

## Glossary of Terms

### Section 1

**account rounding revenue growth** – the type of growth that occurs when new coverage is added to an existing account or new lines of coverage that the agency did not write previously

**accounts receivable** – money owed to an agency for its services that has not yet been paid for by other businesses or clients

**acquired revenue growth** – growth that occurs when the agency buys another agency or brings on a producer with an existing book of business

**acquisition** – a process in which one agency purchases most or all of another agency's shares or assets to gain control of the acquired agency

**AI chatbot** – an artificial intelligence-powered program designed to interact with users through text or voice, providing automated assistance, and performing tasks to improve customer service and support

**automated attendant** – a phone system feature that provides pre-recorded or synthesized responses to incoming calls, directing them to the appropriate department or person without the need for human intervention

**balance sheet** – an accounting log that shows a detailed listing of what an agency owns (assets) and owes (liabilities), as well as capital at a specific point in time, giving an indication of the agency's financial condition

**brand** – an agency's identity within the industry/community. It represents how employees, prospects, clients, carriers, and the community view the agency.

**budget** – the financial plan representing expected new and renewal revenue through the upcoming year and the expenses required to achieve the expected result

**business structure** – the organizational setup of a company, including the way it is arranged in terms of ownership, management, and operational hierarchy, which influences its legal, financial, and operational aspects

**C corporation** (or C corp) – a legal structure for a corporation in which the owners, or shareholders, are taxed separately from the entity. C corporations, the most prevalent of corporations, are also subject to corporate income taxation.

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**carrier performance** – the frequency with which the carrier declines business from the agency, as well as the competitiveness of the pricing offered by the carrier

**cash flow management** – involves ensuring that a sufficient amount of cash is available to meet a company's financial obligations, such as paying bills and compensation, while also preparing for emergencies and managing periods of higher expenses. It typically includes setting up separate accounts to track and manage day-to-day expenses and pay premiums due to carriers.

**client satisfaction** – a measure of how well an agency's product or services meet a customer's expectations and needs. A common indicator used to measure satisfaction is the net promoter score (NPS).

**commission schedule** – a structured plan outlining the rates of percentages of compensation paid by the insurer based on sales generated by the agency. The agency may also have a commission schedule for its own employees.

**compensation expenses** – the costs the agency incurs to pay its employees and executives; includes wages, salaries, bonuses, benefits, commission, and other forms of monetary or non-monetary compensation

**contingency** – one of the ways a carrier incentivizes an agency to place desirable business with it. These conditional agreements vary by carrier, and the terms are only valid if certain conditions are met, such as a target premium level. It is always insightful to compare contingency and profit-sharing agreements among carriers.

**current assets** – cash, accounts receivables, marketable securities, prepaid expenses, and any other assets that will be converted to cash within the next 12 months

**data privacy laws** – regulations designed to protect individuals' personal information from unauthorized access, use, or disclosure, ensuring that organizations handle and store data in compliance with legal and ethical standards. A common example is the Health Insurance Portability and Accountability Act (HIPAA).

**disruptors** – positive or negative events that result in the need for agency change

**employee performance** – how effectively and efficiently an employee fulfills their job responsibilities, meets goals, and contributes to the overall success of the organization.

**employee retention** – the strategies and practices used by the agency to keep its employees from leaving, thereby reducing turnover and maintaining a stable workforce

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**errors and omissions experience** – a record or history of mistakes or oversights made by the agency in the performance of its duties which could have or did lead to financial losses or legal claims against the agency

**executive/owner compensation** – the total financial remuneration and benefits provided to a company's top executives or owners, including salaries, bonuses, stock options, and other forms of compensation

**general partnership** – an unincorporated business with two or more owners who share business responsibilities. Each general partner has unlimited personal liability for the debts and obligations of the business. Each partner reports their share of business profits and losses on their personal tax return.

**goodwill** – activities and attitudes exuded by an agency that contribute to its value and reflects intangible factors such as brand reputation, customer relationships, and employee skills

**hybrid workforce** – a staffing model that combines both remote and on-site employees, allowing for a flexible work environment where employees can work from various locations, including home and the office

**income statement** – (sometimes referred to as a P&L or profit and loss statement) an accounting log that shows an agency's revenues and expenses over a period of time and can depict activity over a month, quarter, or year. The statement itemizes revenues and expenses and can reveal the agency's current profit or loss.

**liabilities** – debts and bills owed by the agency

**limited liability corporation (LLC)** – a business structure that protects the assets of its owners from lawsuits and creditors concerned with the company's business debts. Limited liability companies are hybrid entities that combine the characteristics of a corporation with those of a partnership or sole proprietorship.

**long-term/fixed assets** – tangible items, like cars, desks, and office equipment

**mission statement** – a short but powerful statement regarding the reason an organization exists. It is a "why" statement that states a company's core purpose and overall goal

**new business growth** – growth that occurs because of the sales efforts by the producers to bring new clients into the agency

**offsite service center** – a facility located away from an agency's main office that provides specialized services, support, or operations, often to manage tasks like customer service. These service centers may be outsourced to another company.

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**online web presence** – the visibility and representation of an agency on the Internet through various digital channels, including websites, social media profiles, and online directories

**outsourced call center** – a third-party service provider that manages and handles customer service, support, or sales calls on behalf of another company, often to reduce costs or improve service efficiency

**profit sharing** – an incentive from the carrier to the agency to submit and place accounts that exhibit a lower-than-average loss ratio. The carrier makes money when claims are low and may pass a portion of the profit from this to the insurance agency.

**retention ratio** – a ratio that reflects an agency's ability to retain clients at renewal. It can be calculated in terms of commission, premium, policy, or client count.

**sales planning** – the process of developing strategies and setting objectives for achieving sales goals, including forecasting sales, identifying target markets, and outlining tactics to drive revenue and manage resources effectively

**selling expenses** – the costs involved in selling the products the agency has to offer

**SMART goal** – an acronym used to write effective goals. A SMART goal is specific, measurable, attainable, relevant, and time-bound.

**sole proprietorship** – an ownership model in which one person owns the agency. Under this model, there is no legal distinction between the owner and the business entity.

**strategic planning** – a formal process where the identity, direction, and actions that an agency will take are clearly defined

**subchapter S corporation** – a business structure permitted under the tax code to pass its taxable income, credits, deductions, and losses directly to its shareholders. Subchapter S corporation status is available only to small businesses with 100 or fewer shareholders.

**succession plan** – a strategy for identifying and preparing suitable candidates to fill key leadership or critical positions within an organization when they become vacant

**SWOT analysis** – an acronym referring to a situational analysis used to evaluate an agency's current position by identifying strengths, weaknesses, opportunities, and threats

**talent acquisition and development plan** – a strategy that outlines the processes for recruiting, hiring, and nurturing employees to build a skilled and capable workforce, including identifying talent needs, sourcing candidates, and providing training and career development opportunities

**values statement** – a statement of commonly held core values that define the “who” of the organization. It is often referred to as the agency’s code of conduct.

**vision statement** – a statement that is aspirational in nature and reflects the long-term goals of the agency’s stakeholders; it projects a view of what the agency aspires to be

**work-life balance** – the equilibrium between an individual's professional responsibilities and personal life, ensuring that neither aspect overwhelms the other and that there is time for both work and personal activities, leading to overall well-being and job satisfaction

**workflows** – structured sequences of tasks and processes that outline how work should be completed, detailing the steps, roles, and resources involved to achieve specific objectives efficiently and effectively

**workplace culture** – refers to the shared values, beliefs, behaviors, and practices that characterize an organization and influence how employees interact, work together, and contribute to the agency’s overall environment and success

## Section 2

**employee agreement** – a legally binding contract between an employee and their employer that outlines the terms and conditions of employment, as well as other details such as ownership of the book of business

**employee benefits** – non-wage compensations provided to employees in addition to their regular salary, including offerings such as health insurance, vision/dental, 401(k)s and paid time off

**employee manual** – a document provided by an employer that outlines the agency’s policies, procedures, and expectations. The agency ultimately decides the content, but it can include topics such as workplace conduct, dress code, and disciplinary actions.

**employee turnover** – the rate at which employees leave an agency; it is usually expressed as a percentage over a given time

**hybrid/remote work** – the ability to perform work outside of the office, typically from home. Employees may work fully remotely, or they may be required to perform some work from the office while the rest of it occurs remotely.

**job security** – an assurance that an employee will have stable and ongoing employment with a low risk of losing their job due to factors such as layoffs, downsizing, or agency instability

**merit increases** – a raise in an employee’s salary or wage based on performance, productivity, or achievement of particular goals

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**non-compete agreement** – an employment agreement that prohibits a former employee of an agency from working for a competitor, starting a similar business, or soliciting the agency's clients within a specified geographic area and time frame. These agreements are difficult to enforce and currently banned by the FTC.

**non-disclosure agreement** – an employment agreement that requires an employee to keep information such as client details, business strategies, or proprietary processes private and not share that information with unauthorized individuals

**non-piracy agreement** – a limited form of a non-compete agreement that prohibits a former employee from soliciting clients or employees of the agency for a specified period of time

**onboarding process** – a process in which everything needed to prepare a new employee to become a functioning member of the agency team is provided. This includes logistical setup such as direct deposit and benefits, as well as technical training on skills needed to succeed in a role.

**performance evaluation** – a systematic process in which an employer appraises an employee's job performance, skills, and contributions. Typically, feedback will identify strengths and areas of improvement and may be tied to promotions or raises

**performance standard** – a defined criteria used to measure an employee's performance against specific job expectations or agency objectives

**position description** – a detailed document that outlines the responsibilities, duties, qualifications, and expectations associated with a specific job role within an organization. It typically includes information on job functions, required skills, working conditions, and reporting relationships.

**positive agency culture** – a work environment characterized by supportive relationships, open communication, mutual respect, and shared values that foster employee engagement, satisfaction, and collaboration

**primacy bias** – the tendency of an interviewer to disproportionately prefer individuals who were first interviewed for a position since they may be easier to recall or may set the tone for subsequent interviews

**professional development** – Ongoing learning and training activities designed to enhance the skills, knowledge, and competencies of insurance professionals

**recency bias** – the tendency of an interviewer to disproportionately favor individuals who were interviewed last since those interviews may be the easiest to recall

**salary range** – a spectrum of compensation for a particular position, reflecting factors such as experience, skills, performance, and market conditions

**soft skills** – personal and interpersonal abilities that enhance an individual’s performance in the workplace. Soft skills include the ability to communicate effectively, engage in creative problem-solving, remain adaptable and flexible, and demonstrate social and emotional awareness in working with diverse colleagues and clients.

**workforce diversity** – the inclusion of individuals from a wide range of backgrounds, including differences in race, ethnicity, gender, age, sexual orientation, disability, and other characteristics, within an organization

**working conditions** – the environment and factors impacting an employee’s role, including physical workspace, comfort, hours of work, and overall job environment

**workforce planning** – a consistent and ongoing initiative to identify candidates through various sources, introduce them to the insurance business and agency, and to interview, hire, and begin a training process. The overarching goal is to ensure the agency has the staffing required to meet its objectives and sustainably grow over time.

### Section 3

**account rounding** – a practice that focuses on ensuring that a client has the best coverage across all pertinent insurance lines by checking for gaps in existing coverage and selling additional products to fill those gaps

**bounce rate** – the percentage of visitors who leave a website after viewing only a single page without interacting further or visiting additional pages; used as a metric to assess engagement and the effectiveness of an agency’s website content or design

**client education** – the process of informing clients about insurance products, coverage options, and specific terms of their policies. It aims to empower clients to make informed decisions and understand their insurance needs, fostering trust and long-term relationships.

**client retention** – refers to the ability to maintain long-term relationships with existing clients by continuously meeting their insurance needs and ensuring customer satisfaction. It is crucial for sustaining business growth since retaining clients typically costs less than acquiring new ones and helps foster loyalty and repeat business.

**competitive advantage** – the unique qualities or strategies that differentiate the agency from its competitors, enabling it to attract and retain clients more effectively

**consumer expectations** – standards and service levels that clients anticipate when interacting with the agency, including timely responses, personalized service, and transparent communication

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**contact management system (CMS)** – a software tool used to organize, track, and manage interactions with clients and prospects

**conversion rate** – the percentage of visitors or leads who take a desired action, such as purchasing a product or completing a form; used as a metric for evaluating the effectiveness of marketing strategies

**cross-selling** – the practice of offering a client additional products or services that complement their existing policies. It aims to meet the client's needs while increasing agency revenue by bundling multiple coverages or enhancing existing coverage.

**jargon** – specialized terminology or language used within the insurance industry that may be unfamiliar to clients

**marketing program** – a strategic plan designed to promote the agency's services and attract new clients through various channels, such as digital advertising, direct mail, and community events

**open-ended questions** – inquiries that encourage clients to share detailed responses and insights rather than simple yes or no answers

**parametric insurance** – a type of insurance that pays a predetermined amount when a specific event occurs, such as a natural disaster. These policies are designed to provide quick financial relief by using predefined parameters to trigger automatic payouts.

**sales culture** – the collective values, practices, and attitudes that prioritize and promote effective selling techniques and client engagement among agents and staff

**target market** – a specific group of potential clients identified as the most likely consumers of the agency's products and services. Understanding the demographics, preferences, and needs of this group allows the agency to tailor marketing efforts and offerings to effectively attract and retain these clients.

**targeted advertisements** – marketing efforts that use data analytics and segmentation to reach a defined audience based on their demographics, behaviors, and needs

**Web Content Accessibility Guidelines (WCAG)** – a set of international standards designed to make web content more accessible to people with disabilities, including those with visual, auditory, cognitive, and motor impairments. These guidelines provide specific recommendations to improve the usability of websites and digital content, ensuring inclusivity and equal access for all users.

## Section 4

## CIC AGENCY MANAGEMENT

**bridging** – a process in which agency employees input data into the agency’s electronic management system and then send that information electronically to a variety of different carriers, reducing the need for repeated manual entry of information

**cloud computing** – the use of remote servers hosted on the internet to store, manage, and process data, rather than relying on local servers or personal computers. This enables the agency to access client information, process claims, and run software applications more efficiently while improving scalability, security, and collaboration across locations.

**comparative rating system** – a third-party rating program that enables an agency to obtain accurate risk quotes from several carriers

**consultive customer service advisors** – a customer service approach that involves agents acting as trusted advisors, understanding clients' specific needs, and providing tailored insurance solutions rather than simply selling products. This approach builds long-term relationships by focusing on education, personalized recommendations, and ongoing support to ensure clients have the right coverage as their circumstances change.

**defined utilization** – a level of technology utilization in which an agency defines workflows and procedures that provide the most practical and effective use of technology

**document management** – the systematic process of capturing, storing, organizing, and retrieving client and policy documents in physical and digital formats. Effective document management streamlines operations, ensures regulatory compliance, and enhances accessibility, allowing agents to manage claims, policies, and client records efficiently.

**downloading** – the process of transferring information electronically from an insurance company database to an agency management system

**essential utilization** – a level of technology utilization that represents the lowest possible use of technology in the agency. Technology is present, but agency business does not depend on its usage.

**“garbage in, garbage out” (GIGO)** – refers to the principle that inaccurate or poor-quality data entered into systems will lead to flawed outputs, such as incorrect policy documents

**internal needs assessment** – a process of evaluating the agency’s current technology infrastructure, workflows, and staff capabilities to identify areas where digital tools and systems can improve efficiency and performance

**managed utilization** – a level of technology utilization in which workflows and technology use are managed to provide strategic and reliable processes that begin to focus on customer needs.

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Workflows are structured and start to have consistency to support the agency. Productivity is measured, and technology use is audited.

**optimized utilization** – a level of technology utilization in which technology is used to conduct more of the various tasks of running an agency. Less non-productive time is spent on processing workflows. Instead, employees spend more time managing and measuring the quality of activities that affect customers, including hands-on time and workflow processes.

**personally identifiable information (PII)** – any information that can identify an individual, such as names, addresses, Social Security numbers, or financial details

**quantified utilization** – a level of technology utilization in which an agency begins to measure the value and efficiency it receives from technology implementation. There is a focus on staff productivity and how they can provide the best service to their clients.

**telematics** – the use of telecommunications and data to monitor and transmit real-time information about vehicle usage, driving behavior, and location

**voice-over internet protocol (VoIP)** – a technology that allows voice communication and multimedia sessions to be transmitted over the Internet instead of through phone lines. This is a flexible and cost-effective communication solution within the agency.

**workflow** – a defined sequence of tasks or processes that guide how work is completed, moving from one step to the next to achieve a specific goal

### Section 5

**actual (express) authority** – authority that is plainly granted, either orally or in writing, by an insurance company (the principal) to an agent

**agency code of ethics** – a code of conduct within the agency that sets guidelines and principles designed to help individuals within the agency conduct business with honesty, integrity, and responsibility

**broker** – an individual who acts or aids in negotiating insurance contracts, in placing risks, or in soliciting or effecting contracts as an agent of an insured and not as an agent of an insurance company

**ethical behavior** – the practice of acting with honesty, fairness, and integrity when dealing with clients, colleagues, and business partners. It involves adhering to legal and regulatory standards, maintaining transparency in communication, and prioritizing the client's best interests over personal gain.

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**false advertising** – the use of misleading or deceptive information in marketing or promotional materials to attract clients. This can involve exaggerating the benefits of a policy, hiding key exclusions, or misrepresenting the terms and conditions of coverage, leading consumers to make uninformed decisions.

**Golden Rule** – a moral principle that encourages individuals to treat others as they would like to be treated themselves. It emphasizes empathy, fairness, and respect in interactions, fostering positive and ethical behavior in personal and professional relationships.

**implied authority** – unexpressed authority given to an insurance agent that is not explicitly communicated via contract but is consistent with the spirit of the contract and allowed by the insurer. For example, using the company's brand in online marketing materials could be implied authority if the contract allows for the use of the company's brand but does not explicitly mention online advertisement.

**insurance agent** – an individual appointed by an insurer to solicit applications, to collect premiums, and to bind or effectuate policies so authorized

**insurance counselor/consultant** – an individual who, for a fee, engages in the business of offering advice, counsel, opinions, or service on insurable risk or concerning benefits, coverages, or provisions under any insurance policy or involving advantages of any insurance policy or formal plan of managing pure risk

**managing general agent** – an individual with underwriting, claims, and reinsurance placement authority from an insurer. Many wholesalers have underwriting authority. Generally, state statutes define the authorities of a managing general agent

**misrepresentation** – intentionally providing incorrect information regarding a risk or a claim to an insurer; alternatively, refers to making false or incomplete statements about the coverage that a policy offers to a client

**no authority** – an agent with non-existent authority to work with clients seeking insurance. Furthermore, there is no authority granted by a court for fraudulent acts.

**professional ethics** – adhering to a set of established moral principles and industry standards that guide individuals in their professional conduct. This includes ensuring confidentiality, avoiding conflicts of interest, and providing accurate and reliable information while consistently acting in the best interest of clients and the organization.

**rebating** – the practice of giving something of value (usually money) to an unlicensed party to induce that party into purchasing insurance. Rebating can include giving all or part of the commission the agent earns to the consumer or other unlicensed person.

## CIC AGENCY MANAGEMENT

**replacement** – selling the insured a new policy to “replace” a current policy from another insurer for financial or monetary gain

**solicitor** – an individual appointed by an agent or broker to assist in soliciting applications and collecting premiums

**special relationship** – when a professional is someone who possesses unique or specialized expertise or who is in a special position of confidence and trust with the injured party such that reliance on the negligent misrepresentation is justified

**surplus lines broker** – an individual who negotiates coverage on behalf of a client from an excess and surplus lines (E&S) insurer

**tied selling** – the practice of making the purchase of one product or service contingent upon the purchase of another

**twisting** – the practice of inducing customers to change insurance carriers by providing false information about either the company or policy form