

Getting Started Early: Business Entities

Many agents sign a R3001S contract for their appointment date and begin their incorporation process sometime after their appointment date. PPCLOAN will work with the agent under any circumstance, however, there are a few added benefits to incorporating prior to taking over the new agency and signing an R3001C contract beforehand.

The “borrower” listed on the agent’s loan should be the person or entity who has ownership of the agency and its assets. This means that any changes to the ownership of the agency will need to be documented to properly reflect a new borrower. As such, if a business entity is formed after the agent’s loan closes, in order to show the change in ownership flowing from the individual to his or her business entity, we must obtain all of the entity documents. At that time, we would not only prepare new loan documents, but also new Termination Payment Assignment and Commissions Assignment paperwork in the entity name. Additionally, agents can get bogged down by their state insurance board who has their own requirements of items needed to approve a corporate insurance license.

New agents are quite busy getting settled and operating their agencies. Most will have less time once they are managing the agency to file the forms necessary to form an entity, sign new documents, sign new assignment forms, and deal with the state insurance board. Forming an entity earlier on allows them to hit the ground running the day they step into the agency.