

[Agency Letterhead]



## Agency Appointment Proposal

Presented to:

[Enter Name]

[Add Name of Company that this is being presented to]

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(Experience reports should be included for each of company and each line of business.)

The information contained in this document is for consideration of an appointment with [Enter Company Name] only. No information contained in this document may be reproduced in whole or in part or divulged to any other Person(s) or Entity(s) without expressed permission of [Enter your agency name].

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This is a sample introduction letter. You should make your own introduction, and you can use this sample as a guide.

[Date]

[Contact Name]

[Company Name]

[Address]

[City, State Zip]

Dear Mr./Mrs./Ms. [Enter Last Name]:

I want to extend my appreciation for agreeing to meet with me to discuss whether it is in our mutual business interests to have this agency represent [Enter Company Name].

This agency is focused on developing long term relationships with strong, growth-oriented and efficient insurance companies. We've identified [Enter Company Name] as a leader in the insurance industry that has maintained a great reputation among the insurance-buying public and among its independent agents.

We understand that good, profitable growth is a key to business success, and we are focused on facilitating in that growth while adhering to good business practices with our insurance carrier partners and our clients to our mutual benefit.

We have set forth in this proposal an outline of our agency history, current operations, goals and directions. We welcome any input and/or questions that may arise. I thank you for your time and consideration.

Yours truly,

[Your Name]

[Your Title]

[Your Agency Name]

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## **Agency History**

Here you should detail the history for your agency. Where you came from and where you want to go. You can also give detailed information about your insurance background in great detail.

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### **Agency Principals**

The company knows that in the insurance business, the people representing the product are usually as important to the client as the product itself. It's the agent who inspires trust and confidence that he or she can be relied upon when something bad happens. First, though, the agent must excite the company. The company wants to know:

- The educational level of the agency principals.
- The number of outside sales people.
- The number of support staff.
- Years of professional experience of principals and staff.
- The professional memberships of the principals.

This information amounts to a professional resume for the agency. It is the combination of skills, talents and experience that make your agency uniquely qualified to represent the company in the sale of its product.

## **Agency Plans**

There are three basic plans a company wants to see: business, marketing and perpetuation. It does not necessarily want these plans to read and study. It just wants to make sure you have taken the time to reflect on your business operation in thorough enough detail to have generated these plans. Companies recognize that in going through the process you must construct thoughts, ideas, and concepts about your business – that you have analyzed the strengths and weaknesses, your territory, and where you want to go.

The three plans offer companies a written account of your thoughts, analysis, organization and implementation of agency goals.

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## **Business Plan**

Professional agents who are highly skilled at meeting the needs of their clients may not feel confident about their ability to assemble a business plan. They need not worry. In addition to the elements of a business plan that will be presented in this paper, other good planning tools are readily available, including books, seminars and computer software. PIA has worked with ACORD in the development of *The Agency Business Planner*, which includes 12 complete business plans in both hard copy and on computer diskette. The plan includes 40 worksheets and checklists meant to simplify and organize the planning process. This tool is available to PIA members at a reduced fee through ACORD. Many other planning tools are available; choose the one you feel can best serve your needs.

Overview of the Business Plan:

**MISSION STATEMENT** - The plan should begin with a broad overview of the agency in the form of a *Mission Statement*. The statement should be a concise description of why you are in business and where you want to take your agency. It is not a detailed diagram like a road map; it is more like a globe - a tool that gives you the big picture of what you are and where you're going.

**STRATEGY** - The plan should present each strategy the agency will use to achieve its goals with a demonstrated knowledge of the agency's strengths and weaknesses, and any assumptions about the agency and the economy that will come into play in implementing each strategy.

**ACTION** - The business plan begins with the broad perspective (Mission Statement), then narrows (Strategy), then narrows still further - Action. This is the point at which the agency details how it will achieve its goals. It will specify each action step necessary, its expected cost, and the resources within and outside the agency that will contribute to meeting the goals.

### **Internal Resources**

Your internal resources are the people, equipment, automated systems, products and finances currently accessible to the agency. The internal resources section of your business plan should include the following.

- Agency Flow Chart
- Personnel Inventory
- Physical Facilities Inventory
- Automated System Inventory
- Company Representation Inventory

After detailing these items, the agency principals need to analyze their internal resources and describe their assumptions about the current and future conditions of them.

**External Factors**

You need to offer your best professional judgment, forecast and estimate, of the conditions of the economy and trends of the industry during the period the plan will cover.

**Business Strategies**

Here is where you use all of the lists you have prepared and the analysis that you have already done to design specific strategies to reach your goals. This is when you say *how* you will reach your goal. Will you use market strategies, technology strategies, organization and management strategies, or financial strategies?

What action will be taken? By whom? By when? What is the expected outcome?

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### Business Plan Checklist

#### Agency Structure

##### A. Agency Staff

1. Number of Employees \_\_\_\_\_
2. Number of CSR's \_\_\_\_\_
3. Number of Producers \_\_\_\_\_
4. Education and Training Description (e.g. CIC, CPCU, CLU)  
\_\_\_\_\_  
\_\_\_\_\_

5. Risk Evaluation Guidelines/Procedures  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Claims Payment Authority  
Yes  No  \$ \_\_\_\_\_ Limit

	Commercial	Personal
B. Total P&C Volume	\$ _____	\$ _____
Total P&C Commission	\$ _____	\$ _____
Total Life & Health Commissions	\$ _____	\$ _____

C. Management Structure  Attached

Workflow  Attached

Organizational Chart  Attached

D. Special Lines of Business

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E. Retention Rate 

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## **Marketing Plan**

A marketing plan includes an analysis of your agency's goals, methods of operation, and client base.

### **First:**

1. Define the customer's needs, and match those needs with the products and services of the carriers you currently represent or plan to represent.
2. Determine practical methods to gain your client's interest in the products and services you offer.

To do this, focus on your profit motive to create an income and profit margin consistent with your agency's overall business goals.

### **Basic Marketing Decisions:**

1. Anticipated (planned)
2. Unanticipated (e.g. commission reductions)
3. Capitalization
4. New ideas for specific marketing opportunities.

The marketing plan process includes establishing objectives, formulating strategies, determining operating policies, creating procedures, and monitoring the results.

Some important factors to consider in the planning process are the current market situation, your agency's capabilities, and all methods to solve potential problems to take advantage of opportunities.

## **Formulating and Implementing a Marketing Plan:**

1. Where are you now, and what are your strengths and weaknesses regarding:
  - A. Agent/carrier performance.
  - B. Product availability.
  - C. Financial well-being.
  - D. Environmental factors and developments.
  - E. Customer characteristics and needs.
  - F. The competitive climate.
  
2. Where do you want to be and what are your ambitions concerning:
  - A. Market penetration.
  - B. Profitability.
  - C. Agency stature.
  - D. Sales levels.
  
3. What are your options regarding:
  - A. Pricing.
  - B. Promotion.
  - C. Product development.
  - D. Distribution.

## **Developing a Strategy:**

Possible strategies are to:

1. Increase revenue by expanding personal lines accounts.
2. Target commercial lines.
3. Emphasize total account selling to existing clients.
4. Establish a formal sales management program for personal lines, commercial lines, life/health/financial services.
5. Achieve growth:
  - A. In personal lines by a certain amount or percentage.
  - B. In commercial lines by a certain amount or percentage.
  - C. In life/health and financial services by a certain amount or percentage.
  - D. By establish an automated marketing campaign for BOP policies.
  - E. By cross-selling auto and homeowners business.

**Setting Objectives:**

1. Agency
  - A. Personal
  - B. Commercial
  - C. Other
  
2. Producers and Personnel by:
  - A. Volume
  - B. Line
  - C. Specialty
  
3. By company, for:
  - A. Personal
  - B. Commercial
  - C. Other

You will also need a formal program for monitoring the effectiveness of the agency market program.

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## Perpetuation Plan

Companies always look for an agency perpetuation plan so they can ensure the continuity of the agency as a viable, independent entity in the event of a change of ownership for any reason.

Transferring the ownership of an agency, whether internal or external, involves planning and preparation. Carefully evaluate the various methods for completing transfer, and seek assistance where necessary.

### Types of Ownership Transfer

1. **Outside Sale** - An external sale involves the transfer of at least 50% of the ownership to a party outside the firm. Outside sales can be done with the owner selling "in" (where the owner continues to work in the agency for a period of time), or "out" (where the owner retires from employment immediately or shortly after the transaction).
2. **Buy-Sell Agreement** - with a producer or producers can be structured with the purchase price to be paid in cash or in future commissions from the agency.
3. **Transfer of ownership to family or family members.**
4. **Employee Stock Option Purchase (ESOP)** - is a first cousin to a qualified pension plan which allows the agency to contribute cash and/or stock to the plan to an expensed basis. Qualified employees each have a build-up of value according to their compensation levels, and the plan can retire the owner(s)' stock with strong tax advantages. The agency, in effect, is buying out the owner(s) with pre-tax dollars.
5. **Merger** - allows an owner to contribute the firm's stock or assets to a reorganized combined entity, which will issue new stock to him in place of the contributed assets. With a tight mandatory repurchase agreement and valuation mechanism, this action can allow an owner to step out of the role of sole manager, assume a role as sales or service person, and later trade in his stock for a repurchase price, possibly including a deferred compensation arrangement.
6. **Cluster or Contingent Buy/Sell Affiliation** - with a proper mandatory repurchase agreement and value mechanism, can allow an owner to set up a future automatic transaction to sell his book of business. The arrangement can be focused on an event triggering an emergency situation, or on a planned retirement.

Review in your own mind what you want or need to achieve by a transfer, how you would like to transfer your business and to whom.

## **Types of Transfer**

1. Internal transfer
  - A. Family members.
  - B. Existing key persons (managers or producers).
  
2. External transfer
  - A. Friendly, compatible competing agents or agency.
  - B. Regional or public broker.
  - C. Merging group or cluster "partners".
  - D. Contingent buy/sell third party.
  - E. Non-insurance entity (rare).

Whether the transfer strategies you choose are internal or external, your plan needs much thought, counseling, and detail.

Attach:

1. Book of Business Report
2. Company Experience Reports