

# Smart Choice<sup>®</sup>

## M A G A Z I N E



## COMMERCIAL LINES:

*Time to take the plunge!*

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## CEO LETTER

It's often said that one key to success is taking initiative. This timeless idea can be illustrated by the quote, "If you want to achieve greatness, stop asking for permission."

By removing any reliance on outside validation, and proactively pursuing improvement, growth and accomplishment become much more attainable goals.

Self-improvement is a journey that begins with a single step - and that first step is taking the initiative to act. When you take initiative, you are taking control of your own destiny. You are charting your own course and setting your own pace. You are no longer at the mercy of external factors. Instead, you are proactively pursuing your goals, and doing so on your own terms. Of course, taking that first step is not always easy, and requires courage and determination, but is almost always worth it. Why? Because when you take initiative, you are taking control of your life.

This same philosophy can be applied to your agency. Many of you have already done the hard and scary part, by taking the initiative to open your own business. If you've taken this step, you are part of a very small percentage of the population. Only 16% of the U.S. population are considered entrepreneurs.<sup>1</sup> Once you've taken this step and become successful, it can be easy to become complacent and stay in a comfort zone you've created, or to "stick with what's working." But I challenge you to embark on a journey of "agency improvement" by taking the initiative to round out your agency's offerings.

For many years, the independent agency channel remained predominantly focused on personal lines sales. That has significantly changed over the course of the last five years. A study by the Big I found that nearly 88% of all commercial lines business written was done so through the Independent Agency Channel.<sup>1</sup> If you

aren't already taking advantage of that channel, you're missing out on a huge opportunity that your competition is taking advantage of. The current insurance marketplace means you have a distinct advantage over your captive counterparts because you have access to more carrier products.

The pandemic has heightened the importance of a business's insurance policy. Now, more than ever, it is crucial that businesses have the right coverage. Companies must be fully aware of their insurance obligations and the risks they face in order to protect against the potential impacts of losses. With the impact of the pandemic continuing to be felt, businesses must be prepared and understand the various aspects of their insurance policy. Companies must assess their needs, and make sure their insurance policy covers the right risks and offers sufficient coverage for any potential financial losses. This is where the partnership you can offer as an advisor is invaluable to these types of clients.

However, if the thought of taking the commercial initiative still seems daunting, remember our Smart Start team is here to help you every step of the way. Plus, higher premiums equal higher revenues, which means with Smart Choice's help, you'll be growing faster and smarter. In this issue you'll learn about our new transportation division, the state of the cyber market, and how to excel as a commercial focused agent.

Remember - don't ask for permission, take the initiative to achieve greatness by taking your agency in a new direction and the success will follow!

<sup>1</sup><https://www.thinkimpact.com/entrepreneur-statistics/#:~:text=What%20Percentage%20of%20the%20Population,to%20be%2058%20million%20entrepreneurs.>

<sup>2</sup><https://www.iamagazine.com/news/solid-ground-big-i-research-shows-the-independent-agency-channel-is-strong#:~:text=The%20independent%20agency%20channel%20placed,premium%20was%20placed%20by%20the>



**MIKE MILLER:**

With 43 years of experience in the insurance industry, Michael (Mike) Miller has held management positions in almost every facet including Underwriting, Controllers, Sales and Agency Marketing. Miller began in the Industry in November of 1980 where he started a scratch Agency with Allstate and earned the Allstate's Honor Ring for performance. After three years he entered Sales Management where he earned the Key Manager designation 10 out of 10 years and Chairman's Inner circle 5 times, placing him in the top 1% of Field Managers company wide.

Miller then became the Director of Marketing for MSI Insurance where he provided leadership for all company operations including HR, Sales, Marketing and Claims. He was the lead for Revenue Growth, operational and strategic planning for the personal and commercial lines company. Miller has been a State Director for Smart Choice since 2009 and is a recipient of the Smart Choice® Presidents Award.



**DAN BRUCK:**

Dan was named Chief Marketing Officer of Smart Choice in February 2021. He has an extensive background in marketing leadership, spearheading the marketing efforts of Fortune 500 companies as well as smaller, growing companies. He has an undergraduate degree in Communications from Loyola Marymount, his postgraduate education includes International Marketing from UCLA as well as an MBA from Pepperdine/Jones.

At Smart Choice, Dan builds our corporate brand and expands our brand awareness, creates and places our advertising, established a new Voice of the Customer program, is leading our SEO (Search Engine Optimization) efforts, identifies new channels for agent prospecting, manages strategic partnerships, develops relationships with insurance organizations (LAAIA, NAAIA, NAAFA, NAPAA, etc.), and optimizes our marketing technology.



**LYNN DEPASQUALE**

Lynn DePasquale, a graduate of Wake Forest University, has been working at Smart Choice® since 2011 and has been working in the Smart Start Commercial Lines department since 2013. Lynn is currently the Vice President of the Smart Start Commercial Lines program where she works directly with national insurance carriers and Smart Choice agency partners to facilitate growth in the Smart Start program.



**DOUGLAS S. WITCHER:**

Doug Witcher is the founder, Chairman and CEO of Smart Choice®. Launched in 1994, Smart Choice® was established to help independent agents access better markets and establish solid relationships with some of the top insurance carriers in the nation. Thanks to Doug's vision, today Smart Choice® has revolutionized the insurance industry to become one of the largest agency networks in the country.

Charitable giving is an integral part of the Smart Choice® philosophy, and Doug is a dedicated servant leader in his community, avidly supporting various non-profit organizations and events. He has received numerous awards and recognitions by leading insurance companies, over the course of his career in the insurance industry, for his leadership and commitment to profitability and growth.





# FROM THE FRONT LINE

By: *Lynn DePasquale, VP of Smart Start Commercial Lines*

Smart Start Commercial continues to grow and expand our portfolio of markets and products to help our agents win more new business. With the challenges of Personal Lines pushing more agencies to diversify into Commercial, we have stepped up our game to help enable that transition! We've been your go-to source for everything from main street small commercial to more complex up-channel middle market business. We recently added programs for niche products such as Churches and Non-Profits, but we wanted to do more.

Smart Choice Commercial recently built and launched a Transportation team. Our team is fully certified and has been actively quoting and binding trucking accounts for the last 6 months. We started out with one market and have quickly expanded to several others. If you want to start writing trucking or have questions, we would love to help you write this business.

We created a quick questionnaire you can find on the business center website that will ask you all the questions needed to be able to get a quote. There are many independent truckers out there that need insurance, and although our niche is 1-5 power units, we can now write larger fleets too. Our carriers have an app for each trucker to be able to generate their own certificates and

submit claims themselves, freeing you up to write other business. We also are rounding this out with an Occupational/Accident insurance offering and we can write the workers comp as well.

We will soon add Fairmatic to our portfolio in Smart Start Commercial. This company specializes in fleets for Last Mile Delivery, Artisan Contractors, Non-emergency Medical Transport and Cannabis Delivery (where legal). Fairmatic uses technology to monitor driving activity and proactively underwrite and dynamically price risks, rewarding safe driving with lower monthly premiums. They will require MVR's and vehicle and driver lists for a submission. There are also some state restrictions so check out their website for what Fairmatic can do in your state.

Smart Start Commercial is driven to provide a comprehensive transportation solution for all your trucking and fleet risks, while striving to deliver an extraordinary experience for our agents who trust us with all their Commercial opportunities. Stay tuned as we have additional new carriers and products coming soon!

*Lynn DePasquale*









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# IT'S TIME TO CONCENTRATE ON COMMERCIAL

By: **Michael Miller**, State Director, Smart Choice®



Feeling the squeeze from inflation, claim settlement increases, and competition from the big national personal lines carriers? It's time to concentrate on commercial insurance.

Now, writing commercial insurance does face its own headwinds (I'll explain more about those in a moment), but compared to increasingly competitive personal lines market, commercial insurance offers more opportunity. Unlike personal lines, small commercial has not been commoditized. Commercial policies are more complicated to write, and customers want to have a relationship with their commercial insurance agent. For these reasons, the large, national carriers have ignored this market. And that's why commercial insurance is so profitable for independent agents who put in the effort to learn how to write it.

#### **Advantages to Writing More Commercial Business**

Here's one advantage to writing commercial: rates are up, which means you get paid more. But the advantages to writing commercial insurance extend far beyond your wallet.

If you take a look at your current book of business, chances are most of your losses at the time of renewal are for personal lines customers. Personal lines customers shop more on price than commercial lines customers do. They believe most personal lines policies are the same, and they are more interested in saving a buck or two than sticking with their current carrier (or agent).

A commercial insurance customer, on the other hand, is looking for a relationship with you. They want stability and to know that their insurance policy fully covers their business, whether they are a self-employed professional, contractor, or manufacturer. If you can provide stability and add value, they'll stick by you. Every salesperson knows that it costs less to keep a current customer than to onboard a new one. With more commercial customers in your book of business, you're more likely to keep your costs lower than your personal lines peers.

#### **How to Excel as a Commercial Agent**

Exceling as a commercial agent comes down to two key performance indicators: know your carriers and follow a lead generation strategy.

Writing commercial lines is more complicated than personal lines. Fortunately, your Smart Choice® carriers are here to help you understand their appetites and learn how to write business with them. The Smart Start™ Commercial and Express Markets™ programs are two other great resources

for you. If you get appointed with several commercial carriers, you'll be able to offer customers a broader range of solutions, even for non-standard business.

Lead generation is just as important for pursuing commercial lines customers as it is for personal lines customers. You can't just wait for your phone to ring. You need to create a plan for how you'll reach out to the types of businesses you're most interested in writing. Then, hit the pavement. Post-COVID, people are anxious to meet with you in person. Don't rely on your phone to generate leads.

#### **A Few Potholes to Look Out For**

Commercial insurance is affected by weather and the economy just like personal lines insurance is. Claims settlements have pushed rates up across the board, and especially for excess and umbrella business. It's wise to be aware of this as you start quoting commercial lines so you can set realistic expectations for your customers. Be prepared with several solutions.

Another challenge? Inflation. A \$1 million umbrella simply doesn't cover as much as it used to just a few years ago. You'll need to be prepared to explain to your customers why you're recommending additional coverage, even if their general liability or property risks haven't changed.

If you're new to commercial lines insurance, you may not be prepared for the amount of business you may gain from writing commercial. Many agencies are struggling to hire producers and CSRs. Make sure you have the team in place that you'll need to service your new commercial lines customers.

#### **What's Hot in Commercial**

Before you go back to your desk and start quoting your local dry cleaner or convenience store, take a moment to learn what's hot in the commercial market. Our Smart Choice® carriers tell us that personal care, pet services, transportation, contractors, manufacturing, and hospitality are all hot markets this year. So is non-standard business, which is easy to write with a few appointments with our Express Markets™ carriers. Focus on three to five target markets and learn their business. You'll quickly become the local expert and build a diverse book of commercial customers.

Ready to concentrate on commercial this year? Get in touch with your State Director today. They can share all the opportunities you have through Smart Choice® and help get you started.





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# WHAT IT MEANS TO BE A TRUE PARTNER

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*By: Dan Bruck, Chief Marketing Officer, Smart Choice®*



One of my early career positions was with a Fortune 500 manufacturing company. They were innovators, market leaders and had one of the top twenty most powerful brands in the world. To my surprise what they also had were scores of partners. In every facet of their business, they had established strategic relationships with other companies that could help them fulfill their customers' needs. They were also partnered with one of their competitors – because they understood that doing so made both company's products more appealing to the marketplace.

At Smart Choice the entire foundation of the company is based on the power of partnership. It is what we describe as the "Freedom to Succeed." We believe that the only things keeping you from reaching your full potential as an agency owner are having the best markets in place and having an association with a team of seasoned veterans who can help keep your business plan on track. At last check we have over 9,500 partnerships with independent agencies.

The "Freedom to Succeed" is also about putting you back in control of your agency—it is not about being controlled by the companies and vendors you represent. While we believe it is imperative to meet, and hopefully exceed, the annual growth and productivity objectives of each of our carriers, it should not come at the expense of agents being unable to help their customers make the right buying decisions.

An article from a few years ago written by Rodd Wagner and Gale Muller entitled "Why Partners Need Complementary Strengths," (a summary of their longer book "Power of 2: How to Make the Most of Your Partnerships at Work and in Life") detailed research they conducted on what makes a successful partnership. Three of these statements emerged as the most important for determining how well your abilities mesh with those of your collaborators:

- We complement each other's strengths.
- We need each other to get the job done.
- He or she does some things much better than I do, and I do some things much better than he or she does.

Clearly, the relationships that Smart Choice has with their agency partners exemplifies each of these characteristics. In recognition of this symbiotic business structure, Smart Choice

was recently recognized as an Inc. Power Partner award winner. The award recognizes companies that are devoted to providing entrepreneurs with the tools and resources they need to start, run, and grow their businesses. This new recognition program establishes a seal of approval for the companies—from SMBs to full-scale enterprises—that other companies rely on to level up.

What the Inc. 5000 does for fast-growth businesses, Inc. Power Partners does for B2B providers—validate and thereby bring recognition and opportunity to the partners that power businesses to reach new heights. Those honored in each of the 22 categories were selected after the customers of nominated companies completed and submitted surveys to Inc. that measured their overall satisfaction and their willingness to recommend the partner. These were reviewed and scored and then combined with Inc.'s own research to create a list of winners – with Smart Choice being the only insurance network awarded. This is the inaugural year for the Power Partners award and Smart Choice has been recognized for the past four consecutive years with their inclusion on the Inc. 5000 list.

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# **Inc. Power Partner**

## **2022**

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Oprah Winfrey has been quoted as follows, "Surround yourself only with people who are going to take you higher." This helps explain why Smart Choice is the fastest growing insurance network and why our agents eagerly share stories of their own success.

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### **Smart Choice Gives Agents Access to Products and Appointments**

*"After working for two different agencies, I decided to establish my own agency. But the hard part was getting carrier appointments. So, I looked into different aggregators and networks and for several of them, I would have had to pay a large down payment -- with Smart Choice there were no fees. Bottom line is that our business has grown dramatically every year, I've hired three people and I wouldn't be here if it wasn't for Smart Choice. They really helped me."*

**- Letisia Aguirre,  
President of Capital Insurance  
Services of Florida**



### **Smart Choice Ensures Agents Remain Completely Independent**

*"They're not hovering over me telling me to do things a certain way. We're still able to run our agency exactly the same, because it is exactly the same. With Smart Choice, there's no buy-in. They don't say you've got to pay \$10,000 to get in or \$50,000 to get out. There's none of that. All those restrictions that make me unsure if I want to jump in the water -- all that's been removed with this network."*

**- Bryan Clinkscales,  
Boone Ritter Insurance**



### **Smart Choice Gives Agents a Fair Contract**

*"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**



### **Smart Choice Helps Agents Grow their Revenue**

*"We started in November of 2019, and we've got a \$4 million book of insurance. We're writing over \$200,000.00 of business every single month. Plus, new agents are interviewing and joining our team every month. Of course, Smart Choice can't take all of the credit for this, but the network has made a big impact. Smart Choice has been great to me. They gave me the opportunity to have this agency and to be successful. In the future, I will roll business with any new carriers to Smart Choice because they've been so great to us."*

**- Chris Walters,  
Integrity Insurance Group**



### **Smart Choice has a Fair Compensation Structure**

*"Everything has worked out great. I capped as an agent last September. Everything that they told me was going to happen with the pay structure has happened. I can tell by what they offer to me such as giving me direct contracts with companies... I know that they're not in it just to make money. They're there truly to help me build my agency and help me become a better agent."*

**- Becky Cates,  
Cates Insurance Agency**

*"I'm proof that Smart Choice is able to take a teachable agent from zero to more than \$2 million in just a few years. I'll probably surpass \$250,000 in commission this year, simply because I trusted Smart Choice's guidance,"*

**- Francisco Castro,  
JCC Group**



# SMART CHOICE<sup>®</sup> SCOOP



## STAFF CHANGES ANNOUNCED

On the heels of another record growth year, Smart Choice has named Spencer Witcher Vice President and Western Regional Director to oversee growth strategy in its western states. Witcher, in his previous role as California Territory Manager, was instrumental in the state's growth strategy, and recruited record numbers of new agencies to the program. In his new role, he will work in conjunction with the state directors and territory managers in eight western states to increase recruitment and provide guidance in a challenging insurance market.

"With the aggressive growth we've experienced year after year, we want to put the right people in place to continue making that happen. We see areas full of potential in many of the western states and we want to capitalize on those opportunities to help agencies thrive," said Andrew Caldwell, President of Smart Choice Agents. "Despite the challenging marketplace he's worked in, Spencer has continued to find ways to maximize growth in his region, and we want to leverage and replicate his success in the surrounding areas as well. Even in a heavily regulated state, he's been able to work with our agency partners to find creative solutions."



**Spencer Witcher**

Witcher is ready and eager to get started in his new role, adding "I feel honored to be asked to serve as Vice President and Western Regional Director for Smart Choice. This new role will afford me the opportunity to work directly with some of the best directors and managers in our Smart Choice family. I look forward to working along-side these talented individuals to assist in providing education, tools, technology, and resources to our field staff and agency partners to further their continuing success."

Smart Choice also recently named Brock Miles as General Counsel and Executive Vice President. Miles has been with the Smart Choice since February 2021 where he manages the company's legal and compliance department from Smart Choice's Raleigh office. In this time with the company, he has assisted in adding over 30 new corporate partners to the program, successfully managed litigation, led initiatives to expand the legal and compliance teams, and significantly contributed to the growth of Smart Choice Partners.

As General Counsel Miles will assume responsibility for managing the company's contracts, agency agreements, acquisitions, licensing compliance, litigation, and other project-based initiatives. Prior to joining Smart Choice, he managed a team of attorneys and contract specialists at IBM focused on IT Service Outsourcing agreements with Fortune 500 clients.

"We've experienced exponential growth as a company over the last five to six years. As we continue our positive trajectory at this pace, it's more important than ever that we have the right people in place. Brock has been a strong force and leader in our compliance team since joining Smart Choice," said Joe Fisher, Chief Operating Officer for Smart Choice.



**Brock Miles**

"I congratulate Brock on this major accomplishment and have the highest confidence he will continue to contribute significantly to our success at Smart Choice."

Miles said, of his new role, "I am very excited to be a part of Smart Choice's culture and hope to be an integral part of the company's continued growth and success."



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# WATER LOSS IS THE NEW FIRE IN COMMERCIAL CONSTRUCTION

*Sponsored By: Liberty Mutual Insurance*

It is critical that independent agents are knowledgeable in current commercial construction loss trends to ensure that their clients are protected from potential losses and actively taking steps to avoid losses that could be costly and damaging to their businesses.

Water damage has become a key driver in builder's risk claims. According to data from the Insurance Services Office, Inc., 24% of incurred losses were caused by water damage. This makes water damage one of the most frequent and costly claims impacting the construction industry. Gaining an understanding of the common causes, impacts, and potential solutions for water damage will position you to better serve your construction clients.

## **Defective fixtures and poor workmanship**

The primary causes of water loss during construction are defective fixtures and poor workmanship. Labor shortages are directly contributing to the latter. The U.S. Bureau of Labor Statistics reports that there will be a need for 747,000 more employees in the construction industry by 2026. However, in 2019, they reported that the median age of a construction worker was 43.

This aging workforce only exacerbates the skilled labor shortage that the industry faces. According to a survey conducted by Autodesk and the Associated General Contractors of America (AGC), 80% of construction firms are having a difficult time filling craft positions. A result of this turnover and lack of skilled workers is that much of the labor force is inexperienced in working with new systems and techniques. This directly results in water losses as two of the leading causes for water damage during construction are improper water line soldering and PVC joint gluing.

Given the increased risk of water losses, it is critical that contractors have flexible, customizable builder's risk policies, like Liberty Mutual's, that offer tailored coverage matching the individual project's risks.

## **Water causes more than physical property loss**

Projects are often on accelerated schedules, and contractors face penalties for delays. In these cases, even a small incident

can cause substantial financial and reputational impact on a contractor.

Water losses are more likely to occur during the water system testing, which is often towards the end of the project. This leaves most of the build's value exposed and potentially increases the severity of the loss. Moreover, the more stories the building has, the higher the loss potential.

It is critical that contractors consider having coverage for a delay in completion, something that Liberty Mutual offers as part of its customizable coverage.

## **Wet work programs can prevent losses**

One way that clients can prevent or mitigate water losses is through wet work programs – prevention measures put in place to prevent leakage and identify and minimize any water damage that does occur. Encourage your clients to take steps like:

- Post maps showing the location of water valves on the job site
- Install water flow alarms
- Hire a watchperson to monitor for issues during non-working hours
- Pressure test and quality check all water lines before turning on the water
- Prepare for rainstorms by developing ways to divert water away from the building during the course of construction
- Implement formal sprinkler shutdown and start-up procedures

Many carriers, like Liberty Mutual, offer risk consulting services to policyholders. These services are resources for advanced technical guidance and can help your clients control losses through a number of solutions.

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Learn more about Liberty Mutual's builders risk coverage and other inland marine offerings.

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# UP CLOSE AND



## Smart Start Personal Lines is Enhancing the Agent Experience

This year, Smart Start Personal Lines is committed to enriching agents' experiences on many different levels. With changes already in place and more in the works for 2023, our hope is to deliver the best possible experience to you, our agents.

These enhancements started with the December 2022 launch of our new Smart Start Personal Lines (SSPL) alignment strategy, which has positioned us for more meaningful partnerships and more robust agent support. This new alignment provides agents with a state specific Personal Lines Risk Specialist (PLRS) who will get to know you and your needs. Your PLRS is here to deliver exceptional expert quoting guidance and placement of new business by helping you understand carriers' positions in the marketplace with things such as competitiveness, risk appetite, and offered products.

With this elevated support, we strive to position you to achieve your business goals with the ultimate objective of helping agents become more independent by obtaining direct codes with our carrier partners.

We are leveraging technology to enhance, simplify, and make touchpoints with agents more efficient and effective. In August of last year, we began the journey of identifying opportunities for automation. Earlier this year, we began with automating the process of onboarding and monitoring the training journey for new agents.

Additionally, we have created surveys that are included in our onboarding email as well as in each PLRS's email signature, giving agents the opportunity to provide us with feedback that will help us continue to improve our enhancement efforts.

#### **ON THE HORIZON**

Currently under development is the design of a new SSPL landing page on the Agency Business Center. This landing page will provide a one-stop location for agents to find all things SSPL. This will eliminate the need to search for resources in multiple locations on our website and make finding reference material simpler and quicker for you!

As we continue to leverage technology, we are exploring additional resources such as bite-sized learning videos, quick reference guides, and continuing education materials. Internally, we are reviewing our operation to find opportunities to simplify, automate, and improve processes that will allow us to have more focus on agents and your success.

Our goal is to provide you with everything you need at your fingertips to save you a phone call or email to obtain useful information.

#### **IN CLOSING**

We have many enhancements developed or under-development with your success in mind. We appreciate your partnership and feedback as we continue to look for ways to provide you with the tools, resources, and support you need for a successful journey in the SSPL program! We would greatly appreciate if you would take some time to provide us feedback on how we are doing by scanning this code



### **Smart Start Personal Lines**

*Promote energy, excitement, and enthusiasm (E<sup>3</sup>) around program success and encourage employee and agent environment.*

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# A CONVERSATION WITH COWBELL CYBER

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Mark Brandt, VP of Commercial Lines at Smart Choice, sat down with Andy Wittgren, Director of Select Sales at Cowbell Cyber, for a Q & A on the state of cyber insurance today.

**MB: Can you give me a quick bio - your background, role at Cowbell, etc.**

**AW:** As the Director of Select Sales, I am responsible for all aspects of Cowbell's Independent Agent/Small Commercial distribution channel. I work from my home office in Southern Florida. Previously, I ran small commercial programs for The Hartford in California. I am a graduate of Purdue University and began my career in the wireless industry developing and managing retail distribution channels, products, and strategies.

**MB: How would you compare the uptake of Cyber today to just a couple years ago? Are agents recognizing the importance of Cyber and including this coverage in their sales proposals more often?**

**AW:** The understanding of the need for more robust cyber coverage has grown significantly over the past few years. However, currently only 1 out of 5 of the 33.2 million SMEs in the

United states currently have cyber coverage, and the majority of those rely on inadequate BOP endorsements that provide little, if any coverage for the main forms of today's cyber attacks - ransomware and social engineering. More and more agents are looking for easy, understandable ways to discuss and offer cyber coverage with their insureds.

**MB: Other than potential E&O claims, what is the threat to agencies who don't offer Cyber to their commercial clients?**

**AW:** The greatest threat is losing clients. More and more, new producers and new agencies are looking to use cyber as a "wedge" to open conversations with prospective clients, knowing that many agencies still do not offer a cyber solution. They can then further build their books by using their success with cyber to cross-sell into main line coverages. Just like many established producers and agency principles began their careers by looking for gaps in BOP or Workers Comp coverage to build their own books. And with the vast majority of SMEs uninsured or underinsured for cyber perils, stand alone cyber coverage offers new producers an opportunity to discuss real gaps most insureds have.

**MB:** *For agents still hesitant to sell Cyber, what is the main cause of their concern? How have you addressed that at Cowbell?*

**AW:** Usually, the main concern for agents not offering cyber is just understanding where and how to start. Cyber can be complex, with most cyber carriers requiring lengthy, complex applications and long underwriting processes that can delay placing business or, often, lead to declinations due to stringent underwriting requirements (such as the use of MFA). At Cowbell, we've made the quoting and binding process simple to do, and easy to understand. By answering as few as 5 questions on our AI driven platform, an agent can quote and bind affordable, competitive coverage in as little as 3 minutes. No underwriter involvement, no back and forth, no MFA or other stringent requirements. Our AI driven platform already has over 90% of those 33.2 million SMEs pre-loaded and pre-evaluated using our 8 Cowbell Factors. Our simple 4 page proposal outlines the coverages available in easy to understand language, as well as how an insured scores compared to their peers in their industry. And to help Agents get started and support them along their cyber journey, we have created the Cowbell Academy with easy, quick online courses on a variety of topics from Cyber 101 to how to sell cyber coverages. Plus, our team of 12 dedicated Account Executives and Associate Account Executives are available to support agents with all things Cowbell, from training and marketing to discussing specific risks and providing system support.

**MB:** *We've seen articles about Cyber having capacity issues, and social engineering becoming potentially uninsurable. How do you see the crime coverages evolving with Cyber policies in the next few years?*

**AW:** Interest in stand alone cyber coverage is rapidly growing among SMEs. Some carriers have struggled with securing the needed reinsurance to create a consistent offering. The real key for a carrier to be successful in cyber is to create a truly adaptable cyber insurance product that is backed up by a data driven underwriting system. A carrier also needs strong partnerships with cyber security providers to be able to understand and address emerging threats as they arrive and change. Cowbell's Adaptive Cyber Insurance allows policyholders to keep pace with evolving cyber threats. This is done through our closed-loop approach to risk management (Assess, Insure, Improve, Respond); continuous risk assessment and continuous underwriting are paving the way for modern cyber insurance and allowing policyholders to be proactive and achieve cyber resilience.

**MB:** *There's an old adage that some coverage is better than no coverage, and most carriers' BOP products offer a Cyber endorsement. Do those endorsements provide adequate coverage? How do they compare to a stand-alone Cyber policy?*

**AW:** That old adage still holds true today. However, it's only true when that minimum coverage actually covers the perils at hand. Imagine a painting contractor with a work comp policy that doesn't include coverage for an employee falling off a ladder. In that case, "some coverage" is really no coverage because it does not address one of the most common perils. Most BOP endorsements don't provide coverage for ransomware or social engineering events, the most prevalent threats today. Stand alone cyber coverage is much more robust and complete, and more adjustable to fit the particular needs of each individual insured, while remaining competitively priced. Cowbell offers flexible limits, starting as low as \$50,000, but still containing the key coverages needed in today's threat environment.

**MB:** *What should agents look for when considering which Cyber product to offer their clients?*

**AW:** Start with robust, flexible coverage that addresses the threats SMEs face today. An agent should then also consider what offerings a carrier has to enhance an insured's cyber security profile post coverage. For example, Cowbell offers several value-added resources for our insureds, including free Wizer cyber security training, a 6 months free subscription to Nordpass, and access to discounted services from other partners like Okta, Arctic Wolf, and CrowdStrike, just to name a few. Cowbell's average insured sees their aggregate Cowbell Factor improve by over 9% over their first year insured with us because of these services. Also look for a carrier partner who uses their technology for more than up-front risk evaluation. At Cowbell, we continuously monitor our insureds post issuance on the same 8 Cowbell factors we use to analyze upfront risk. This allows us to engage with insureds to do more than provide coverage, helping to continuously improve their cyber security profile to address the ever changing cyber threat landscape. Finally, consider the support you will have. Most stand alone cyber carriers only offer coverage through wholesalers, with no direct support for the agents. With Cowbell, agents have direct access and the support of a dedicated team of Account Executives and Associate Account Executives to help them at every step of the sales process.



## CASE STUDY:

# *How One Independent Agent Overcame Common Barriers On His Road To Success*

Francisco Castro's career followed a winding road that eventually led to insurance. After getting his insurance licenses and learning the business, he planned to buy an agency in Texas, but his twin brother had other ideas. His brother had been building his own company, an accounting firm in Kentucky and wanted Francisco to move there.



**Francisco Castro**  
**Co-Owner, JCC Group**

Francisco was up for the challenge. He put his years of managerial experience to work helping his brother structure his new company, and he also took care of his Kentucky insurance licenses requirements. In 2018, the brothers launched their combined business, JCC Group. The company had an accounting side and an insurance side, each complementing the other's expertise.

### **A Major Roadblock to Success**

Today, Francisco's business is thriving, but he had to overcome some big obstacles on the road to insurance success, one of which was securing the carrier appointments he needed to effectively compete in the marketplace and meet his customers' needs.

He quickly discovered that many carriers only gave appointments to agencies with at least three years of experience and over \$100,000 in premium volume.!

Although he had decades of experience as a manager, plus years of experience in insurance, he still couldn't get the carrier appointments needed. It was a big problem, but fortunately a friend told him about a potential solution: Smart Choice – an insurance agency network.

### **The Bridge to Growth**

Francisco took his friend's advice and contacted Smart Choice. After chatting with State Director, Sheila Royal, who came to his office and offered to help guide Francisco to success, he was all in.

"I took her on her word, and sure enough, in 2019, we did okay," says Francisco.

He feels that the support that Smart Choice provides has been incredible, and is helpful for all agents, no matter how much experience they have. "Even if you've spent 10 or 20 years in the insurance industry, things are always changing," he explains.

Francisco said at first, he was concerned about the 70-30 commission split, but Sheila explained that the split only applied to business written through the program, and that he'd soon be earning 100% of all commissions if he hit expected performance targets. "That put me at ease," he says.

In 2020, the insurance business really started to grow rapidly, and in 2021, Francisco made the decision to stop working in the accounting side of the business so that he could focus all his attention on the insurance side.

### **An On-Ramp to Commercial**

As Francisco's agency grew, and he learned more about the opportunities Smart Choice offered that could help him ramp up his revenue, he began to look into expanding into other lines. "I started with personal lines primarily, but my passion is helping clients, and I felt I could do more of that by expanding into commercial lines," says Francisco. It makes sense – businesses need just as much, if not more guidance and year-round support than personal insurance clients. Yet, the transition to commercial lines can

be intimidating. Many agents are afraid of getting in over their heads. Fortunately, Francisco was able to leverage Smart Choice's Smart Start program to learn quickly and confidently.

"I started getting to know commercial," he says. After he received an appointment with Liberty Mutual, his commercial lines book really began to take off. "Right now, commercial is our bread and butter," he adds.

### **Destination: Profit**

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In 2021, Francisco had two key goals:

1. To be profitable after covering his salary and all overhead expenses
2. To be recognized for his performance as an insurance agent

Francisco is happy to report that he achieved both objectives. When the year-end numbers were crunched by his brother and accountant, he was in the black. Then came the icing on the cake: Sheila called to tell him that he was getting a big bonus from one of his main carriers. He was also receiving a leadership award from Smart Choice for achieving a certain level of commission!

### **The Road Map**

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"I think the secret to our success has been that from day one, we started educating our clients," says Francisco. He avoids making a quick sale by simply giving clients what they ask for. Instead, he takes the time to explain their options, always focusing on long-term goals.

Some clients are only focused on saving money. They'll ask for the cheapest workers' compensation coverage, for example. While it's understandable that they don't want to overpay, Francisco helps them understand how skimping

on insurance can come back to haunt them. "They don't realize that if your work comp payroll estimates are too low, once you do the insurance audit the next year, you end up paying \$20,000 or \$30,000 more." He'd rather have his clients pay a little bit more right now and not have to pay extra next year. Once his clients understand, they tend to agree.

Francisco also helps clients who come to his office because they want to start a business and need to know what's required. "We always tell them that it doesn't have to be us, but first, you need a good accountant, and second, you need a good insurance agent who is going to battle for you," he says.

Having a niche focus is also important. "We advocate for the Hispanic community," Francisco says, explaining that since he and his brother are Hispanic, it's an organic opportunity.

Last but not least, Smart Choice has been there every step of the way. Francisco says that any agency can succeed as long as they're willing to listen to the advice that Smart Choice offers.

"I'm proof that Smart Choice is able to take a teachable agent from zero to more than \$2 million in just a few years. I'll probably surpass \$250,000 in commission this year, simply because I trusted Smart Choice's guidance," he says.

Are you ready to see how Smart Choice can help you? Become an agency partner. 



# Independent Agencies are **GAINING** Market Share, Are You



Captive agencies are losing ground to independent agents. A recent report from the Independent Insurance Agents & Brokers of America (aka the Big “I”) shows independent agents are gaining market share. This signals a major opportunity for captive agents considering a transition to the independent role.

Some insurance alliances, clusters or aggregators promise carrier access but require expensive entry and/or monthly fees. Others lock agents into unfavorable contracts and may even take an ownership stake in the business, making it extremely challenging to leave.

When agents join Smart Choice, they receive carrier access without maintenance, entry or exit fees. All commission splits are capped at a certain percent so no matter how large your book of business gets, your agency isn't continually having to pay more. Agents also receive the support they need to navigate a changing insurance industry and grow their business with dedicated field staff.