

The Agent-Friendly Contract

Six Agency Network Contract Considerations To Examine Before You Sign

By Smart Choice®



Smart ★ **Choice**®

If you've ever been stuck in a bad contract, you know how frustrating the experience can be. Maybe you had a gym membership you never used, or a phone plan that ended up costing way more than expected. You thought it was a good deal when you signed up, but now you're having major regrets.

Now imagine being stuck in a bad contract that threatens your career or the future of your business. When you set out to join an insurance network, aggregator or cluster, you may encounter paragraph after paragraph of boring legalese. Then the real implications and consequences of the contract are revealed, and it's not at all what you expected.

This is not a situation you ever want to find yourself in. That's why it's important to look for agent-friendly contracts when you consider an agency network or similar partnership.

Below are six points to consider when examining the contract of an agency network, cluster or aggregator group, alongside the approach Smart Choice uses in its agency-friendly contract.

#1: Length of Contract

The Other Way:	The Smart Choice Way:
<p>With many networks, aggregators and clusters, the contract length can be all over the place. Many are long-term, multiyear contracts with an equity position in the agency or a buy-out requirement. If you want to leave, you may have to give written notice to get out of the contract. Some networks even take a part ownership stake in your agency.</p>	<p>Smart Choice offers contracts that allow the agency to leave at any time if they decide the partnership isn't benefiting their business, or they want to go another way. There are zero long-term commitments, and Smart Choice does not take an equity position in your company.</p>

"One of the most challenging things we face as an independent agency would be the lack of carriers you can acquire if your agency does not have a large book of business. If you can't get access, you just can't compete. Smart Choice gets us that access and to over one hundred carriers which means I can offer multiple policies to clients assuring a good fit and a successful sale. If I was making this decision again, I would in a heartbeat!"

*—Dustin Nichols, Owner/Agent
Stone County Insurance Agency
Mountain View, AR*

#2: FEES

The Other Way:	The Smart Choice Way:
<p>Some groups have joining fees, some have monthly fees, and some have both. Joining fees can be thousands of dollars – which can be difficult when you're trying to grow your agency and facing other costs, such as operating expenses, E&O insurance, advertising, staffing, and so on.</p> <p>Monthly fees are usually a flat rate, and they can be several hundred dollars. That can really eat into your profits month after month.</p>	<p>Smart Choice has no joining fees and no monthly fees. There is zero financial commitment from the agency except for a commission split on business written through the program. It's that simple!</p>

"In the beginning of my career, only having access to one carrier as a captive— even at my very best, I would be lucky to close 15 to 20% of the deals that came my way. With Smart Choice giving me the options and the capability to quote so many carriers, it's extended my closing ratio up to 75 to 80%."

—Wyatt Moore, Agent
Kyler-Moore Insurance

"The impact on our agency has been significant. We were able to reach the commission cap in a very short period of time which now allows us to be paid 100% of the commission from the carriers. We also qualified for profit sharing this year which greatly impacted our agencies revenue."

—Mayer Gelbman, President
GM Insurance Brokerage, Inc

#3: COMMISSIONS

The Other Way:	The Smart Choice Way:
<p>In addition to fees, it's important to look at the commission split with the network. Commission arrangements can vary. Some groups will do an 80/20, 90/10 or even 100% commission split – but there can be high monthly fees and equity earnings from your agency that offset the "generous" split. Imagine being responsible for paying fees, even if you aren't actively writing business with the network.</p>	<p>Smart Choice's contract offers a 70/30 commission split with no fees, and the commission is capped after a certain level of premium is reached. Once you reach this "Leadership Level" amount, you will receive 100% of your commissions. The commission split also only applies to business written through carriers accessed through the program. The Smart Choice contract gives agencies access to higher negotiated commission percentages and lower production requirements as well.</p>

"We thought Smart Choice would be fairly hands-off with a basic level of service. On the contrary, they've really become a valuable partner for our agency, being supportive, responsive and incredibly committed to our success."

— Jose Molina, President
Molina Insurance Group
Portland, OR

"Smart Choice has been instrumental in our success because they put the agency's best interests at heart and will do whatever is necessary to help them succeed."

—Matthew M Park, President
JEM General Agency, Inc

"Smart Choice is always adding new carriers and providing incentives to qualify for additional compensation which allows our agency to perform at the highest level!"

—Matthew M Park, President
JEM General Agency, Inc

#4: CONTINGENCIES AND BONUSES

The Other Way:	The Smart Choice Way:
<p>One reason an agency may choose to join an aggregator or agency network is to pool business to be eligible for bonus and contingency money from carriers. However, the bonus requirements can vary from group to group. Some don't share at all, and some may only share a small percentage or make it hard to qualify.</p>	<p>Smart Choice is structured to help agents qualify for bonus and contingency splits at a state level, through various lucrative opportunities. They also negotiate extra commission points and exclusive bonuses and incentives through their carrier partners, which are directly passed onto the agent. Additionally, there are ongoing contests with significant prizes. For example, we will be awarding 10 Teslas to high-performing partners.</p>

#5: OWNERSHIP

The Other Way:	The Smart Choice Way:
<p>This is a big gotcha. There may be a day when you want out of the group you've joined. The terms of the contract will determine what happens to your agency and your book of business at this point.</p> <p>Some groups take an ownership position in your agency. If you ever decide to leave, you will be forced into a buyout. Depending on the terms of the contract, the buyout might be a flat fee or a percentage. Read the contract carefully and think about what this would mean for you if you ever decided to leave.</p>	<p>At Smart Choice, we never take any ownership of any part of your agency. Your clients and book of business are 100% yours. Build an agency that you can sell for full value when you want, or leave it to your family. There are no buyouts!</p>

"I did a ton of research before I even reached out to any of the aggregators, clusters and networks -- I had to learn what the difference was! Smart Choice stood out in a few ways with the cap and being able to write all the major insurance companies."

—John Reviello, Owner
Reviello's Insurance Agency
Hazle Township, PA

"It's hard to imagine running this agency without the support of Smart Choice. The reality of being a brokerage is that it is significantly more complex because every writing company has its unique differences. Smart Choice helps us solve that problem by giving us one central point of contact for help with dozens of writing companies. It prevents us from getting caught in the minutiae and lets us focus on what matters most: serving our customers."

—Jose Molina, President
Molina Insurance Group
Portland, OR

#6:

NON-COMPETE CLAUSES AND EXCLUSIVITY

The Other Way:

Non-compete clauses are common when joining networks, clusters and aggregators.

Groups use non-compete clauses to protect their resources and investments – but an overly aggressive non-compete clause could hurt you. For example, a non-compete clause might block you from any carrier in the group's portfolio, or from working in the insurance space in the state or region.

Exclusivity is a similar issue, but it can apply while your contract is in force. For example, a contract might require exclusivity and take a commission on everything you write, even if they didn't help you access that carrier.

You may be able to find groups without a non-compete clause. That may sound great – but watch out! There may not be a non-compete clause because the group takes equity in your agency and requires a buyout.

The Smart Choice Way:

The Smart Choice non-compete clause only lasts for two years, and it applies only to the carrier appointments that Smart Choice has secured for you.

"I know how to sell and build relationships, but the daily aspects of running a business were challenging. Having advisors at Smart Choice help me learn how to navigate things was an amazing resource. They helped me put a strong foundation in place so my agency could succeed immediately. I think they help agents grow the RIGHT way – and that's really important."

—Jeremy Powers
Powers Insurance Experts,
Columbia, S.C.

We know that reviewing contracts can be tricky. Use this checklist to look for common contract downsides that you might be better off avoiding:

- Does the group take an equity position in your agency?
- Is it a long-term, binding, and restrictive contract?
- Does the contract nickel and dime you with fees regardless of whether you make money?
- Is the non-compete clause aggressive and unfair?
- Is there a required buyout if you choose to leave?
- Is the contract generous with sharing contingencies, bonuses and additional compensation?
- Does the contract require an exclusive agreement that takes commission on everything, including carriers you write on your own?

YOUR CONTRACT CHECKLIST



"I get to speak directly with the carriers, and they recognize Smart Choice. It gives us credibility with the carriers rather than just being a regional MGA affiliate. Insurance is difficult enough as it is, there is no reason to add to the struggle when a good partner has resources available to you and wants you to be successful."

—David LaCombe, Owner
The LaCombe Agency
Alexandria, Louisiana

Make sure your agency network is working for YOU, and not the other way around!

There's no point in signing a contract that doesn't benefit you. The whole point of joining an agency network is to grow your business – so ask yourself, will the partnership you're considering help you do that? Besides the obvious – carrier/market access, bonus and contingency benefits – how is the agency network or aggregator working for YOU, and helping you build your agency?

The Smart Choice contract benefits you in several distinctive ways besides the obvious carrier access:

- **Diverse, top-rated markets both regionally and nationally:** Of course, the number one reason any agent joins an agency network is to gain access to appointments with carriers. As an independent agent, it can be hard to get access to top carriers and products AND be able to satisfy multiple carriers' requirements. Make sure the network you choose gives you access to all the carriers and product lines you need to grow a successful book of business. With Smart Choice, you get access to more than 100 carriers and 3,000 products in commercial, personal, life, specialty and excess lines.
- **Negotiated production requirements:** Smart Choice wants you to be successful – and to be successful you must be able to satisfy clients' needs and be competitive. That's why we've negotiated with carrier partners to give agency partners a lower (in some cases NONE) requirement than they could negotiate on their own. This enables you to do the right thing for your customers AND benefit your business.
- **Training and Support:** Access to carriers and products is important, but you may also need some help figuring out how to navigate each of the different product offerings from your carrier partners. As you build your book of business, you'll get training, sales and marketing support from dedicated staff in your state. They'll also help you navigate the ins and outs of running your business, and help you negotiate with carrier reps.
- **Quick Payment:** When you're building an agency, and reinvesting in your business, cash flow is important. You will want to find a network where commissions are paid on schedule and in a timely manner. Smart Choice pays out commissions twice a month, so you aren't waiting long time periods between each sale.

What's Required to Join Smart Choice

A contract is a two-way street. Make sure you're looking both ways. This means you can't just think about what you get. You also need to consider your requirements and obligations. If you can't meet them – or if meeting them is going to be a strain on your business – you should think twice about signing up.

The Smart Choice contract stands out as agent friendly because it's the lowest cost entry point for any agent to gain a substantial amount of support, market access, and other agency services. There's zero commitment, zero financial strain, and you receive the benefit of a business partner who has the size and clout to negotiate great things on behalf of your agency.

The Smart Choice

Thousands of agents have joined Smart Choice, hundreds more join each year. For three years in a row, Smart Choice has made Inc. Magazine's 5000 fastest growing companies list. Find out why most agents are choosing Smart Choice as their business partner. Learn more about becoming a Smart Choice agency partner.

