
Welcome

*How to Start an
Independent Insurance Agency*



Strengths of the Independent Agency System

- ✓ **Ability to represent a variety of different carriers**
- ✓ **Ability to specialize in niche markets**
- ✓ **Ability to serve many needs of many clients**
- ✓ **You are the decision maker for the business**
- ✓ **The business is an Asset that can be sold – You own your policy expirations**

Challenges to a new Independent Agent

- **No name recognition (unlike captive Agents)**
- **Little or no technical support**
- **Little or no help with start up expenses**
- **Difficult to start from scratch**
 - **Lack of markets/products**
 - **Errors & Omissions insurance can be costly or hard to obtain**
 - **It's always a competitive marketplace**
- **Income swings are common for the first few years**

Is Entrepreneurship For You?

- **In business there are no guarantees.**
- **There are risks associated with starting a small business.**
- **Do you have sufficient cash flow and financial backing to start a business?**
- **Do you have the ability to develop a client base quickly?**



Is Entrepreneurship For You?

Carefully consider each of the following questions:

- Are you a self-starter?**
 - It will be entirely up to you to develop projects, organize your time, and follow through on details.**
- How well do you get along with different personalities?**
 - Business owners need to develop working relationships with a variety of people including customers, vendors, staff, bankers, and professionals such as lawyers, accountants or consultants. Can you deal with a demanding client, an unreliable vendor, or a cranky receptionist if your business interests demand it?**

Is Entrepreneurship For You? (cont.)

- How good are you at making decisions?
 - **Small business owners are required to make decisions constantly – often quickly, independently, and under pressure.**
- Do you have the physical and emotional stamina to run a business?
 - **Business ownership can be exciting, but it's also a lot of work. Can you face six or seven 12-hour work days every week?**
- How well do you plan and organize?
 - **Research indicates that poor planning is responsible for most business failures. Good organization – of financials, inventory, schedules, and production – can help you avoid many pitfalls.**

Is Entrepreneurship For You? (cont.)

- Is your drive strong enough?
 - **Running a business can wear you down emotionally. Some business owners burn out quickly from having to carry all the responsibility for the success of their business on their own shoulders. Strong motivation will help you survive slowdowns and periods of burnout.**

- Do you have realistic goals?
 - **If your decision to start a business is based upon the success you see others having as a business owner, ask them how difficult it was to start the business. You are viewing them after years of success.**

Is Entrepreneurship For You? (cont.)

- How will the business affect your family?
 - **The first few years of business start-up can be hard on family life. It is important for family members to know what to expect and for you to be able to trust that they will support you during this time.**
 - **Consider your involvement in activities like weekend sports (you and your family), trips and vacations, social activities – will they have to be curtailed?**
 - **There also may be financial difficulties until the business becomes profitable, which could take months or years. You may have to adjust to a lower standard of living or put family assets at risk in the short term. What about college-bound children? Retirement savings? Plans for purchasing a new home or car or retiring debt?**

Writing a Business Plan

- 1. Executive Summary**
 - Objectives
 - Mission
 - Keys to Success
- 2. Company Summary**
- 3. Services**
- 4. Market Analysis Summary**
- 5. Strategy and Implementation**
- 6. Management Summary**



Writing a Business Plan

□ Example of a Business Plan:

<http://www.sba.gov/smallbusinessplanner/plan/writeabusinessplan/index.html>

<http://bplans.org/spv/3003/index.cfm?affiliate-pas>

Company Appointments

- **What products will you offer?**
- **Which companies offer these products?**
- **What are the company requirements?**
 - Volume**
 - Experience**
 - Profitability**
 - Financials**

What if you can't get Appointed?

✓ **Networks/Aggregators**

✓ **“Big I” Markets**

- Access to several national carriers**
- Access to a wide variety of niche type businesses**
- Personal Lines and Commercial Lines**
- Full Commission**
- No annual fee**
- No volume commitments**

✓ **Agent Secure**

Errors and Omissions **Coverage**

Options

✓ IIABA (Westport)

Requirements

- Number of Years Licensed
- Numbers of Years in Business
- Agency Management Experience
- Estimated Gross Annual Premium

✓ PIA (Utica)

Same type requirements as IIABA

✓ Purchase through an Excess & Surplus Lines Broker

Errors and Omissions **Coverage**

- ✓ **You will need the following for a quote**
 - ❑ **Estimated Annual Commissions**
 - ❑ **Office Procedures**
 - ❑ **Lines of Business**
 - ❑ **Resume showing your work history**

- ✓ **Pricing**
 - ❑ **Based on gross annual premium**
 - ❑ **Other factors include amount of brokered business, number of claims, limits, deductibles, etc.**

Training & Education **Resources**

□ IIABA

- Classes offered for each phase of your profession**
- Designation Programs**
 - AAI – Accredited Adviser in Insurance**
 - ACSR – Accredited Customer Service Representative**
 - AIP – Associate in Insurance Production (Elite Force Sales Training)**
 - Pre-Licensing Course (P&C)**
 - General CE**
 - Club Ed**

Training & Education **Resources**

□ PIA

□ Designation Programs

- **CIC – Certified Insurance Counselor**
- **CPIA - Certified Professional Insurance Agent**
- **CISR – Certified Insurance Service Representative**
- **Dynamics of Selling**
- **Dynamics of Service**
- **The National Alliance School for Producer Development**
- **www.Learn.net online training**
- **Pre-Licensing Course (P&C, and L/H)**

Association Membership

- **IIABA** (www.independentagent.com)
- **PIA** (www.pianet.com)
- **NAIFA** (www.naifa.org)

Benefits

- **Virtual University (IIABA)**
- **Legal Advocacy (IIABA)**
- **Best Practices**
- **Training**
- **Networking**
- **Lobbying for your industry**

Have you decided to open an Independent Agency?

If yes,
please look at the
“Donegal advantage”
on the following pages.

Donegal's Agency Builder Program for Startup Property & Casualty Agents

An exciting new program for
Future Agency Owners



Donegal's Program Goals:

Agent:

- Ownership of an Agency with \$500,000 Donegal P&C at 55% loss ratio
- Donegal Signature Agent status, providing:
 - Increased Profit Sharing Bonus
 - Increased co-op advertising

Donegal:

- Profitable Agency
- Aggressive Agent, trained to grow their business proactively
- Agency committed to a strong, long-term relationship with Donegal as a primary carrier in their Agency

What does Donegal provide for the Agent?

- ✓ Training & support – for Agent and their staff
- ✓ Financial Assistance
- ✓ Errors & Omissions coverage financing assistance
- ✓ Business support – business planning, coaching, management support
- ✓ Business Equipment and software with “800” number help
- ✓ Competitive personal and commercial lines products
- ✓ Lucrative commissions, bonuses and other incentives
- ✓ Co-op advertising, signs and marketing materials

THE REWARD

- Ownership of the policies is given to the Agent
- Any financing loans are waived
- All equipment becomes the property of the Agent
- The Agent becomes a Donegal *Agent of Distinction* with added incentives

Contact for information on the Donegal Program

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