

# So, You Want to Sell Equine Insurance?



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by Linda Liestman

There are many terrific careers within the horse industry, and insurance sales and service is certainly one of them. Every year I get five or six inquiries from horsemen or horsewomen who have no insurance background, but who are interested in selling equine insurance products. They usually want to know how they can get into the business and if they can act as a broker from afar for our insurance sales division. It is always difficult to respond to such inquiries because the answer is not simple, or at least not as simple as the inquirer might wish. In this article, it is my intent to take some of the mystery out of breaking into an equine insurance career.

## Who is a good candidate?

Having a diverse horse background is certainly helpful and important to selling equine insurance products; in fact the more the better! However, that is only a part of what makes a good insurance agent or broker. Insurance is a business that serves to protect people and their assets, so the following aptitudes and skills are as important as horse knowledge. One must: \* Have better than average written and verbal communication, listening, comprehension, and retention (memory) skills; \* Enjoy reading and have the ability to read and retain what was read; \* Be detail-oriented and conscientious about accuracy in completing paperwork; \* Enjoy solving problems; \* Have basic computer skills; \* Have basic math and number-crunching skills; \* Be able to deal with continuous deadlines (policy expiration dates) that must be met; \* Have more than a passing interest in learning about civil law and insurance law; \* High ethical standards of honesty. \* A desire to help and serve people.

## Becoming qualified

As with any venture, becoming qualified is the first step. It seems at first glance to be a real tangle of qualification requirements, yet, it is a career that requires a minimum of formal training. A person can get a college degree in insurance, and also take extensive training for designations and certifications that will certainly help one with an insurance career. However, these levels of education are not necessary

to become qualified to sell insurance and to “break into” the business.

First of all, it is important to understand that insurance sales and service is strongly regulated within each state, and that no person may share in insurance commissions who is not licensed to sell insurance. Insurance regulation is carried out by each state’s Department of Commerce, of which its Insurance Division is the regulatory agency. The specific name of the regulatory agency may be slightly different in each state. Each state requires, however, that for an individual to sell insurance of any type, he or she must be licensed to sell those specific lines, such as property & casualty, surplus lines, life and health, etc. While the laws of each state have similarities, the requirements and costs of licensing differ somewhat from state to state.

One similarity between states is that the aspiring equine insurance agent / broker must first become licensed to sell Property & Casualty Insurance in the state where he or she is a resident. This first involves mandatory instruction that, in Minnesota where I live, involves five days of intense schooling at a state approved instruction facility. At the end of the five days, the would-be insurance agent must take an exam that lasts from one to two hours. After the exam has been passed, one must immediately apply for the license by submitting to the state’s insurance licensing department a completed application, a fee, and a certificate proving that the licensing exam was passed. Some states require additional documents, such as a fingerprint card, a performance bond in an amount between \$5,000 and \$50,000, a photo, statements from others or insurance company representatives who will attest to the soundness of the applicant’s reputation.

The licensing application usually asks questions about whether the would-be agent has had any misdemeanors or worse, has ever defaulted into bankruptcy, and what percentage of their insurance business will be placed on their own property or on that of their families.

To this point, the process is not overly difficult for most people. But, there is a catch, and the catch is that to become licensed, the would-be agent must have a sponsoring insurance company (not usually an agency

or agent) that will appoint him or her as an agent or broker in their resident state and also in any other states where the agent may choose to become licensed to sell insurance. This is the more difficult part, because one must have a pre-arrangement with an insurer for the sponsorship. It can be difficult, if not impossible, to secure such a sponsorship on one's own without having a producer's contract to sell insurance on behalf of a Property & Casualty insurer or to have a legitimate business relationship with an existing insurance agent or agency that does. While not impossible, it is difficult to get a producer's contract directly with an insurance company without already being licensed, having insurance experience, or ownership of an existing "book of business", i.e., a customer policy base that produces a substantial volume of business for an insurer.

This being an obstacle for the aspiring equine insurance agent, I usually recommend that one gets a job with an independent insurance agent or agency that already sells equine insurance or that, at least, sells farm insurance lines and that would be willing to expand into equine insurance lines. I recommend that the prospective agent spends between one or two years working as a support staff agency member in order to learn the basics of the insurance business. It will take one to two years just to understand insurance lingo and about coverage and regulatory matters. This on-the-job training also gives one an opportunity to find out if he or she has a knack for the detail, deadlines, and account servicing that is a daily process in an insurance office. After a period of learning "the ropes", it is much easier to prepare for and pass an insurance exam. Another obstacle that is more easily solved is that the agency for which one works will be able to secure a company appointment for the "would-be agent" through one of the insurers that the agency has a contract with. Also, usually the agency will carry an errors and omissions professional liability policy that will cover its staff member. This is important because a new licensee might be uninsurable on his or her own for a couple years, and Errors and Omissions Insurance (E & O) is a must for your protection and the protection of your insurers. E & O Insurance is usually required to secure a production contract with an insurer and also to secure an insurance license in some states.

Keep in mind, of course, that one must also maintain a happy business relationship with the sponsoring agency, because if one leaves the firm, his or her license and appointment will be canceled until a new sponsor can be found.

If an agent loses an appointment with the sponsoring insurance company and a license is canceled for that reason, most states allow a specific period of time for the agent to secure a new sponsor without reexamination. The state of Minnesota, for example, allows an agent two years to get another sponsoring company to appoint the agent. After that, the individual may not reinstate the license, but must go through the entire pre-licensing study and examination process to again become licensed. Most states have continuing education requirements of about 15 hours per year, and the credits must be maintained for an agent to remain licensed.

Prior to being hired, the aspiring equine insurance agent should

consider discussing his or her desire to eventually become licensed to sell equine insurance. He or she should inquire if the agency owner would be willing to allow them to sell equine products within one to two years, to help them develop those lines of business, and to seek contracts with insurers or programs that are able to place equine classes. If the working relationship does not “pan out” long term, at least the agent will have been able to learn something about the business for a period of time and be paid to do so.

There are several ways to build a book of equine insurance business. **One can build a book of business “from scratch”**, by selling policies to horse owners and business operators in the area by the old fashioned method of talking to people door to door, by phone, and at horse shows and other events. However, one must realize that it can take three to five years and a lot of initial advertising and office expense to develop a book of equine insurance business that one can live on or that will provide a significant portion of one’s income. In the meantime, equine insurance sales must usually be a sideline to other types of insurance sales. For most agents, equine insurance sales are always a sideline business combined with selling other insurance lines. Few “equine only” specialty agencies exist in the U.S., and most of those operate in multiple states. Unless one resides in a very, very “horsey” area or state, most agents cannot survive on the equine insurance business they can sell in their own state. They must usually become licensed as a non-resident agent or broker in other states and service accounts further away as well. Start-up costs for securing multi-state licenses and for operating across state lines is a costly, time consuming venture.

**One may be able to buy an existing book of business.** Sometimes, one can buy an existing book or books of equine insurance business from a retiring agent. The “book” would usually consist of a list of insureds, expiration dates, history files, and the legal right to sell renewal policies to those clients. If the buyer services the book vigorously, he or she may retain most of the customer base and build it further. If such a book can be found, the cost is usually one to one and one-half times the commissions the book produces in one year. Commissions are usually between 7% and 22%, so if a \$1,000,000 book of business produces 15% commission, its value is between \$150,000 and \$225,000. The advantage is that the agent has immediate income and a customer list to build upon and maintain, in addition to the fact that “the book” will usually come with insurance company contracts with those insurers that “the book” is placed with at the time of

sale. All such issues would be negotiated between the buyer and the insurers prior to the time of sale.

Managing a book of business will require a business office, computer systems, and other office equipment, and usually support staffing.

**Prospects for the future of equine insurance:** All indications point to a good future for equine insurance sales and service in the U.S. The horse industry is resilient and growing, even though the industry has problems of restricted land use and rapid population expansion into rural areas that surround metropolitan areas. Because equine insurance is considered a specialty, and some parts of it are considered moderate to high risk, there are not many insurance companies available to insure these classes. In some areas there is a fair amount of competition amongst agents and insurers for horse classes. The potential, however, is actually pretty huge, as I estimate that only 40% of the horses in the U.S. are insured and that perhaps only 30% of all horse related businesses and associations are insured. The individual insurance agent who provides above average service and dedication can often excel above the rest, given enough time.

One would think that insurance might be boring, but in our agency division there is never a dull day. It seems something new, exciting, or interesting is always developing. Insurance sales and service is a good way to make a living. It seems that once a person works in insurance and finds that they have an aptitude for it, it is hard to leave the industry. Over the years, I have seen many agents give up on an insurance career after four or five years, only to go back into it again with more enthusiasm than ever. Insurance sales and service is a broad field and the possibilities for making a respectable and fulfilling living are almost endless.

