

Thinking of Joining an Aggregator or Cluster?

— THINGS TO CONSIDER —

The New York independent agency landscape has seen many changes over the years, but none more than the development of interagency relationships via groups, clusters and aggregators. The creation of these models has served the needs of many independent agents over the years through carrier access, scale, pooling of resources, training and education, marketing, and in some models underwriting and placement support.

The intent of this worksheet is to highlight questions for you to consider contractually and relationally when researching the potential of partnering with an aggregator or cluster. These models vary in structure and contractual obligations, so it is important to remember it is not "one size fits all" and what works for some agents may not work for you.

HOW TO USE THIS WORKSHEET

1. The first step is to read through *all of the questions* and respond to any you feel you can confidently answer, and write it in the space next to the question.
2. Once completed, review the questions you did not know the answer to, and seek out any information you may need to properly answer these questions.
3. Once you've completed the entire worksheet, review all of your answers and use them to determine if joining the aggregator or cluster is the right fit for your agency.

MAJOR CONTRACT PROVISIONS

Terms of the Agreement

You will be entering into a contract that is binding and enforceable. This will affect you for years to come. Therefore, it's important to understand the expectations that are outlined as well as obligations on you and the aggregator or cluster.

What is the length of the contract and does it allow enough time to maximize the perceived benefits of the relationship? _____

What are the renewal term options?

Can the contract be extended for another term with the same provisions? **YES / NO**

Are the provisions subject to change? Under what circumstances? Are there advanced notice provisions?

What carrier relationships do they bring to the relationship?

Does this stable of carriers meet your target market needs? **YES / NO**

What flexibility do you have keeping existing direct appointments with carriers? _____

What is your access & work flow process in dealing with new carriers' relationships through the aggregator or cluster contract?

Compensation

Provisions on how compensation is earned and paid will vary greatly over the various aggregator or cluster models.

Will the total potential compensation earned through this relationship meet your needs, based on your estimated projected written premium? **YES / NO**

Are commission levels and the way they are paid to your agency clearly outlined? **YES / NO**

Are commissions paid to you directly by the carrier or through the aggregator or cluster? **YES / NO**

Do commission rates vary based on the level of carrier access?

For Direct access supported by contract and/or sub-code **YES / NO**

Indirect access through a central placement facility **YES / NO**

Are commission rates variable? **YES / NO**

What are the variables? _____

Written premium level? If banded, what are the bands? _____

Does growth impact commission rates? If so, how? _____

Are there different levels of base commissions for new business and renewals? **YES / NO**

Are there opportunities to earn additional compensation? If so, are the parameters outlined? **YES / NO**

What contingent compensation is available:

Profit sharing? **YES / NO**

Over-rides and bonuses? **YES / NO**

Incentive trips? **YES / NO**

Under what circumstances is contingent compensation available and how is it paid? _____

Are there minimum written premium levels to qualify? What are they? _____

Are there profitability requirements? What are they? _____

Are there growth requirements? What are they? _____

Is there a formula based on the variable listed above? **YES / NO**

Is it paid proportionately based on written premium? **YES / NO**

Is it paid based on your agency's performance or that of the aggregator or cluster? **YES / NO**

Fees & Expenses

This is also variable across the different aggregator or cluster models.

Are the fees, expenses and provided services outlined? **YES / NO**

How are fees paid?

Upfront fee to join the aggregator or cluster? **YES / NO**

Fixed monthly fee? **YES / NO**

Variable monthly fee based on revenue? **YES / NO**

Are these fee-added services of value to you and your agency? **YES / NO**

Is the fee structure consistent among all members? **YES / NO**

Authority

Does your agency have direct contracts with carriers? If not, will the aggregator or cluster make theirs available for review? Supported in contract?

Binding Authority

Is binding authority clearly outlined for each carrier? YES / NO

How does it vary based on direct carrier access versus indirect? _____

What is the binding process? _____

Will you have direct access to your carriers and if so, under what criteria and parameters? YES / NO

How is this supported contractually? Carrier contract or aggregator or cluster contract? _____

Are there limitations to your binding authority? Under what circumstances? YES / NO

If you do not have direct binding authority, what is the process to bind coverage? _____

Certificates of Insurance

Do you have the authority to issue certificates and is there a clear outline on who, what, where and when?

If you do not have authority to issue certificates, what is the procedure?

Policy Changes

Is there a clearly outlined process on who and how policy change requests are initiated with a carrier, and how receipt of the request is documented?

Ownership of Expirations

Is it clearly stated that you retain ownership of the insureds written through the aggregator or cluster even in the event of termination? YES / NO

Is your ownership interest affected by the level of carrier access? YES / NO

Direct access supported by contract and/or sub-code? YES / NO

Indirect access through a central placement facility? YES / NO

Wholesale division? YES / NO

Operational Support & Expectations

What operational support is offered and at what cost? _____

How do workflow and procedures work? _____

What is the process and expected communication between you and this support team? _____

Are there outlined service standards and, if not met, what are the remedies? _____

How is customer billing handled? _____

Who is responsible for premium collection? _____

What training, education and marketing support is offered?

Sales training? **YES / NO**

Lead generation-target marketing? **YES / NO**

Assistance in marketing large/complex accounts? **YES / NO**

Social media? **YES / NO**

Automation? **YES / NO**

HR support? **YES / NO**

Termination (Exit Strategy)

No one goes into a contract believing it will fail or end in termination. However, this is a critical area that needs to be assessed and understood as it has the potential to lead to conflict and litigation.

What is the process and under what conditions can you and the aggregator or cluster terminate the agreement?

Are there specific scenarios or behaviors that could nullify contractual termination provisions? What are they?

What notice must be given and what is the timing? _____

Is it outlined how business will migrate to you from the aggregator or cluster for each carrier? If so, is the timing acceptable? **YES / NO**

Will you have access and be able to approach for an appointment any carriers provided by the aggregator? **YES / NO**

Is there a time line or a period of "non-compete?" **YES / NO**

Do you have the ability to buy your way out of a non-compete provision? How much will it cost? **YES / NO**

How are commissions paid during this period of transition? _____

Do all assets and liabilities follow your policyholders and or book as they move under your direct control and, if so, when?

AP, RPs, and audit RPs and APs? **YES / NO**

Claims and development on old losses? **YES / NO**

Other Considerations

What is the management and ownership structure of the aggregator or cluster? _____

What is the financial health of the aggregator or cluster? Will they routinely share financials? Is that built into the contract?

Who are the other agents in the aggregator or cluster?

PLEASE NOTE:

This document is not intended to recommend one model over another, as the decision to join an aggregator or cluster is a very personal business decision driven by your short and long term needs and objectives. It's important to assess if that model offers the services, carrier access and income that will help your agency to be effective and sustainable over time. This guidance is not intended to provide specific advice about individual legal, business or other questions. It was prepared solely for use as a guide, is not a substitute for agents' independent evaluation of any provision in a contract, and is not a recommendation that a contract including the language be signed or rejected. If specific legal or other expert advice is required or desired, the services of an appropriate and competent professional, such as an attorney, should be sought.

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