



# Agent's Guide Obtaining Direct Carrier Appointments

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## Legal Disclaimer

*This material is intended to provide you with general background and insight. The material does not constitute, and should not be regarded as, legal advice regarding any particular facts, circumstances, or issues. This material is not intended to serve as a substitute for legal counsel, and we advise you to contact legal counsel for specific analysis, drafting, and advice.*

## Introduction

### What does “direct appointment” mean?

A carrier appointment is a contractual agreement between a licensed insurance agent and an insurance carrier that enables the agent to offer the carrier's products for sale to the agent's clients.

There are solutions in the Independent Agent space that allow an agency to access insurance carriers without needing to hold an appointment, requiring the agent to work through an intermediary. Examples include Excess & Surplus Lines Brokers, Aggregators, Networks, and other Market Access services.

With a direct appointment, there are only two parties to the contract – the agent and the carrier – so the agent accesses the carrier directly, without having to go through a third party. Direct appointments enable the agency to access the carrier's portal, enter quotes, communicate directly with underwriters, access reports, and more. A direct appointment may also require the agency to meet certain production requirements and maintain a loss ratio below a specified threshold, among other obligations.

### Length of the Appointment Process

The length of time it takes from the initial conversation with the carrier to obtaining your agency code can vary widely. Some regional carriers have specific requirements and go into depth in their evaluations of the agency. In those cases, it can take anywhere from 6-12 months before they award a direct appointment. Larger carriers with more resources dedicated to the appointment process may take anywhere from a few weeks to a few months. It often depends on how quickly the agency is able to provide relevant data such as production reports, loss reports, and existing carrier volume numbers.

## Evaluating Potential Carriers

### Visiting the Carrier Website

It's important to visit the carrier's website to determine if they align with your agency's values and if their products will be a good fit for your clients. Think about the characteristics you'd look for in the ideal carrier.

- Does the carrier have products for personal lines insurance? Commercial? Life? All of these?
- Does the website explain their insurance products? Do you feel the information is accurate?
- If you were a policyholder, could you easily navigate the website to make a payment or file a claim?
- Can you identify the carrier's values or mission statement? Does it align with your agency's?
- Does the carrier emphasize the importance of independent agents?

### Market Alignment

Determine if the carrier's website or marketing mentions certain classes of business or specific types of insurance products. Consider your geography and your existing book of business. Then, identify any trends in the exposures or types of risks that your agency insures. It's important that the carrier's market of interest aligns with the business you currently write or would like to write.

For example:

- If your agency is in an agricultural area, it may be important that the carrier offers farm coverage
- If your agency is near a body of water, it may be important that the carrier offers boat coverage
- If your agency writes a lot of manufacturers, it may be important that the carrier desires those types of risks or even specializes in them
- If you primarily write commercial lines, it may be important that the carrier provides loss control services or safety resources

### Carrier Rating and Financial Strength

It is important to learn about a carrier's financial strength because it is directly related to the carrier's ability to pay claims for its policyholders. If a carrier becomes insolvent and can no longer pay claims, policyholders can suffer financial losses. The agency that failed to disclose the carrier's rating to the policyholder or placed the coverage with the financially unstable carrier could experience an Errors & Omissions (E&O) claim.

Rating organizations like A.M Best Company, Fitch Ratings, Kroll Bond Rating Agency (KBRA), Moody's, Standard and Poor's, Demotech, and Weiss Rating will assess an insurance carrier's financial strength and creditworthiness, then assign them a rating. Each of these organizations has their own rating scale and standards, so your agency may wish to consider more than one rating when evaluating a carrier.

## Before the First Conversation

### Gathering Reports

Carriers will want to know what value your agency brings to the table. Be prepared to discuss your agency's experience over the past 3-5 years, premium volumes, and profitability. You may not dive into these details in the very first conversation, but it is good practice to know how your agency is currently performing and be able to "sell" your agency's value to the carrier. Before your initial meeting with the carrier, gather production reports and claims reports.

Production reports show the carrier your agency's growth and the quality of your book of business. It should show the mix of business, such as auto versus home versus commercial lines. This reveals the type of business the agency has targeted and allows the carrier to determine if it fits with their key markets/verticals. For example, if a carrier writes manufacturing as one of their key classes of business, they want to know if your agency is writing manufacturers. The report should also show monoline versus package policies, which can be used to demonstrate the agency's efforts toward cross-selling and retention. If there are any production trends that the carrier could interpret as negative or inconsistent, be sure to have an explanation ready and a solution to correct the trend going forward.

Claims reports show the carrier how profitable your book of business is. If your agency's loss ratio is not ideal, be prepared to discuss a potential solution for improving it or preventing similar losses in the future. For example, if you're able to identify a certain line or type of business that is causing your book to be unprofitable, consider if you will continue to write that type of business going forward or if there are ways you can educate and advise those policyholders to help them make more informed coverage and claims reporting decisions.

The carrier may also request a list of your current carriers and premium volumes placed with each. They'll want to be sure that you are able to support your existing carriers, have the capacity to take on a new one, and that they will be competitive. The carrier may also look to see if you are already appointed with a carrier that offers similar products to themselves. If you already have a carrier that meets those business needs, they may ask how you will meet their production requirements. Carriers want to understand why you desire an appointment with them and if they can provide something different from your current carriers. Be prepared to explain how you plan to support a new carrier and distribute business to maintain all carrier relationships.

Come prepared with one or two accounts to quote. The carrier may wish to confirm that they will be competitive for your agency by "test quoting" a couple of accounts. Pick two accounts that are representative of the primary types of business that you write within your agency to determine if the carrier's products and rates are competitive with your existing carriers.

### Building a Business Plan

Carriers are looking for agencies that have shown consistent, profitable growth in the past and have strategies in place to continue that growth. An ideal agency has a clear vision statement, has production goals, sells products based on value (not price), and has some form of a perpetuation plan in place. The carrier wants to know that the agency is thinking through what long-term success would look like.

There are templates available for you to begin building a formal business plan for your agency. To get started, it's important to consider the following types of questions:

- What lines of business does your agency sell?
- How would you describe your ideal client?
- What does your marketplace look like and what opportunities are available?
- What makes your agency stand out against the competition? Customer service? Value-adds?
- How do you earn new business? Prospecting? Referrals?
- What's your marketing plan?
- Do you plan to invest in any technology for your agency?
- How do you grow your current book? Rounding accounts? Cross-selling?
- What's your retention rate?
- Have you set annual production goals for the agency? What about goals for individual producers?
- Who makes the final decision on where accounts are placed (producer or account manager)?
- Do you invest in your employees' development?
- Do you have business partners? How will the agency continue after you're gone?

### Writing Down Questions

The meeting with the carrier is to determine not only if your agency is a fit for the carrier, but also that the carrier is a good fit for your agency. What questions do you have about the carrier that you couldn't determine from your initial research? Think about what an effective carrier relationship would look like to your agency, what characteristics the carrier should have, and the types of resources a carrier could offer that would be valuable to your agency.

For example, consider things like marketing resources or reimbursement, training and education opportunities, or profit sharing and new business incentives. You may also consider asking about the carrier's experience, profitability, and if their rates have remained stable. Lastly, it may be important to your agency if the carrier works exclusively with independent agents or also markets their products directly to consumers.

### Sample Carrier Questions

Running reports and having a business plan in place will put your agency in a good position to answer any questions the carrier may have about a potential partnership. Being able to anticipate the carrier's questions will prepare the agency even more. Below are some examples of the types of questions the carrier may ask, gathered from a few OIA company partners:

- How many producers are within the agency and how many are ACTIVE producers?
- Who markets new business? Who markets renewals?
- Are there any book roll opportunities?
- Which agency management system does the agency use?
- Why is the agency looking to bring a new carrier on?
- What are the agency's expectations for hearing from an underwriter about new business, renewals, questions, etc. (Hours? Days?)
- Can the agency hit the carrier's new business goal? How do they plan to accomplish that?
- In what ways can the carrier help you achieve your goals? How can they support the agency?

## Agency-Carrier Appointment Contracts

### Key Considerations

Ownership of expirations: Who controls the accounts? What happens to the accounts written by the agency if the agency-carrier appointment contract is terminated? Does the contract allow the carrier to use the agency's records to directly market to those policyholders?

Commissions: Does the contract include a commission schedule, detailing the commission to be earned on each line of business? What is the timing of commission payments? How does the carrier handle commissions on agency billed versus direct billed policies?

Termination: How much advanced written notice does the carrier provide? Are there instances where the carrier can terminate the agency without notice? How would policyholders be notified of agency termination?

The agency should thoroughly read and understand all aspects of the contract. The Big "I" Office of General Counsel (OGC) published the ["Guide to Agency-Company Appointment Contracts."](#) which goes into greater detail on the items above and provides sample contract language. It also expands on contract provisions such as premium collection, indemnification, claims reporting, data security, and more. The agency should consider downloading the guide and using it as a resource when reviewing an agency-carrier appointment contract. The agency may also wish to have its legal counsel review the contract.

When reviewing a contract, be sure to take your time. Highlight areas of concern, take notes, and write down questions, making sure to address these things with the carrier to ensure your understanding prior to signing.

### Big "I" Carrier Contract Review

The OGC also reviews agency-carrier agreements by request, and many of the past reviews are available to members for free through the Big "I" website. Members will need their user ID and password to access the [Contract Reviews](#). When looking through the available contract reviews, be sure to note the date of the review, as it's possible the carrier's contract terms have been updated since that time. The review begins with the OGC's key concerns with the contract, then looks at each contract provision.

## Evaluating the Relationship

### Meeting Expectations

The carrier will set expectations for the agency in the form of production requirements, number of quotes submitted, loss ratio, etc. However, the agency should set expectations that the carrier's products meet their clients' needs, are fairly priced, and offer quality coverages. A carrier representative may make periodic visits to the agency to discuss agency performance and progress, but it's important that these conversations are two-sided. Prior to the representative's visit, the agency should review their experience with the carrier and be able to share their findings in the spirit of improving carrier performance and the agency-carrier relationship.

### Tracking Metrics

Prior to the visit, the agency should determine how well the carrier is meeting their expectations. The agency will want to consider how the carrier is supporting them, if there were any difficulties dealing with the carrier, and how the carrier could better provide support to the agency.

To assist the agency in their preparation, OIA has created a checklist that the agency can use to contemplate their experience with the carrier. Contact OIA to request a copy. The checklist identifies the following areas for evaluating the carrier's performance:

- Products and pricing
- Operational support
- Contracts and commitments
- Overall service
- Quality of staff
- Claims handling

Remember that the carrier will also want to review the agency's performance. Come prepared to discuss the submissions that were not bound, explaining why coverage was placed with another carrier or asking for details on why a submission was declined. If there were any large claims that occurred, know the details of the claim and, if possible, provide potential solutions to prevent or decrease the severity of similar claims going forward.

The agency's agency management system can pull data by activity code or field. Doing so allows the agency to tell the carrier what they are seeing, rather than letting the carrier drive the narrative. The agency should consider running reports specific to:

- New business
- Renewals
- Non-renewals
- Claims
- Cancellation
- Quotes
  - Are the agency's quotes worth the time?
  - How many were accepted/declined and why?



- Are they internal or external issues?
- Underwriting
  - Turnaround time
  - How long does it take from quote to policy issuance (30, 60, 90, 120 days) and why?
  - Are they internal or external issues?

Treat these visits as an opportunity to work with the carrier as a partner. Be informed going into the meeting and engage the carrier in discussions that will support your agency's efforts. Talk with the representative about new business opportunities, challenging accounts, help with marketing, service issues, or other ways they can better support you going forward.

## Conclusion

Remember that when seeking a new carrier appointment, the agency should be evaluating the carrier just as thoroughly as the carrier is vetting the agency. Do research prior to making contact to determine if the carrier could be a good fit. Be prepared prior to the first meeting with data on your agency and be able to clearly show the agency's value to the carrier, explaining how you plan to meet any production requirements. Ask questions about things you couldn't find during your initial research to further confirm that the carrier will be a beneficial partner to the agency. Take your time reviewing the agency-carrier contract, take notes, and ask questions before signing. Then, continue to monitor the agency-carrier relationship to ensure it remains stable and both parties are fulfilling their obligations.

If your agency is seeking a new carrier appointment, consider reviewing the [OIA Carrier Partners](#) page for a list of carriers who partner with the OIA in our mutual mission to support Ohio's independent insurance agents. If you are interested in speaking with one of OIA's carrier partners, OIA can facilitate an introduction.

## More Information

For general information on agency-carrier contracts, we recommend you contact OIA, Big "I" National, and other trusted partners within your agency.

Seek your trusted advisors, Attorney, Banker, and CPA that your legal and financial interests are adequately protected. The information provided in this publication is not intended to be a substitute for legal advice. You should consult your legal counsel and make certain that you are in compliance with state law.

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### Cited Resources

Independent Insurance Agents & Brokers of America, Inc.

Legal Advocacy & Governance

Contract Review

Link: <https://www.independentagent.com/legal-advocacy/Members-Only/Contract-Review/default.aspx>

Independent Insurance Agents & Brokers of America, Inc.

Article: "Guide to Agency-Company Appointment Contracts"

Date: 2022

Link: <https://www.independentagent.com/legal-advocacy/pages/docs/agencyappointmentcontractguidance1.pdf>

Independent Insurance Agents & Brokers of America, Inc.

The Right Start Training Series

"Part Three Developing Strong Carrier Relationships"

Link: <https://www.independentagent.com/diversity/Pages/RightStartSeries.aspx>

Ohio Insurance Agents

Article: "Understanding the Financial Strength of Your Carriers"

Date: 03/04/2024

Link: <https://ohioinsuranceagents.com/blog/2024/understanding-the-financial-strength-of-your-carriers/>

Ohio Insurance Agents

Agent Resources, Starting An Agency

Article: "Business Plan Basics"

Link: <https://ohioinsuranceagents.com/wp-content/uploads/2023/04/Startup-Business-Plan-Basics.doc.pdf>

Ohio Insurance Agents

Article: "Agency-Carrier Contract Reviews"

Date: 04/11/2023

Link: <https://ohioinsuranceagents.com/blog/2023/agency-carrier-contract-reviews/>