

The Independent Agent: Evolving a Time-Tested Model

By: *Matt Masiello*

The independent agent is part of the fabric of the U.S. insurance marketplace and regardless of technological innovations and disruptions, those that stay relevant will continue to play a key role in insurance distribution in the future. To maintain a profitable business and meaningful career, however, the independent agent will need to evolve.

One only needs to look at the numbers to see how much change is happening, but the tried and true independent agent model is not going anywhere. In fact, more and more exclusive agents are converting their agencies to an independent model. Data posted by the Insurance Information Institute show that the number of independent agents in the U.S. has remained stable in recent years, dropping by only 500 agents to 38,000 from 2014 to 2016. This stability is partly due to “stable rates of exclusive agency conversions from captive to independent and new agency formation,” according to the Association of Independent Agents and Brokers.

Independent agencies made up more

than 45% of net premiums written in the property and casualty space in 2016. The same group made up 28% of the homeowners market and 27% of the personal auto market. Further, the data showed agency writers, including independent agencies, brokers, general agents and managing general agents, made up more than 66% of net premiums written in the commercial space in 2016.

These numbers help demonstrate that if independent agents accept the changes heading their way and evolve to meet them, there is nothing to stop them from continuing to build on the success of past generations. So how can independent agents embrace change and continue to build their agencies?

Preparing for the Future

Independent agents must first recognize what sets them apart in the marketplace — they have the unique ability to provide the right coverages, rates and services with a variety of insurance companies. On the other hand, exclu-

sive or captive agents can only provide products and rates with one insurance company. As consumers demand more choice and the exclusive distribution model becomes costlier for companies, captive agents will have a bleaker road ahead. Another advantage for independent agents is that larger agencies are merging or selling at a rapid pace — leaving fewer players in the arena with which to compete. Both of these scenarios open doors for the local independent insurance agent.

The industry is evolving and while many blame the insurance companies as forcing change, it is actually the almighty consumer. The role of the independent agent will change in the years ahead to meet these evolving consumer preferences.

In the future, independent agents will continue to assist clients as they purchase insurance products and help to make sure they have the coverage they need, but their service role will diminish as consumers look for more self-service options.

» SALUTE TO INDEPENDENT AGENTS

Increasingly clients want more self-service, and this is something in which insurance companies are investing. While the policyholders are able to help themselves to many service functions, independent agents will play the parts of advisor in the coverage selection process and advocate to the client when needed. Independent agencies will transform into business development centers spending more time proactively seeking business. Independent agents will need to adapt to this and move away from the traditional model to give the customers what they want and to remain relevant to their insurance companies.

Find Strength in Numbers

As they prepare for these changes, independent agents have opportunities to boost their businesses. For example, they can join an alliance for access to

benefits and services to help them build for the future. A strong alliance provides strength in numbers with existing independent and newly formed agencies as part of their membership, with both driving growth and profitable results. That strength can assist them in accessing new companies, developing marketing, training and human resources programs, and expanding their lines of business to include commercial lines, cyber liability and more.

To prepare for the future, independent agents should consider their options to build staying power. They need to make sure their businesses are fully automated and that they are growing by offering a variety of product lines to the right clients. As critical as it has always been, agents need to build a local brand to boost their reputation within the community. In fact, charitable

work and community activity is a key factor that millennial customers seek in a business partner. By taking part in community activities and becoming a recognizable neighbor who gives back, independent agents can establish themselves as the go-to resource for consumers and other businesses in their community. Finally, by partnering with an alliance, independent agents can gain immediate access to the tools they need to grow and evolve their business for future relevancy and success.

Independent agents shouldn't be intimidated by the future. Opportunities abound for those who accept change and evolve with it. ■

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