



The 8 Questions You Must Ask ...

Before Choosing an Insurance Network



Introduction

Choosing an insurance network is a decision that requires thorough due diligence. The network you choose can determine how much you earn, what type of policies you can sell, and what resources are available to you. The entire trajectory of your business can hinge on this single decision.

Every network strives to make itself look good to potential members, but there may be downsides to joining. It's also possible that a network that works well for some agencies just isn't a good fit for you. That's why you can't rush into a decision based on a sales pitch. You need to dig deeper by asking the right questions.

The following eight questions provide invaluable insights into the everyday reality of being part of a network. If you're thinking about joining a network, ask these questions - and don't settle for anything less than clear and direct answers.



Question 1:

How Many Agencies Belong to the Network?

When it comes to carrier relationships, size matters. As an independent agent, you've probably encountered challenges with trying to get contracted with carriers because the carriers demand a big book of business. Even if you are able to place clients with them, you might not receive an attractive commission structure. In fact, this is why many agents decide to partner with a network in the first place.

However, joining a network won't necessarily give you the carrier access and leverage you're looking for. It all depends on the network in question and how powerful it is. The bigger the network, the more leverage it will have with carriers, and that translates to better access and commission structures for you. This is why you need to ask any network you're considering about the number of agencies in the network.

Keep in mind that there are more than 410 thousand brokerages and agencies in the U.S. as of 2023, according to data from [IBISWorld](#). That's an average of 8,200 brokerages and agencies per state.

To the owner of a small to midsized independent insurance agency, a network of a few hundred agencies might sound huge, but from a carrier's perspective, it's small potatoes. A network of this size may be able to provide carrier access, but it may not have enough sway to secure the most lucrative commission structures.

If you're considering a network with only a few hundred agency partners, you need to find out why so few agencies have committed to them. If the network is new, it may not have had time to develop strong carrier relationships yet. If the network is regional or only deals with certain lines, it may not provide you with the broad access you need to grow your agency. Another possibility is that the network is having difficulty attracting member agencies. If that's the case, determine what's scaring other agencies away – those agency owners may be onto something.

There are 410,176 brokerages and agencies in the U.S. as of 2023.

Source: [IBISWorld](#)

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“When exploring networking partnerships, it is important to consider the number of agencies under contract because business volume often translates into an agency's improved compensation structure with carriers. It is also a strong indicator of buyer preference by agencies that conduct due diligence and complete competitive contract reviews.”

– Ashley Wingate, Smart Choice senior VP of sales

Question 2:

Is Leaving the Network Difficult or Costly?

It may seem pessimistic to start thinking about wanting to leave the network before you've even joined, but having an exit plan is critical. Even if you research the network thoroughly and feel confident that it's the right choice for you, there's a chance that things will go wrong. Here are three examples of why agency owners sometimes change their minds:

- You might have overlooked a deal-breaking condition. For example, you might think the fees seem reasonable only to find out that there are many more fees than you realized. None of them alone are deal-breakers, but you're getting nickel-and-dimed to death.
- Your needs might change. Perhaps you were only selling one line of coverage or to customers in one state when you joined the network. As you've grown, expanding into other regions and lines, you realize your network no longer supports your needs.
- The network might change. Mergers and acquisitions are common in the insurance industry. If your agency is gobbled up by another agency, it will be bigger, but it might also undergo policy changes that you find unacceptable.

When you join a network, you hope it will work out for the long haul, but if it doesn't, you need a way out. Unfortunately, some networks make it hard for you to leave. They may charge expensive exit fees, or they may even claim partial ownership of your book of business.

You should be free to leave a network whenever you decide that doing so is in your best interest. If a network puts up barriers, ask yourself why they feel the need to do so?

In general, organizations with high satisfaction levels don't need to make it difficult to leave because few people want to leave. Organizations with low satisfaction levels, on the other hand, may make leaving difficult as a final way of extracting money from their members.



Red Flag!

The [FTC](#) warns that dishonest companies sometimes use tricks to trap people. Although the FTC warning is specifically about phone companies, the same principles can apply to agency networks.

Question 3:

What Does it Cost to Get Started?

While it's true that you sometimes have to spend money to make money, you should not have to spend money to join a network.

When you're trying to get an independent agency off the ground, the expenses can add up fast. You may have to pay for office space, office supplies, computer equipment, a customer relationship management (CRM) platform and marketing. The list goes on and on.

With some networks, you can add startup costs to the long list of expenses. Not all networks charge a fee to join, but some do, so this is an issue to consider. When you're considering joining a network, find out whether you'll have to pay fees upfront. If you do have to pay fees to join, find out why. When you join, the network hasn't done anything for you yet. After you join, the network will succeed when you succeed. It's supposed to be a mutually-beneficial relationship, so why should you have to pay to enter into it?



Warning!

Although owning an agency can be lucrative, you probably won't start bringing in a significant income for a few months. By avoiding unnecessary startup costs, you can help you keep your cash flow healthy during these lean months.

Question 4:

How are Commissions Calculated?

It's hard to underestimate the importance of the commission split. After all, you're in this business to earn a living, and commissions are how you do that. If your network takes a disproportionately large cut of your commissions, you're going to have to work that much harder to be successful.

Most agency owners understand the importance of the commission split, but they can still fail to compare network arrangements accurately. The problem is that commission splits can be structured in different ways, so comparing network commission splits can be like comparing apples to oranges. To really find out which one is better, you might need to get out a calculator and do a little math.

A major issue involves whether the network's commission share is capped. To see why this matters, compare two hypothetical networks, Network A and Network B. Network A has an 80/20 commission split, while network B has a 70/30 commission split. Just based on this, Network A looks like the clear winner – receiving 80% of a commission is obviously better than receiving 70% of a commission. But watch out – there's a catch.

Network A doesn't cap the amount of commissions it takes, while Network B caps the amount it takes at \$20,000. In other words, no matter how much you sell, Network B will never take more than \$20,000 of your profit.

The more you sell, the bigger the difference becomes.

- If you only make \$50,000, Network A takes \$10,000 and Network B takes \$15,000. For agents performing at this level, Network A offers a better deal.
- If you make \$80,000, Network A takes \$16,000 and Network B takes \$20,000. Network A still provides a better deal, but the difference is becoming smaller because Network B's cap is coming into play. Without the cap, Network B would have taken \$24,000.
- If you make \$100,000, both Network A and Network B take \$20,000. At this level, the two networks appear to be same, but keep in mind that Network B's commission take has reached its cap. Network A's take will keep growing.
- If you make \$200,000, Network A takes \$40,000 and Network B still takes just \$20,000. At this level, Network B is the clear winner.
- If you make \$500,000, Network A takes \$100,000 and Network B still takes just \$20,000. That's an incredible difference of \$80,000.

Red Flag!

If the commission that the network takes isn't capped, you can end up paying hundreds of thousands of dollars!

	Network A	Network B
Commission Split	80/20	70/30
Commission Cap?	NO	YES, \$20,000 max commission
\$50,000 Earnings	\$10,000 Commission	\$15,000 Commission
\$100,000 Earnings	\$20,000 Commission	\$20,000 Commission
\$200,000 Earnings	\$40,000 Commission	\$20,000 Commission
\$500,000 Earnings	\$100,000 Commission	\$20,000 Commission

When you first join a network, you might not be able to sell enough for a commission cap to come into play. However, with hard work and network support, you have a tremendous earning potential. When comparing commission structures, don't just focus on the short term. Also consider your long-term goals and how the commission structure could end up hurting you.

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“There are other aggregator type groups out there, but I feel like their contracts tie you in much longer and much deeper. One big advantage is that Smart Choice stops taking a commission percentage once a certain level is reached. With some of these other networks and aggregators, you don't have that cap. They're going to take a percentage of what you do in perpetuity, and they're going to take it at that same percentage no matter how big your book gets. To me, that makes Smart Choice a very equitable and fair proposition.”

– Allan Miles, R. Allan Miles Insurance Agency

Question 5: Are There Monthly or Annual Fees?

In addition to fees to join and fees to leave, some networks charge fees to maintain your membership. These fees may take the form of a monthly fee or an annual fee that's due upon renewal.

Before you accept a monthly or annual fee, think about how it could impact your overhead costs down the road. You'll have a lot of other expenses, from rent for your office to marketing materials. The more costs you add, the more it hurts your bottom line.

The situation could become especially challenging if you need to take time off to deal with a health of family emergency. Your business may decline temporarily, but you'll still owe that network fee.

If a network charges a monthly or annual fee, ask what you're paying for. After all, you're already paying a commission split. Why is an additional fee necessary?



Warning!

Some networks nickel-and-dime you. The individual fees might not seem bad on their own, but when you put it all together, it's a lot. Make a list of every expense so you can compare apples to apples.

- Startup fee: _____
- Monthly fee: _____
- Annual/renewal fee: _____
- Commission split: _____
- Separation fee: _____
- Any other fees: _____

Question 6: Will the Network Give You Access to the E&S Market?

The excess and surplus (E&S) insurance market has achieved tremendous growth in recent years. According to [S&P Global](#), E&S direct written premiums rose by 20% in 2022 to reach \$75.51 billion. E&S direct written premiums have more than doubled over the five-year period between 2018 and 2022.

This growth cannot be solely attributed to premium hikes, either. According to [Fitch Ratings](#), the E&S lines have gained significant market share. Before 2018, E&S lines only accounted for about 5% of the total property and casualty market. In 2022, E&S lines accounted for 9% of the property and casualty market.

Businesses typically turn to the E&S market when they can't find reasonable coverage in the traditional market. Recently, rising rates in multiple lines – notably property and cyber – have forced more and more businesses out of traditional markets.

If you don't have access to the E&S market, you won't be able to help clients who are not well-served by the traditional market. As a result, you could have to turn away prospects who come to you for help. You may even lose current clients who are hit with notices of nonrenewal or massive rate hikes. As the E&S market share grows, this will become an increasingly serious issue.

Between 2016 and 2021, the U.S. E&S market grew 16% annually, which is more than three times the growth rate of the U.S. admitted market.

Source: [McKinsey & Company](#)

Question 7:

What Level of Support Can You Expect?

Independent agents often need support, whether they're dealing with a difficult submission or trying to finance an acquisition. Your network can be an invaluable source of assistance, but not all networks provide the same level of support.



When you're assessing the level of support you can expect, consider the following:



► **Technology:** The right technology can make your job easier and help you avoid mistakes. Some networks partner with technology providers to help you obtain cutting-edge solutions.



► **Leads:** You can't grow your agency without prospects, and that means you'll need a steady stream of leads. See whether the network you're considering can help you obtain leads at a discounted price. Some networks have partnerships in place to do this, but not all do.



► **Training/Mentorship:** Even if you have years of insurance experience under your belt, there's always something new to learn. See whether the network you're considering provides discounts for continued education or other training opportunities.



► **Financing:** At some point, you may want to grow your agency through acquisition. This is a great way to supercharge your growth and expand into new lines and regions, but you may need funding to make it happen. Some networks partner with lenders to help members secure funding, so find out if the network you're considering does this.



► **Errors and Omissions Insurance:** As an insurance agent, you understand the importance of protection and risk management. While you're helping your clients obtain coverage, don't forget about the coverage you need for yourself. If you make a mistake (or if a client claims you made a mistake), you could be hit with a lawsuit. Errors and omissions (E&O) insurance provides important protection, and some networks help you obtain it.



► **Local Support:** From time to time, you may need advice and guidance. For example, you may be having trouble with a difficult submission or a particular carrier. Determine whether the network you're considering will be there for you – and is local to you. This may be a question you need to ask yourself instead of asking the network! It's easy for someone to say they'll provide help when you need it, but this doesn't mean they'll be responsive when the time comes.



► **Back-office Support:** Does the network offer back-office support and express underwriting options to help carry the load and streamline workflow at your office? Considering the cost of labor, and the present insurance labor shortage, these types of services can be invaluable.

Question 8: How Are Other Members Doing?

If you want to see how you might prosper with a network, look to the current agency members.

A network should be able to point to satisfied members who have achieved their professional goals. Although these members have their own hard work to thank for their success, they should also feel that their network has helped them along the way.

By reading agency success stories, you can learn how other agents have built their book of business and how the network helped them. This is a fantastic way of determining what's possible with a network you're considering.

Do You Have Questions for Us?

More than 10,000 independent agencies have joined the Smart Choice network. These agents get access to more than 100 carriers and 3,000 products, including commercial, personal, life and excess and surplus lines.

Smart Choice offers competitive commissions and an agent-friendly contract with no startup, monthly, annual or exit fees. Smart Choice also provides support and access to products and services to help your agency grow. [Learn more.](#)



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