



The Risk Factors of Insurance Agency Operations

[Summary](#)

*How to Identify the Risks in Insurance Agency Operations and
Change them for the Betterment of your Clients, Agency and Staff*

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Objectives of the Program

Objectives – To help Agency Owners, staff and industry partners understand the risks in insurance agency operations. This program will consist of 7 hours of continuing education (CE) hours that will train participants on how to identify risk factors, what they mean to their agency operations and how to improve them so the agency can operate in an optimal manner. The participants will be equipped with the right questions, process and data to improve their agency operations to better serve their clients, staff and the insurance industry.

Overview of the Agenda

- State of the IA System –
 - Agency values, market share, agency stock, carrier relationships 1 hour
- The Risk Factors of Agency Operations 1 hour
- Business Planning for Growing Your Agency Value 1 hour
- The necessary legal documents and operating agreements for every agency 1 hour
 - Shareholder/Operating Agreement
 - Contingency Buy-sell Agreement
 - Employment Agreements
- Planning for Transitioning Ownership 1 hour
- Internal Perpetuation 1 hour
- Agency Acquisition Strategies 1 hour

About the Presenter

Jeffrey S. Smith, JD, CIC, CAE serves as Chief Executive Officer for Ohio Insurance Agents Association (OIA) and IA Valuations. He is responsible for leading the organizations' strategic initiatives and day to day operations.

As CEO of IA Valuations, Smith has consulted and reviewed over 350 agency valuations for independent agents across the US. IA Valuations serves independent agencies as a trusted advisor and strategic business partner as they implement strategies to increase their agency value, grow their businesses and transition their agencies. In addition, Smith provides insights into the agency's operations, risk factors and legal guidance on how to perpetuate and maximize value in a sale. IA Valuations has advised more than 40 agencies on the ownership transition of their insurance agency.

Smith graduated with honors from Kent State University and Capital University Law School with a concentration in government relations. He is a licensed P&C insurance agent, Certified Insurance Counselor Designee, Attorney and Certified Association Executive. Smith is an active member of the Ohio State Bar Association Insurance Committee, Ohio Society of Association Executives and Ohio Lobbying Association. On a personal note, Smith is an avid runner and endurance athlete. He has completed a marathon in all 50 states and the District of Columbia and an Ironman triathlon. He lives in Powell with his wife and two children. He enjoys coaching youth sports and outdoor adventures.

Part 1 – State of the Independent Agency System

Objective – This section of the program will take an assessment of the vital signs of independent insurance agents in the insurance distribution system. It will look at the 4 key determinative factors of health and assess how the IA system stacks up with the trends in the industry. It will also review the challenges facing independent insurance agents and emerging risks in the business model.

Overview of the Program 8:30 – 8:40 AM

- The Vital Signs of the Independent Agency System

Insurance Agency Values 8:40 – 8:50 AM

- Trends with Agency values
- Key factors and contributors influencing the trends

Independent Agent Market Share 8:50 – 9:00 AM

- The Insurance Distribution System
 - Independent Agents
 - Exclusive/Captive Agents
 - Direct

Agency Stock 9:00 – 9:05 AM

- Trends on the Agency force
 - Generational Health of Ownership and Employees
 - Demographics of Agencies and Agents

Carrier Relationships 9:05 – 9:15 AM

- The Status of Agent-Carrier Relationships

Challenges and Emerging Risks in the IA System 9:15 – 9:25 AM

Questions and Answers 9:25 – 9:30 AM

*****10 Minute Break*****

Part 2 – Risk Factors Affecting Your Agency Operations and Valuation

Objective – To make agents aware of the risk factors that not only affect the value of their agency, but the factors that could leave them exposed for an E&O claim. We'll review how they can strengthen their agency operations to both better protect themselves and their clients.

Overview	9:40 – 9:45 AM
The Risk Factors Affecting Agency Operations and Valuation	9:45 – 9:50 AM
<ul style="list-style-type: none">• Brief Overview of All Risk Factors• Brief Overview of Why Agents Should Care<ul style="list-style-type: none">○ Could Affect Agency Value○ Could Leave Gaps that Cause E&O Claims	
Review and Break Down of Each Risk Factor	9:50 – 10:25 AM
<ul style="list-style-type: none">○ Generational Health – Average Age of Owners and Staff○ Carrier Concentration○ Client Concentration○ Age of Book○ Non-owned Books of Business○ Producer Risk – Employment Agreements○ Perpetuation Plan○ Growth rates○ Technology Systems○ Culture – Sales, Service, Core Values○ Investment in Next-Gen and Professional Development	
How to Improve and Change Each Risk Factor	10:25 – 10:35 AM
<ul style="list-style-type: none">○ Develop a Strategy○ Set Goals○ Execute the Plan○ Measure Performance (KPIs) and Accountability	
Questions and Answers	10:35 – 10:40 AM

*****10 Minute Break*****

Part 3 – Business Planning for Growing Your Agency

Objective – In this section, the participants will learn the basics on business planning. They will be provided a business plan template to complete throughout the session. We will discuss the different between annual business planning and strategic planning. In addition, we will identify KPIs for their agencies to measure and focus on improvement.

Overview 10:50 – 10:55 AM

Determine Why You Are Business Planning 10:55 – 11:05 AM

- The Business Case for Business Planning
- State Your Purpose for the Plan
- Your Why and Your Agency's Why

The Essentials of an Insurance Agency Business Plan 10:55 – 11:20 AM

- Take Stock of the Current State of the Agency
- Key Performance Indicators (KPIs)
 - Establish Your Agency's KPIs
 - Review Process with Leadership and Team
- Establish Your Goals with KPIs

Strategic Planning in Your Agency 11:20 – 11:35 AM

- Environmental Scan of the Industry and IA System
- SWOT Analysis of Your Agency

Questions and Answers 11:35 – 11:40 AM

*****50 Minute Lunch Break*****

Part 4 – The Necessary Legal Documents and Operating Agreements for Every Independent Insurance Agency

Objective – In this hour, the participants will review the legal documents and agreements that best practices agencies operate with. Like every business, a modern insurance agency has many legal risks associated with its business practices. From carrier relationships, client issues to employee compliance, we will identify the legal risks of operating an insurance agency and the agreements that typically protect against those risks. We will discuss the various legal documents, their construct, reason for having them and share some case studies on the purpose of the documents.

Overview	12:30 – 12:35 PM
The Critical Legal Agreements in an Insurance Agency	12:35 – 12:45 PM
<ul style="list-style-type: none">• Agency Appointment Agreement	12:45 – 12:55 PM
<ul style="list-style-type: none">• Operating/Shareholder Agreements	12:55 – 1:05 PM
<ul style="list-style-type: none">• Employment Agreements<ul style="list-style-type: none">• Confidentiality• Restrictive Covenants<ul style="list-style-type: none">• Non-Compete• Non-Solicitation/Non-Piracy	1:05 – 1:15 PM
<ul style="list-style-type: none">• Independent Contractor Agreements	1:15 – 1:20 PM
<ul style="list-style-type: none">• Buy Sell Agreement<ul style="list-style-type: none">• Asset Purchase vs. Stock Sale Agreement• Contingency Buy Sell Agreement	1:20 – 1:25 PM
Questions and Answers	1:25 – 1:30 PM

*****10 Minute Break*****

Part 5 – Planning for Transitioning Ownership

Objective – To educate agents the questions they need to ask in order to not only help determine the right time to transition their agency, but to make them aware of items to take into consideration in order to continue properly protecting their clients and preventing any E&O exposures.

Welcome and Overview

1:40 – 1:45 PM

How to Answer that Burning Question

1:45 – 2:15 PM

- Factors Influencing when it is the right time
 - Personal Factors – Health, Focus, Energy, Age, Optimism
 - Agency Performance – Annual Growth, Retention and Profitability
 - Agency Health – Net Worth of the Agency
 - Team Health
 - Complexion of the Book
 - Carrier Partnerships and Commitment
 - Technology Systems and Marketing Efforts
 - External Factors – tax consequences
 - Personal Financial Preparedness
 - Perpetuation/Transition Plan

Planning Resources and Tools to Help Answer the Question

2:15 – 2:20 PM

What to do Next

2:20 – 2:25 PM

- Depending on the Decision
- Make Peace with it and move on

Questions and Answers

2:25 – 2:30 PM

*****10 Minute Break*****

Part 6 – Agency Operations – The Essential Steps to Internal Perpetuation

Objective – This is designed as a 60-minute workshop program where agency owners and future agency owners prepare the elements of an internal perpetuation plan. The agency owners will learn about the core components of an internal perpetuation plan and begin designing a plan for their agency. It is intended for an audience of current agency owners and future owners. The participants will be provided a template valuation plan to be completed during the program.

Overview	2:40 – 2:45 PM
The components of an internal perpetuation plan <ul style="list-style-type: none">○ Why create a plan?○ What is included in the plan?	2:45 – 2:50 PM
Summary Statement <ul style="list-style-type: none">○ Overview on the intentions of the plan○ Short summary statement, background on the agency, owners, and intentions with the perpetuation plan	2:50 – 3:00 PM
Discovery Interview/Personal Statement <ul style="list-style-type: none">○ Current Owner intentions – why, when, how○ Future Owner intentions – why, when, how○ Share between the two, include in the perpetuation plan – ensures both parties are on the same page	3:00 – 3:10 PM
Timeline <ul style="list-style-type: none">○ Identify the key dates and transition points○ Establish dates for action items – work backwards from the final sale date and/or retirement of the principal	3:10 – 3:20 PM
Leadership and Management Transition <ul style="list-style-type: none">○ Identify roles to be transitioned○ Establish clear roles prior to, during, and post-transition○ Mentorship	3:20 – 3:25 PM
Financial Structure of the Perpetuation Plan <ul style="list-style-type: none">○ Understanding the options○ Devising a strategy that works for all parties	3:25 – 3:35 PM
Questions and Answers	3:35 – 3:40 PM

*****10 Minute Break*****

Part 7 – Minimizing the Risks of an Agency Acquisition

Objective – Agents will learn how to minimize the risks of an agency acquisition. This includes learning about the due diligence process, identifying risks and assessing an agency acquisition. Agents will also understand how to review employment agreements, restrictive covenants, E&O and EPLI/HR risks. Finally, agency acquirers will understand how to mesh cultures, incentivize the merging producers and staff and maximize the success of an acquisition.

Overview	3:50 – 3:55 PM
Identifying the Risks of An Agency Acquisition	3:55 – 4:05 PM
<ul style="list-style-type: none">○ The Due Diligence Process<ul style="list-style-type: none">▪ The Who, What, When and How	
Key Steps in the Due Diligence Process	4:05 – 4:15 PM
<ul style="list-style-type: none">○ Culture – Leadership/Management○ Financial – Auditing P&L, Production Reports, Pro forma○ Legal<ul style="list-style-type: none">▪ Employment Agreements▪ Restrictive Covenants▪ E&O▪ EPLI/HR risks	
The Offer, Letter of Intent and Purchase Agreement	4:15 – 4:25 PM
<ul style="list-style-type: none">○ What to consider with an Offer○ The effect of the Letter of Intent – Key Provisions○ Purchase Agreement – Stock or Asset Acquisition	
The Acquisition is Complete – Going Forward	4:25 – 4:35 PM
<ul style="list-style-type: none">○ Culture – How to Blend the Cultures of the Agencies○ Onboarding Process○ Incentivizing Producers and Staff	
Final Tips on Minimizing Risks and Maximizing Success of an Acquisition	4:35 – 4:45 PM
Questions and Answers	4:45 – 4:50 PM

*****Program Concludes*****