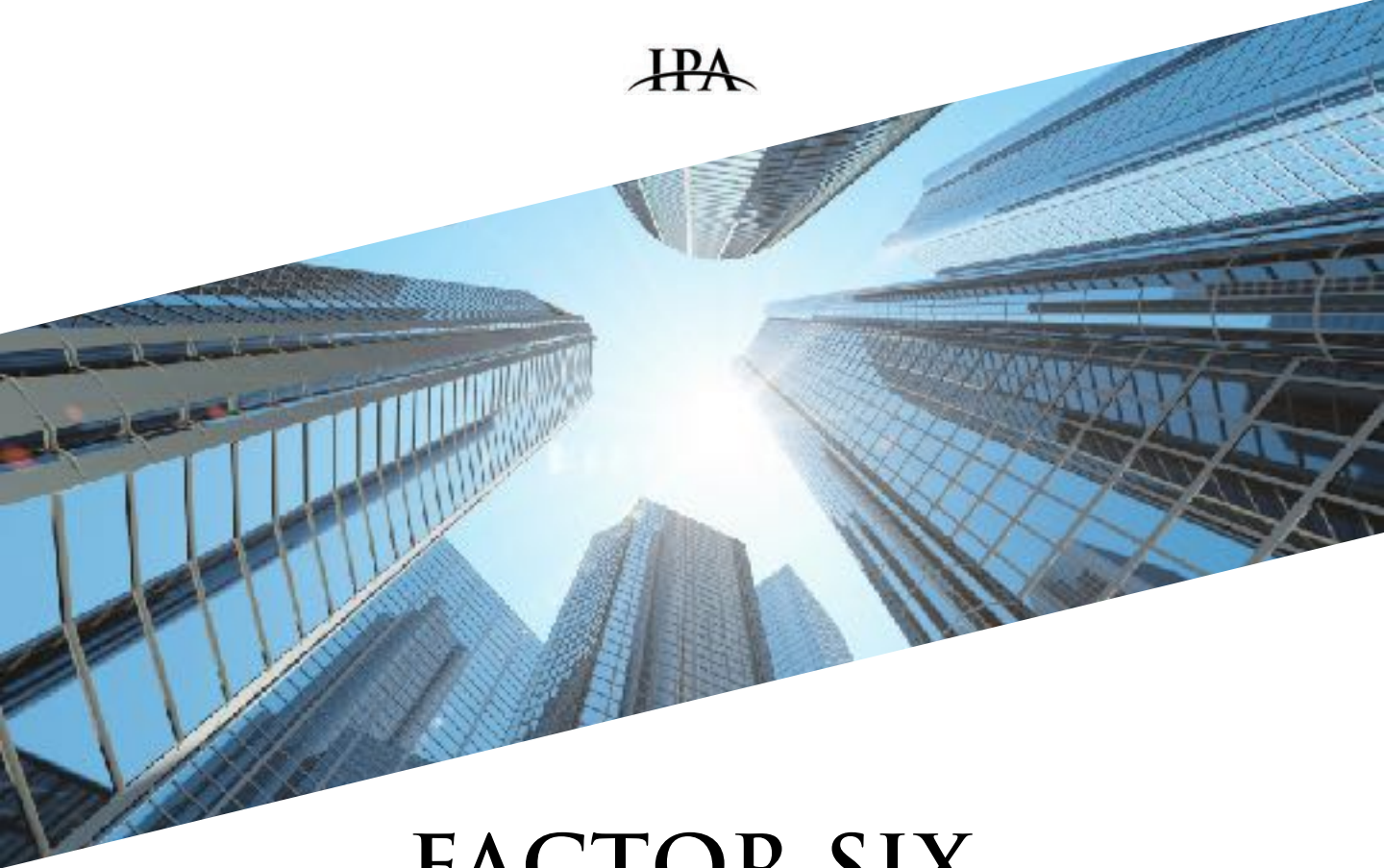
Coverage purchased while working for a “captive carrier” does not extend to your business as an independent agent. These policies are purchased as a member of a group, and the certificate of insurance states in the remarks section that the coverage ceases immediately upon termination of your contractual agreement with the captive carrier. You should notify the E&O carrier of your termination date and request a refund of the unused portion of the premium.

E&O policies are “claims made” policies, which means you need to have a policy in place when the claim is made. If you won't be starting your independent agency until sometime after the termination of your E&O coverage, you should purchase Extended Reporting Coverage, often referred to as “Tail Coverage”. It allows you to cover E&O risks for claims that may arise down the road for professional services provided prior to the expiration date of the policy. This coverage should also be considered when you buy, sell, retire or cease your agency operations.

This brings up a very important point that is often overlooked regarding the “retroactive date”. This provision eliminates coverage for claims produced for wrongful acts that took place prior to a specified date, even if the claim is first made during the policy period. For example, if you purchase a policy with an effective date of January 1, wrongful acts that took place prior to that date would not be covered, unless you purchase coverage for “Full Prior Acts.” Agents often overlook this on the E&O application, or simply don't understand what it means. Be sure to request “Full Prior Acts.”

E&O policies should only be purchased from reputable insurance companies. You should consider consulting with an E&O specialist broker who can give you advice and make good recommendations for a quality policy. We recommend US E&O Brokers and you can obtain information and apply online at http://www.useo.com/e_and_o/.





FACTOR SIX

COPY OF ALL ACTIVE INSURANCE LICENSES

Every carrier is going to require that you include copies of all resident and non-resident producer licenses within the agency. If you are set up as a corporation, you will also be required to submit your resident and non-resident agency licenses. You can go to the National Insurance Producer Registry at www.nipr.com to apply for resident and non-resident producer and agency licenses, make changes and print copies of licenses.

You can apply for direct carrier appointments as long as you have a resident property and casualty license. You can add additional states or lines of authority at any time in the future. Once you are appointed with a carrier, they will check your license electronically and if they receive an indication that your license has lapsed or is no longer active, they may send out a termination notice or require that you send a copy of an active license by a certain deadline. Make sure that you are maintaining all of your agency's active licenses to avoid causing delays, extra paperwork and startling termination notices.



FACTOR SEVEN

FULLY COMPLETED CARRIER APPOINTMENT PAPERWORK

For whatever reason, many agents seem to struggle when it finally comes time to completing the application and putting it all together in an organized and professional presentation for the carrier representatives who will be making the decision on whether to appoint the agency or not. Even though it may seem like a lot of paperwork and that some sections aren't as important as others, it is critical that you take your time and do it right and that you don't miss any steps. We have seen many appointments be declined because the agent didn't take the carrier paperwork seriously and made a bad first impression. We're going to reveal many of the "do's and don'ts" with the actual appointment paperwork so that you can give yourself the best opportunity for the outcome we all hope to hear at the end of this process – "APPROVED!"

Tip #1: When you are submitting all of the required documentation and paperwork, it is important that you send it all together at one time and ensure that it is very neat and organized. Sloppiness in appointment paperwork is a sign of sloppiness in field underwriting and agency procedures.

Tip #2: Carriers will not chase after you to get proper documentation. If a carrier asks for experience reports and you don't include them, they automatically assume you're trying to hide something. If they ask what your top 3 carriers are and what your profitability with them are, and you put that they are all under 30%, you better have the proof to back it up. They want details, not just assumptions or estimates. If you really don't know or you can't access them any longer, then let them know. They don't want to be lied to – that usually isn't a good start in a business relationship.

Tip #3: It is very common for agents to forget to attach their E&O, producer licenses and agency licenses when sending in their appointment paperwork. We recommend that you keep your experience reports, resume, business plan, background check explanation letter (if applicable), E&O, producer licenses and agency licenses all saved in 1 folder on your computer to avoid leaving anything out when you submit your paperwork to the carriers.

Tip #4: Make sure that your E&O and agency licenses actually reflect your legal entity if you are a corporation. Some agencies get their E&O in their personal name even though they are a corporation. Not only is that a major liability issue but it will also leave an impression with the carrier that you don't know anything about insurance. Same goes for not having the proper licensing.

Tip #5: Please be aware that carriers don't want to appoint your agency in every single state that you are licensed in. Carriers have costs associated with licensing – so if you are requesting non-resident appointments make sure you have a plan to write business in those states. Or even better, you already are writing business in those states.



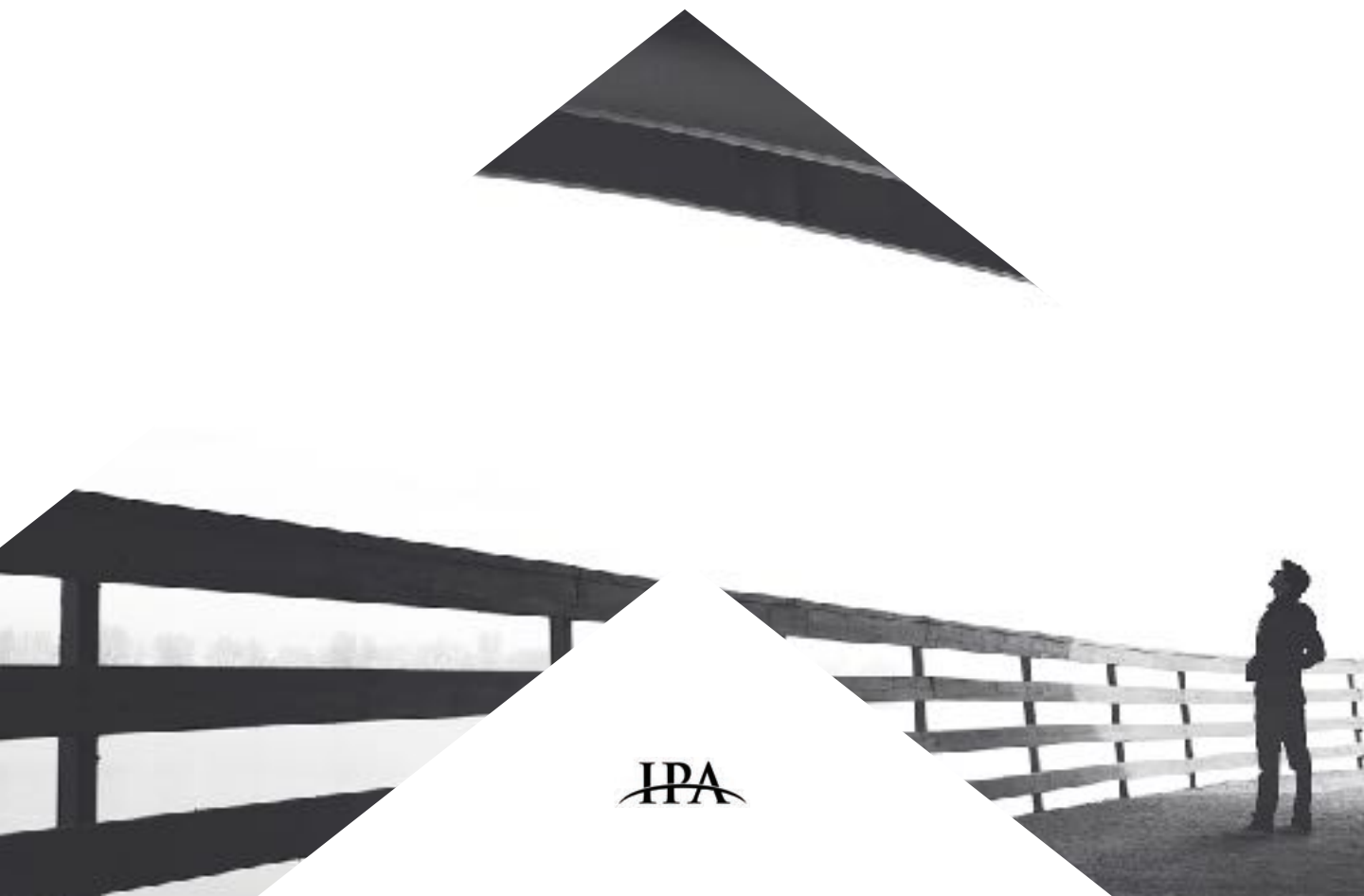
Tip #6: All appointment paperwork should be sent back in as you received it, including all requested documentation. Meaning if the carrier sent you a 10-page document, fully complete the 10 pages and send them back in order. If the paperwork is a fillable PDF, you should fill it out in the PDF document on your computer and then print it out to sign and date it. After you complete the paperwork, be sure to review it again to ensure that there are no missing signatures or any other missing fields. The most common missing field is signatures. We've seen appointments get delayed for months because the licensing department was finally able to review the application only to find a missing signature. Carriers will not process an appointment without the proper documentation.

Tip #7: If you submit your documents to a carrier and everything is unorganized and not easily identifiable, they are not going to waste an hour trying to figure it all out. If you are emailing your paperwork in, make sure that you have all the required documents attached and properly labeled. You'll want to write a friendly email explaining what is attached and then make sure to double check that everything is included before sending. If you have questions about the application, go through the entire application first. Then write a list of all the questions that you may have and send the marketing rep an email asking for clarification. This way they only need to respond once and it can save a lot of time going back and forth.

Tip #8: We recommend that you do not write "ASAP" in emails to carriers as it will not help your cause. Carriers will not respond to "ASAP" as your appointment paperwork is not an emergency. Carriers have a process that they follow and it takes time. An appointment can take anywhere from 5 days to 60 days. Sending a follow-up email every day doesn't help the situation either. We recommend following up after 15 days just to make sure that the carrier received the paperwork and then again after 30 days have passed. We understand how frustrating it can be to wait but it's important to have restraint before venting your frustration to the carrier reps.



Tip #9: One last thing is to make sure to clear your voicemail on your work phone and cell phone before you start applying to carriers. If a carrier rep can't even leave a message for you, it gives the impression that you are out of business.



IPA



FINAL THOUGHT

It is our sincere hope that this Master Plan will put you on the path toward creating a successful business for you and your family. Please let us know if we can be of service to you in any way on your journey toward independence and financial freedom.