

Unlocking Opportunity: Why Captive Agents Should Consider Becoming Independent

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Author's Note: As I write this article, the recent news of Allstate's decision to, yet again, alter the commission structure of its exclusive agents is fresh on my mind. There will be a time lapse between writing this and the date of publication, but it is my belief that this is a discussion worth having—especially as it relates to emerging agents.

As the insurance market begins to open again, many captive insurance agents are reassessing their positions within the industry. Captive agents—those who represent a single insurance carrier—have long benefited from brand recognition, marketing support, and a predefined product line. However, the evolving marketplace offers compelling reasons for these professionals to consider transitioning to an independent insurance agent model. For agents eager to expand their potential and meet diverse client needs, going independent may be the next logical step.

Before going further, it's important to understand the fundamental difference between captive and independent agents. Captive agents work exclusively with one insurance carrier, selling only the products and services of that carrier. While this arrangement pro-

vides stability and often comes with training and administrative support, it also limits an agent's flexibility and earning potential.

Independent agents, on the other hand, can partner with multiple insurance carriers. This arrangement allows them to offer a wider range of products and tailor solutions to the unique needs of their clients. As the market opens and becomes more competitive, this adaptability can be a significant advantage.

One of the most notable benefits of becoming an independent agent is the ability to work with multiple carriers and offer a diverse product portfolio. Captive agents often face the challenge of fitting their clients into a limited range of products. If a client's needs fall outside of the captive carrier's offerings, the agent risks losing that business.

Independent agents are not bound by such restrictions. They can source policies from various carriers, ensuring they can meet the unique needs of each client. For example, if a prospective client has specific requirements for home insurance that Carrier A cannot accommodate, the independent agent can explore options with Carrier B or Carrier C (or even place business through a wholesaler). This flexibility enhances cli-

ent satisfaction and positions the agent as a trusted advisor rather than a mere salesperson for Carrier A.

While captive agents often receive a steady salary or base commission structure, independent agents typically operate under a commission-only model. This may sound risky at first, but it's important to recognize the upside: unlimited earning potential. Independent agents can set their own targets and expand their book of business without being constrained by carrier-imposed quotas or limitations.

Additionally, independent agents often receive higher commission rates. Since they aren't reliant on a single carrier, they have the freedom to negotiate competitive agreements with multiple insurance companies. Over time, this can lead to substantial income growth, especially for agents who are proactive in building and maintaining client relationships. And since they aren't dependent on a single carrier, they have more flexibility when one carrier imposes a more stringent commission system.

The independent model places a strong emphasis on client satisfaction. When you're tied to a single carrier, there may be instances where you must push products that aren't an ideal fit for your clients. This misalignment can strain relationships and damage your reputation.

As an independent agent, you can prioritize the client's best interests. By offering tailored solutions and finding the best policies across a range of carriers, you'll build trust and loyalty. In a market where consumers are increasingly seeking personalized service, a client-focused approach can set you apart from the competition. Don't make the mistake of believing this approach dismisses the need for online/digital communication; many business relationships are fostered through electronic communication.

The insurance industry is not static; it's shaped by economic and industry conditions, regulatory changes, and shifting consumer expectations. Captive agents are often at the mercy of their carrier's ability to adapt to these changes. If the carrier is

slow to innovate or expand its offerings, the agent's business may suffer (as well as experience lower commissions, as witnessed with recent events).

Independent agents, however, have the flexibility to pivot and adapt. If one carrier's products become less competitive, they can shift focus to another carrier with better options. This agility allows independent agents to stay ahead of market trends (or at least better adapt to them) and continuously meet their clients' evolving needs.

Modern technology has made it easier than ever for independent agents to succeed. From customer relationship management (CRM) systems to comparative rating tools, there are numerous resources available to streamline operations and improve efficiency. Many independent agencies also belong to networks (such as SIAA—The Agent Alliance), which provide access to training, support, discounted technology, and additional carrier relationships. These tools enable independent agents to compete effectively with larger organizations while maintaining the personal touch that clients value.

For captive agents considering the switch, it's natural to have reservations. One common concern is the potential loss of support provided by the parent carrier. Captive agents often rely on their carrier for marketing materials, training, and administrative assistance.

As mentioned previously, many independent agents find that these gaps can be mitigated through partnerships with networks. Furthermore, the autonomy of being independent often fosters greater creativity and innovation, empowering agents to build a brand that reflects their unique vision and values (which is part of the beauty of being an entrepreneur).

As an independent agent, you're no longer tied to the identity of a single carrier. This freedom allows you to establish your own brand and market your business in a way that resonates with your target audience. Whether you focus on a specific niche, such as small business insurance, or position yourself as a comprehensive risk advisor, the possibilities are endless.

Building your own brand also means you can create longterm equity in your business. Captive agents often find that their book of business belongs to the carrier, limiting their ability to sell or transfer their client base. Independent agents, on the other hand, typically own their books of business, giving them the option to sell their agency or pass it on to the next generation.

Transitioning from a captive to an independent model requires careful planning and preparation. Here are a few steps to

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help you make the leap:

Research Carriers and Networks: Identify reputable insurance carriers and networks that align with your goals and values.

Develop a Business Plan: Outline your target market, financial projections, and marketing strategies.

Obtain Licensing: Make sure you have the necessary licenses to operate as an independent agent in your state.

Build Relationships: Start networking with carriers, industry professionals, and potential clients.

Leverage Technology: Invest in tools and software that will streamline your operations and improve client service.

As the insurance market continues to open up, the advantages of being an independent agent are becoming increasingly clear. By breaking free from the constraints of a single carrier, you'll gain the freedom to diversify your offerings, grow your income, and build a client-focused business. While

the transition requires effort and determination, the rewards—both personal and professional—are well worth it.

All the above being said, the intent here is not to diminish exclusive/captive agents in any way—nor is it to slight the approach of any one carrier. The point here is to suggest that the time is now for some inner soul-searching about how the future best plays out for each insurance agent individually—as a captive agent, or as an independent—and the degree to which each of us would prefer to control our destiny.

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