

Insurance Agency Overrides and Revenue Explained



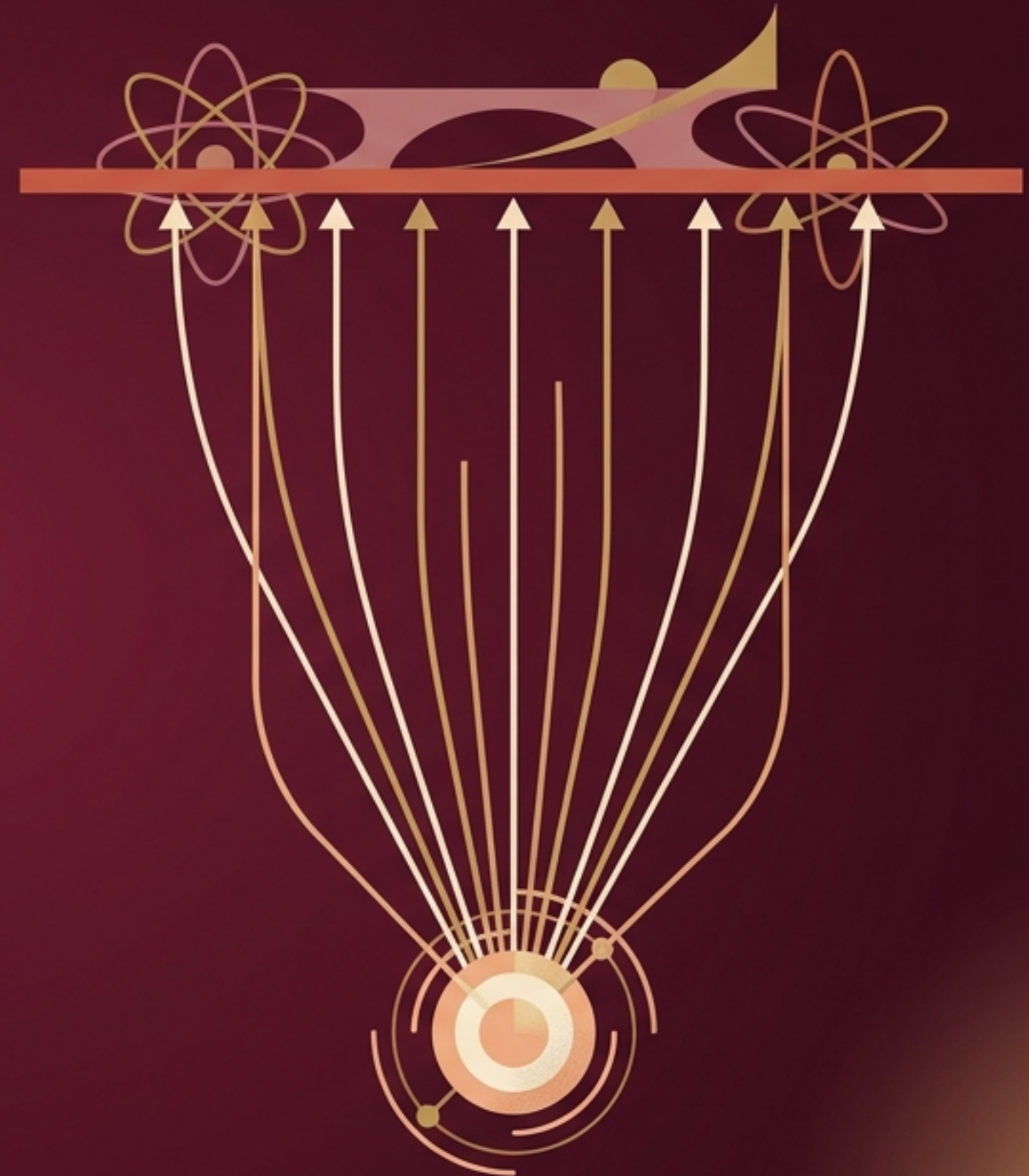
The Producer Ceiling

The transactional trap: write applications, collect commissions, repeat.

Hours in a week are finite.

Appointments are capped.

Personal production has a mathematical limit.





Glorified Sales Job

- Foundation of commissions only.
- Driven by personal output.
- Vulnerable to market shifts.



Financial Asset

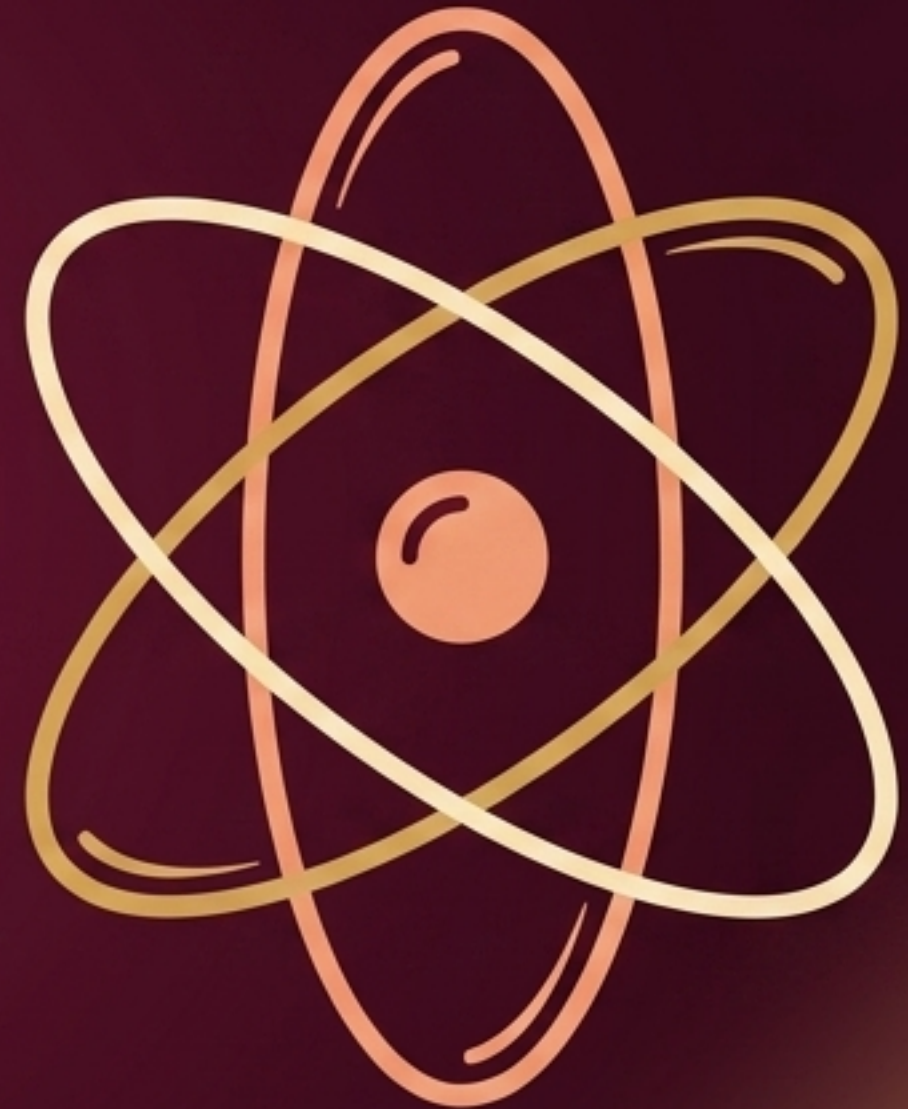
- Stacked revenue streams.
- Driven by overrides and contingencies.
- Built for long-term scale.

Stepping Out of Daily Production

A commission-only book requires constant new sales.

A layered book (overrides, renewals, bonuses) runs independently.

Produces meaningful income even when you aren't seeing clients.

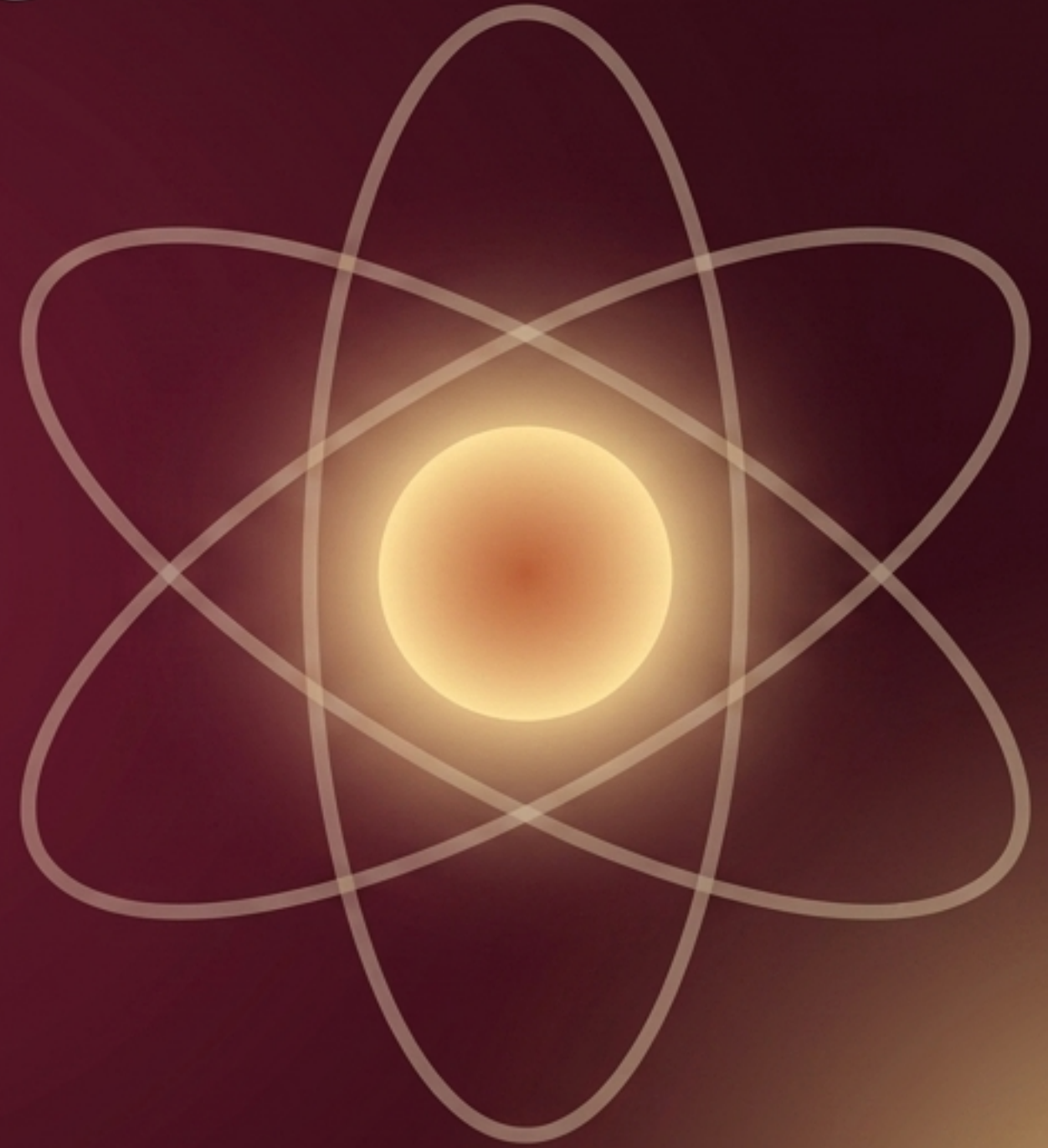


Stream 1: New Business Commissions

The gas pedal of the agency.

Funds immediate growth, lead spend, and producer compensation.

Highest volatility—requires consistent monthly production.




Stream 2: Renewal Commissions

The most underrated revenue stream in the industry.

Quiet, recurring compensation.

Eventually becomes the single largest line of agency income.



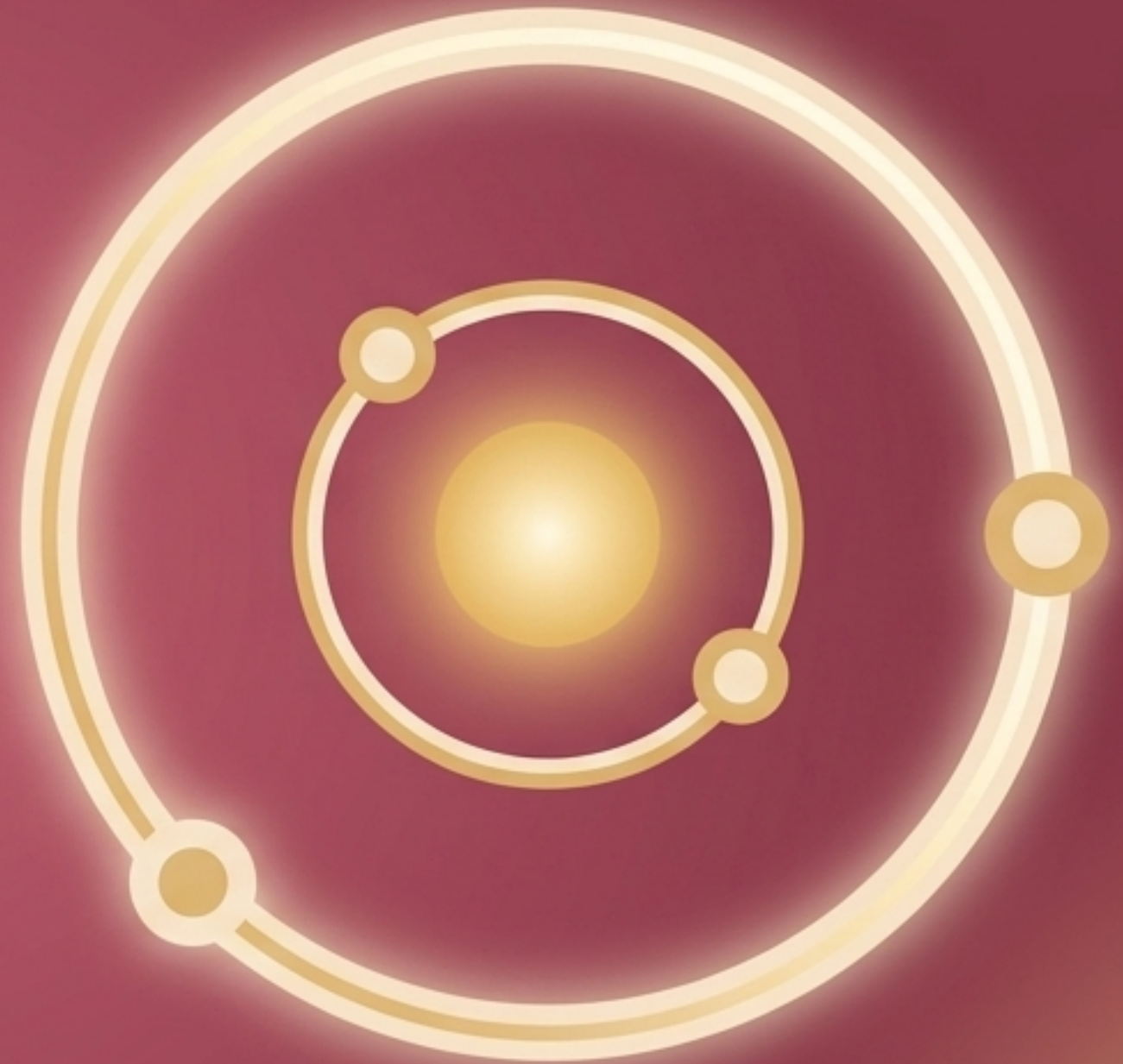
Years 2-6

Stream 3: Overrides

Additional compensation for volume and structure thresholds.

Paid directly to the agency, regardless of who writes the policy.

Small percentages that become massive at scale.

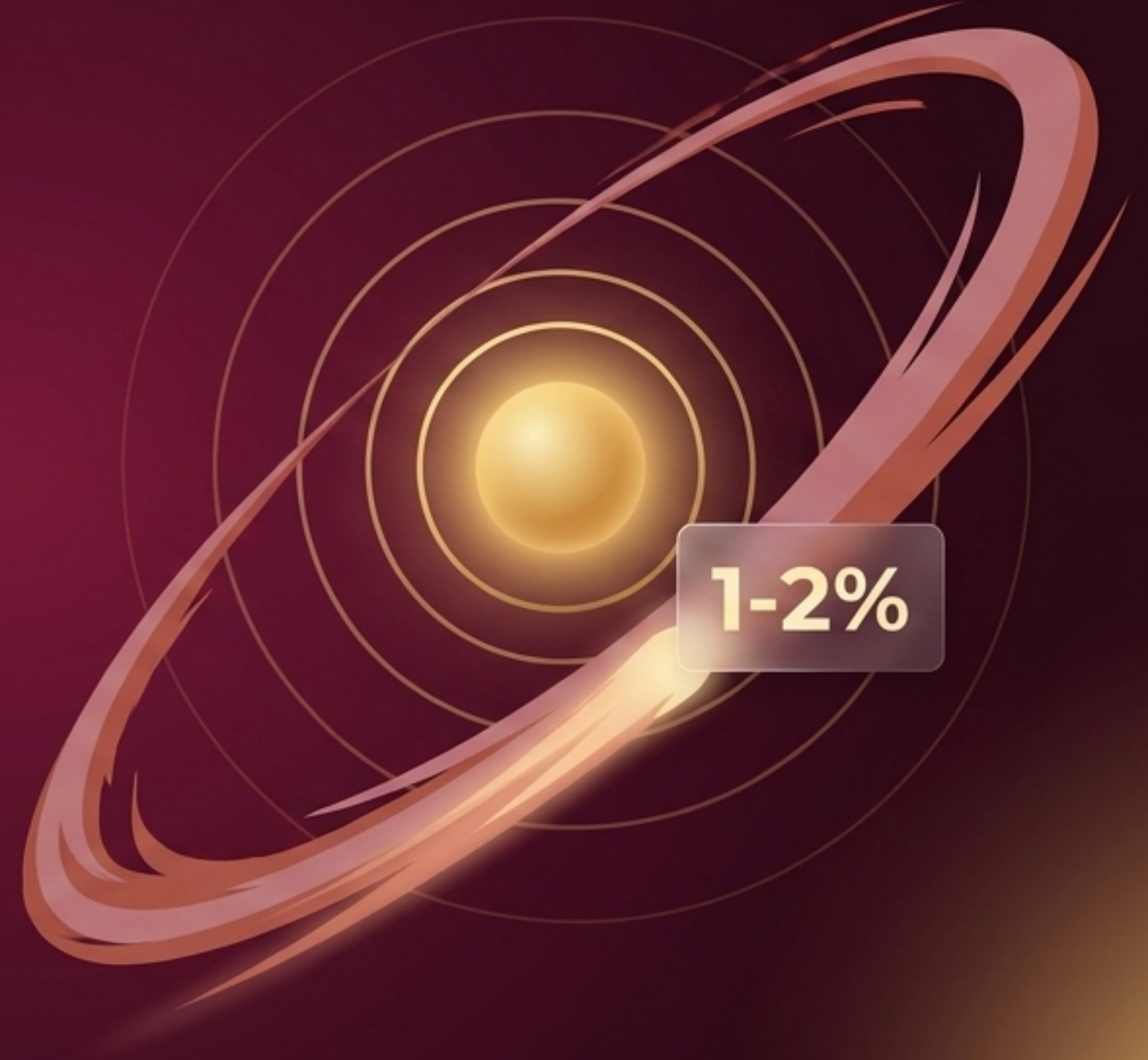


Stream 4: Profit Sharing & Contingency

The most volatile, yet most lucrative bonus.

Calculated on total written premium.

Based heavily on the loss ratio and growth performance.



Managing the Loss Ratio



A few large claims can wipe out an entire year's bonus.

A clean year funds an entire quarter of operations.

Book quality dictates the size of the check.

Stream 5: Growth & Retention Bonuses

Structured payouts for hitting specific annual carrier targets.

Announced at the start of the year.

Dictates how smart owners structure internal producer compensation.



Stream 6: Service Fees & Ancillary Revenue

Advisory fees and fee-based consulting.

A recurring layer completely independent of carrier compensation.

Not for every agency, but highly stabilizing.

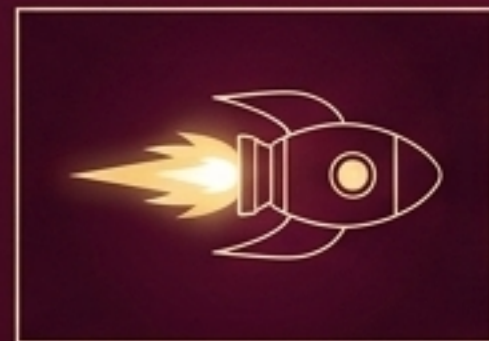


Stage 1: Solo or Two-Producer Agency

Focus entirely on new business and renewals.

Building the initial volume base.

Overrides and profit sharing are too small to prioritize.



Stage 2: Five to Ten Producers

Overrides become highly meaningful.

Carrier contracts must be renegotiated annually.

Significant money is left on the table by owners who never ask.



Stage 3: Mature Multi-Line Agency

The full revenue stack is active.

Renewals form a massive recurring base.

Profit sharing and growth bonuses are planned revenue, not surprises.

The business operates as a true financial asset.



The Asset in Practice: Years 1 to 3

Robert's agency: Grew from solo to seven producers.

Year 1: 95% of revenue relied on new business commissions.

Year 3: Renewals grew to 30%, with a small 5% upline override.



Year 4: The Renegotiation

Volume qualified the agency for better override structures.

Renegotiated top two carrier contracts.

Added 7% per policy and a base life override.

Result: More revenue per policy on the exact same book.



Year 5: Hitting Profit Sharing

Strong loss ratio triggered a massive single-check contingency bonus.

Fundamentally changed how the agency operated.

Management focus shifted permanently to prospect quality and high retention.



Year 6: A Diversified Asset

Recurring revenue carries the lights through slow sales months.
Stability fundamentally alters the business valuation.



Common Mistakes to Avoid

Blind Contracting: Signing the first carrier offer without analyzing or negotiating the underlying override structure.

Ignoring the Asset: Tracking new business obsessively while ignoring the monthly renewal report.

Protecting the Stack

- **Ignoring Loss Ratio:** Writing poor-quality business that destroys contingency bonuses for years.
- **Stagnant Contracts:** Leaving overrides on the table by failing to renegotiate as agency production scales.

The 3-Step Execution



1

Pull the Mix: Run a 12-month breakdown isolating new business, renewals, overrides, and bonuses.

2

Audit Top 3: Review your three largest carrier contracts and document the exact override structures.

3

Set the Calendar: Schedule an annual contract review 60 days before the anniversary for every carrier.