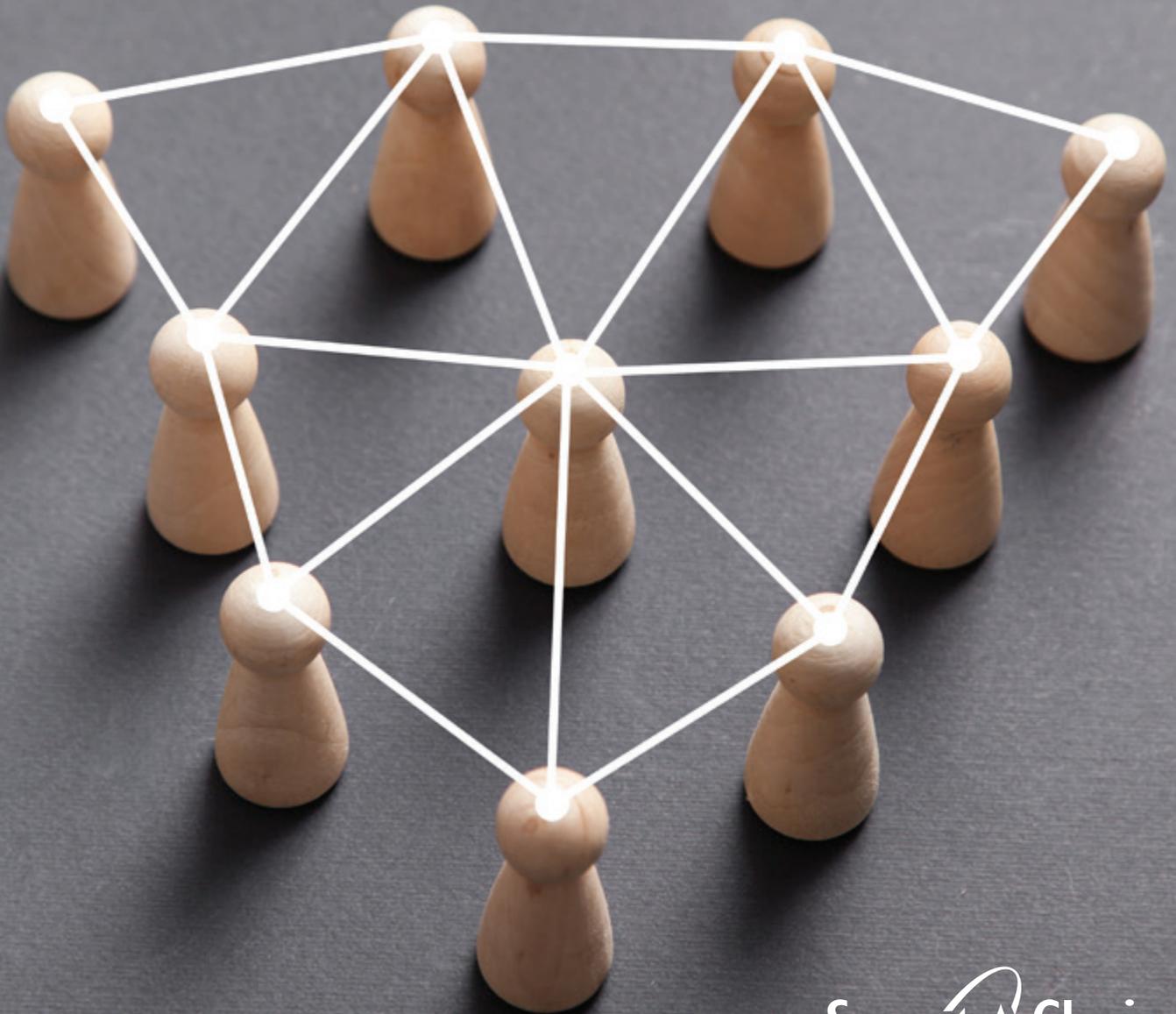


JOINING AN AGENCY NETWORK VERSUS JOINING AN AGGREGATOR OR CLUSTER

By Smart Choice®



Agency Network. Aggregator. Cluster. The words are used interchangeably in the insurance industry, but are they really the same thing? If you are an independent agent looking for market access and agency growth, is it worth joining some type of an alliance, and how do you know which one is right for you?

While all three terms are used to describe agents combining or joining together to increase their benefits, there are differences – some nuanced – while others can have far-reaching impacts on the value and viability of an agency.

Clusters

An Agency Cluster consists of a group of agents that bring their individual books for a particular market, to form a larger book of business to establish clout and improved profit sharing within that market. This may be in the form of a new entity just for that market and in many cases the agent will operate independently in all of their other markets. In most cases a cluster is located regionally or locally and does not have a national presence.



Aggregators

Similarly, Aggregators seek to roll premiums of a specific market into one "bucket" to establish additional revenue from a market. Unlike a cluster they may aggregate several markets and an agent would need to "join" the aggregator who would then have a vested interest in some part of their agency. Agencies are often required to have a certain amount of premium already written through a certain market to be able to join.

Agency Networks

Agency Networks also offer the benefit of combined premium books to elicit better profit sharing and benefits, however, they're much more than that. Networks, often operate on a national scale, and work on behalf of the members to establish national relationships with carrier partners. Unlike a cluster or aggregator, they provide a variety of tools to help agencies grow their business, including mentorship and advice on best business practices. The network's partnerships with carriers enables them to pass along a host of benefits to the member agencies such as access to appointments, higher revenue and commissions opportunities, additional incentives, and higher profit sharing.

Another advantage a network can provide is the ability for members to work directly with the carrier partners unlike a broker or wholesaler – they work to help the agent establish a relationship with the carrier partner. Additionally, a network passes along training, other vendor partnerships like discounted E&O or rater programs, and non-carrier related services and support. The network enables an agent to take advantage of the size of the network as a whole, while maintaining independence and control of their agency.





Which is right for me? Advantages and Disadvantages

While each of these options offers its own unique advantages, there are some distinct differences to take into consideration when deciding to join any of them.

Deciding to join a cluster group would be an ideal choice if your goal is to align a single market like coastal, with other agents that have the same market, in order to meet growth, loss ratio and profitability goals. If you have no desire or need to access any other type of assistance beyond the market you're seeking via the group, a cluster may be the right choice. Conversely, the cluster's structure may pose some challenges such as how accounting is handled and establishing a fair and equitable position for each member – especially when some agencies in the cluster may have a more established position already.

Aggregators are similar but often work with several markets. If you've built a decent book of business with a carrier or market and are simply looking to increase your chances to earn higher profit shares by combining your premiums with other agencies, an aggregator is an obvious choice. Joining an aggregator and having the prestige of a larger book will help you be able to negotiate with larger carriers for better premiums and new appointments. Most notably, with both clusters and aggregators, agents must have something to bring to the transaction before ever engaging with the group.

If, however, you're looking for a partner that can scale their level of support to match the individual needs of an agency and negotiate on your behalf, a network is probably the way to go. An agency network

gives you access to a wide variety of different markets, gets you appointed with carriers, gives you the chance to aggregate current business you may have, and provides other tools to help you establish your agency. A network will give you access to dozens of local and national markets, as well as advise you on how to navigate the independent agency world to maximize revenue opportunities.

Even if you're a relatively new agency, a unique benefit of some networks, include the ability to evolve in the growth process through programs. Agencies who don't quite qualify for a code are able to write business through the network's major carriers via an in-house underwriting team, until a code is awarded. Conversely, a broker or wholesaler can also provide market access in many cases but will not look to enable or assist the agent in moving that business to a sub-code in the agent's name. The agent will be building up value for the broker/wholesaler but never growing their own agency valuation. So, a network really works on behalf of the agent to help them grow their book and agency valuation.

If it's a good network, they should be working on behalf of the agent, but not take any ownership or stake in the agent's business. The agent is free to choose which network support and services they want to utilize, but don't have use anything. You are not held captive. You choose the resources your agency needs to match your own vision

Determining which fit is right for you:

Independent agents have distinct advantages in the insurance world, over their captive counterparts. Their ability to deliver custom insurance solutions at the best price, sets them apart with their clients. However, they also face the same main challenge – growing enough to satisfy the requirements of top carriers.

Think about the size and age of your agency. Determine your biggest pain point(s). What resources would ease the burden of doing business, and enable you to take your agency to the next level? What is the lowest point of entry into one of these groups that would give you the resources you need to increase your revenue immediately?

When choosing a group, investigate what it will take to join, and what steps you'll need to take if it is not the best fit. You will want to carefully examine your responsibilities to the group, and any expectations you will need to meet over the course of the partnership. Above all, make sure you're gaining a true business partner, and that the objectives and goals of the group align with your own vision for your agency.

