

SPECIALTY LINES MARKETS: FOCUS ON CONSTRUCTION
YOUNG PROFESSIONALS: WORKING FROM HOME WITH KIDS
PERSONAL LINES FOCUS: LOCKING IN CLIENT LOYALTY
AGENCY PARTNERS: BOLD IN STRATEGY

Our 142nd
Anniversary

Rough Notes

INSURANCE AGENTS & BROKERS

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JULY 2020



AGENCY OF THE MONTH:

**MONTANA AGENCY HELPS
CUSTOMERS FIND FINANCIAL
FREEDOM**

ALSO: INSIGHTS FROM INSURANCE AGENCY NETWORK LEADERS



NETWORKS WORK

*Insights from independent
insurance agency network leaders*

By Elisabeth Boone, CPCU

As agencies look for ways to strengthen their operations and their competitive position—during and coming out of the pandemic—a number of options exist. One that seems to be gaining traction involves agency networks (or clusters, or aggregators, or groups, or probably one of a number of other types of entity). Such groups are actively engaged in supporting member agencies, and their leaders have significant insight into what drives agency principals.

Rough Notes recently was able to engage three agency network leaders—Andrew Caldwell, president of Worldwide Insurance Network and Smart Choice Agents Program, headquartered in High Point, North Carolina; John K. Tiene, executive consultant to Riverton, New Jersey-based Strategic Agency Partners; and Jerry Vollmer, chief executive officer of Voldico in Osgood, Indiana—and get their take on trends and attitudes

about agency network attraction and involvement.

Rough Notes: We're noticing more interest among independent insurance agencies in agency networks. What do you see as the value of agency networks for agencies? In other words, why are agencies joining?

Andrew Caldwell: There are multiple ways agencies derive value from a network partnership. For many, the first and most important reason to join is market access. The ability to bring a varied and, in most cases, preferred stable of carriers to the table provides a tremendous value to many agencies, regardless of agency size. Other important network value propositions are transparency, mentorship, agent and producer training and development programs, discounted supplemental products for agencies, in-house agencies for hard-to-place risks, and enhanced commissions or profit-sharing components.

Jerry Vollmer: In the industry today, it has become more difficult than ever to contract with carriers and

then provide the levels of production required of an agency. A new agency may be fortunate enough to land one or two contracts, and that is not enough in today's insurance world. For an agency that joins a network, production requirements have already been met by the group, and that takes the pressure off the individual agency. The more markets you have, the better opportunity you have to take care of your customer.

John Tiene: At a time when billions of dollars are being spent to acquire independent agencies, those agency owners who want to remain independent and not sell need the scale, influence, and increased revenue that joining the right agency network provides. Also, agency owners have a lot on their plates. Joining an agency network can help them address those big issues that seem overwhelming during the day to day of running an agency—technology, hiring, organic growth, and more. The right agency network provides consultative support to help agencies work through the

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Strategic Agency Partners



big issues and in many cases achieve solutions with providers.

Rough Notes: What hesitations do you see among agencies that are thinking about joining? Basically, what's stopping them, and is it temporary (maybe pandemic related) or longer term?

Jerry Vollmer: I believe the hesitancy comes from the traditional notion of independence. Some agents don't understand that a network actually allows agents to have more independence. Although network groups have been around for years, just now are they starting to receive more recognition among agency owners around the country. As for pandemic-related hesitancy, we have noticed that people have not been as quick to join. Waiting is not going to make much difference, so far as the pandemic goes.

John Tiene: Agents are fiercely independent and often perceive they're giving up some of their independence when joining an agency network or group. Their independence makes agents successful. Joining a network

doesn't always mean giving up independence; it should enhance their ability to be successful. Also, fear of change is stopping many agents from moving forward. In reality, even before the COVID-19 pandemic, consumer expectations were changing, but agents were not ready to meet those changing expectations. Add to that the consolidation in the agency channel, the changing workforce, advances in carrier technology, and more. Agency owners have had a lot coming at them.

Andrew Caldwell: Networks across the country all are discussing the terms of their offerings that set them apart. I believe that agencies may be held back by the sheer number of networks. It can often take agents some time to decide which would provide the most value. In fact, COVID-19 has caused agents to really evaluate who can support them in difficult times. We have added 473 agents (through early June) and are on pace to add over a thousand this year. In these times, networks who prove they can be a value-add to an agency

will see explosive growth. Tackle those hesitations head on.

Rough Notes: What do you say to agency leaders to help them overcome their reluctance, to get off the fence and move forward?

John Tiene: By not at least considering joining a network, an agency may be left behind. Some of the nation's largest and most respected agencies have joined networks and for the same reasons as thousands of smaller ones—increased revenue, enhanced carrier relationships, and assistance with some of the challenging issues of operating an agency. Aggregating premium can increase contingency payments by 12% to 20% or more and many networks can negotiate enhanced compensation for new business. Once you understand the direction you want your agency to go and what its key objectives are for the next five years, then you can align yourself with the network that can help the agency achieve its goals.

Andrew Caldwell: We simply explain our value proposition and how

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President

Worldwide Insurance Network and
Smart Choice Agents Program

we can partner with the agents in our program. If you can clearly articulate your value proposition to an agency leader, many of the walls come down. A network that provides core values that align with those of the agency owner makes it a much easier decision for the owner.

Jerry Vollmer: With the difficulty of setting up an agency and getting carriers, it only makes sense to work with a group that has already taken care of that. Rather than trying to reinvent the wheel, go ahead and join a respectable network and get started. There are even groups available that offer total operational support. No longer do you have to hire all the people it takes to run an agency. These groups allow you to put more profit dollars into your bottom line. Why not keep more of your money?

Rough Notes: Let’s wrap up with an open-ended question—is there anything else related to this topic that you’d like to share?

Andrew Caldwell: Agencies should look for networks that partner in their growth and success and don’t simply take a piece of what they have built on their own.

Jerry Vollmer: At the 2019 Insurance Networks Alliance conference, it was announced that 52% of agencies in the U.S. were members of some network. By the time the 2020 conference took place, that number had increased to 65%. Agencies are joining networks at a more rapid pace, so it makes sense to get serious about joining one. There are networks that handle all of the operations, including quoting, servicing, claims, accounting, and even your agency management system. Operations can bog down an agency that is focused on growing through sales, thus slowing revenue growth. I would consider letting a network take care of all that so you

can grow revenue for your agency.

John Tiene: The independent agency channel continues to evolve. For agencies that adapt and change, the future is bright. Being part of an agency network can be of substantial assistance to the agency owner. Access to experienced network staff and being part of a group of agency owners that are experiencing the same issues are just two examples of the kinds of support the right network provides.

What’s more, joining the right agency network can resolve perpetuation issues. It can increase the agency value because of increased contingency revenue. And it brings

the agency owner into contact with other like-minded owners who could purchase the agency. Some networks purchase affiliated agencies. Other networks provide guidance on developing perpetuation plans, and some do both. ■

For more information:

Smart Choice
www.smartchoiceagents.com

Strategic Agency Partners
www.strategicagencypartners.com

Voldico
www.voldico.com

WHAT AGENCY OWNERS SHOULD ASK BEFORE JOINING AN AGENCY NETWORK, CLUSTER, AGGREGATOR, OR GROUP

Premium Aggregation

How is contingency revenue shared? Is it proportional to your agency’s premium?

How is the group’s premium pool managed to protect contingency and the individual agencies?

Will the network, cluster, or aggregator provide you with a personalized aggregation model that shows the group’s data as well as your agency’s?

Are overrides or “special deals” shared with participating agencies?

Markets, Commissions & Fees

Which carriers are preferred with the agency network, cluster, aggregator or group?

How do affiliated agencies access available markets? Directly?

How do the commission splits work? Are there various levels?

Are there premium production requirements for affiliated agencies?

How does the agency network, cluster, aggregator, or group manage overall production requirements of the participating carriers?

What are the fees? How are they applied?

Support & Services

Beyond premium aggregation and carrier access, what additional services and support does the network, cluster, aggregator, or group provide the affiliated or member agencies?

Separating from a Group

How difficult is it to leave the agency network, cluster, aggregator, or group once you join?

Are there penalties or additional fees?

Do you lose access to carriers?

Source: Strategic Agency Partners