

## Independent Agents: Partners for Future Growth

By: *Matt Masiello*

There are 36,500 independent agencies in the United States, according to the Independent Insurance Agents and Brokers of America's (IIABA) "2018 Agency Universe" survey. Despite the big impact of InsurTech, statistics show independent agents are earning a significant portion of insurance business, especially in commercial lines.

In its "21st Market Share Report," Independent Agent magazine noted that independent agents have maintained stability with clients and are progressing: independent agents held 83% of commercial lines premiums, 35% of personal lines premiums and 31% of the personal auto market.

With the ability to offer a range of products, and in-depth knowledge of various product lines, independent agents are still chosen as the trusted advisor for the majority of insurance clients. How can independent agents build on the market share they already have and strengthen their impact?

### Specialization is Key

Ernst & Young talked with several insurance carrier directors at the "Insurance Governance Leadership Network"

in May 2017 about the future of distribution for insurers. "The agent model is not disappearing but becoming smaller and much more specialized," said one director.

Whether retail or commercial, insurers suggest intermediaries will focus on higher net worth and more complex customers, providing better advice, service and new capabilities such as risk prevention and management.

Independent agents must make sure their agencies are providing the best knowledge to clients for their particular needs. One way to do this is to work with industry experts from their carriers and learn the details of specialized insurance products. Becoming niche players that offer specialized insurance will help agents obtain more of the market share in the future and be more profitable when compared with generalists, who may always be hunting for the lowest price.

### Four Ways to Hold and Grow Market Share

Here are four ways independent agents can proactively maintain and increase their market share:

**Embrace InsurTech.** InsurTech and disruption from artificial intelligence, smart phones and multiple options for researching and buying insurance online is becoming standard operating procedure. Independent agents must invest now in innovative tools and technology that can streamline sales and data collection for their agents: agency development systems, comparative raters, websites, mobile apps and social media. These tools are essential to keep pace with current and potential clients.

Sam Friedman, insurance research leader for Deloitte Services LP, said he believes the independent agent can thrive in the new InsurTech ecosystem. "Customers' connections to a professional agent remain strong, especially in commercial lines," he said. "In the end, agents will likely continue to thrive if they leverage their experience and interpersonal skills effectively."

### Expand Commercial Lines Sales.

Commercial lines are very strong, with independent agents selling the majority of policies. For people expanding their commercial lines, the Insurance Thought Leadership website recommends "focusing on one or two

industries and selling a specific type of product such as businessowner policy (BOP) or workers compensation.”

The need to provide cyber risk and data security coverage is prevalent as well and has proven to be more of a niche market than was originally expected. According to the website statista, in 2018 the global cyber security market was expected to reach \$151.6 billion with 10.2% annual growth predicted worldwide through 2023. Small and medium-sized businesses are now buying cyber insurance as the financial burden of a cyber attack continues to climb. All small businesses need to be educated about the cost of *not* covering themselves with this insurance.

How can independent agents specialize further? Look at market trends that are growing faster than the economy; learn where they are and what propels them. Agents can market to specific clients and learn and understand their lines of business. By specializing in one or two fields, agents will be better able to meet their clients' needs. Increased specialization will build consistency within their business and trust with clients and potential clients.

**Life Insurance.** Life insurance is an underserved market that was never popular among insurance agents in general. His-

torically, selling life insurance involved collecting very personal information from the client as well as conducting medical testing. Agents can now look to developing life insurance sales without the need for invasive questioning. A recent study by LIMRA reported that 30% of households remain uninsured, which is a great opportunity for independent agents.

Ernst and Young's global insurance trends analysis 2018 reported, “Sustained improvement in advanced markets along with a greater share of emerging markets is expected to raise global life insurance growth ...” This investment is becoming popular again, and clients are more likely to buy life products if they are educated about the benefits to their family's long-term financial goals.

**Target the Affluent Market.** The recent high rate of growth of the affluent market is a significant opportunity for insurers, according to a new study by Conning.

“Affluent households — those with more than \$100,000 income — grew by 30% between 2012 and 2016,” said Mary Pat Campbell, vice president, insurance research, at Conning. “While still the smallest income segment in number of households, the affluent

market has significantly more financial resources than the middle market and is able to purchase a wide variety of financial products.”

## Knowledge is the Constant

How else can independent agents capture more market share? Every agency can continue building their community brand — keeping their brand fresh with relevant targeted content through every marketing channel so clients and prospects are always well informed. Agents should also watch the latest InsurTech trends and developments to benefit themselves, their clients and their carrier relationships.

Agents can collaborate with their carriers to learn new ways to customize products and provide premier client services. By cross-selling existing clients and adding commercial lines, life insurance and affluent insurance to their list of products, they will grow their business.

What remains constant in this changing industry is the knowledge independent agents can offer their clients. Stay focused on what is working best, and your clients will stick with you for the long term. ■

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