

Trust accounting and what your agency might be missing

As an agency owner, there is so much more to running your business than just selling insurance. You are also focused on building the right team, training them appropriately, marketing, keeping your pulse on financials, implementing the right technologies, and managing the various ways you engage with carriers and brokers (just to name a few things that might keep you up at night). All these areas require careful thought and planning, but some tend to be overlooked, like **Trust Accounting**. This is an area that is hardly ever talked about and so many agency owners have no idea what trust accounting is, why it is important, and how to best position their agency.

Here are the key things you need to do to stay in trust and avoid issues maintaining your accounting records:

Open a separate Trust Account. This account is where you will deposit all your agency bill receipts. By having a separate account, you can easily track the agency bill accounts and funds you must remit to the carrier.

Create clear processes and procedures. The people who are involved with receiving income in the agency must have a clear understanding of what distinguishes agency bill and direct bill and how to manage the different types of income that is being collected by the agency.

Limit access to the operating account and trust account. Do not allow anyone that does not have a clear understanding of these processes to have access to the accounts.

Be consistent. Reconcile each account and ensure that the carriers are paid the portion that is owed to them. Once that has been completed, you can calculate the amount that the agency can keep for each of the policies.

Documentation is key. Clear records of how you reconciled each customer account is critically important. This will be essential if your agency is ever subject to an audit.

There are a lot of things to consider to ensure your agency is well-protected and remains financially sound. Agencies that have clean financial statements and well-thought-out policies and procedures are much better positioned in both internal and external ownership transitions than those that have messy books and questionable liabilities.

This is where PIA and Ascend come in to help.

Learn more at pianational.org/ascend