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# Leap forward into the new year

Uncover new opportunities amid growing challenges

**A**long with all the pomp and circumstance of a new year come new challenges. Whether it's trying to cling to a New Year's resolution or taking a shovel to the icy cold January snow, hurdles abound. Fortunately, accompanying those new challenges are also new opportunities—opportunities that can spell growth for professional, independent insurance agents.

In fact, a considerably larger number of independent agents are optimistic for business growth in 2017, compared to how they felt going into 2016. According to a new report by Vertafore, 46 percent of agents surveyed said they were “very optimistic” about their agency’s future in 2017, while only 29 percent reported the same sentiment for 2016. Almost 85 percent of the agencies surveyed said they are working toward “aggressive or moderate growth” over the next three-to-five years.

So, how can those independent agents reach those aggressive growth goals? First, they need to understand the issues facing the industry. Only then will these agents, who write nearly 60 percent of all property/casualty market premiums, be able to identify approaches to tackle any business-threatening challenges and leverage potential opportunities for growth.

As we embark on the year ahead, we’ve identified six issues presenting themselves to independent insurance agents—each bringing with it challenges and opportunities.

## No. 1: Commission cuts

If they haven’t yet, independent agents will likely experience a hit to their bottom lines as carriers tighten the purse strings. In recent months, at least three national and one super-regional carrier have announced commission reductions related to personal lines.

These carriers are developing various forms of agency segmentation to manage these commission cuts. One is basing commission levels on the number of new business policies, another basing commission levels on an agent’s enterprise premium, and others paying different levels based on risk characteristics and package business. There is a lot there for an agent to manage.

With such changes taking place, professional, independent insurance agents need to learn to do more with less. Agents can tighten their shops, become more efficient, and make sure they are partnered with the best carriers for their needs, or are partnered with the best organization to help them meet the segmentation criteria and to maximize better than average revenue opportunities. Further, they can look to grow their businesses by focusing on business development and considering organizations that provide access to additional compensation opportunities.

## No. 2: Increased competition

While independent agents continue to lead distribution within the p/c industry and have for years, new distribution models have been threatening their hold. As consumer buying-habits shift, independent agents are seeing competition beyond direct and exclusive agent sales. Large networks and retailers are narrowing their lead on the market. At the same time, independent agents face competition from new technologies entering the space and carriers spending big bucks on advertising to win more direct market share.

According to EY’s 2016 U.S. Property & Casualty Insurance Outlook, insurance buyers want more options and, “want the same flexibility, to learn, compare, purchase, and report a claim as they have become accustomed to in other industries.”

To compete in this ever-changing environment, independent agents have to jump on the band wagon. Agents should develop methods to meet customers how they want to be met. In other words, independent agents should work themselves into the online distribution system and become part of the technological movement, according to a recent independent agent survey by Accenture. As independent agents adopt these new technologies, they also need to be assisting their customers as they too dive into this technology and communicate with them on their terms, whether that’s in person, via email, phone or social media.

## No. 3: Exclusive agency market share

As in decades past, exclusive agents continue to threaten independent agent market share.

While exclusive agents can court customers with familiar jingles and celebrities in funny—and costly—television advertisements, they can only sell one brand and the exclusive agents’ resources are shrinking. The choices independent agents can present always will be appealing to buyers.

In fact, this exclusive agency market presents a golden opportunity for professional, independent insurance agents to mine new business or even retake personal-line market share. While these exclusive agents can offer a local presence like the independent agent, they cannot offer choice. An independent agency that can build its brand locally and offer the selection and choice that its exclusive counterpart cannot may woo those clients and potentially win that busi-

ness. Generally, customers who work with agents—-independent or exclusive—like to do business on a neighborhood level and in person. Only independent agents can provide choice in products and services, as well as that personal touch.

## No. 4: Staff skills

An independent agency’s staff can be an asset or a detriment. Staff that is not well trained, friendly or customer-service oriented can be disastrous for an independent agency. As technology takes over many retail transactions, it’s crucial that local independent agents double-down on their people and their customer-facing skills. This is a major aspect of what sets them apart.

Agency staff members of all levels should have opportunities for training and skills development and be encouraged to pursue these opportunities, particularly those focused on changing consumer business trends or business development.

Staff also should know the ins and outs of their carriers’ products so they can provide insightful information when conversing with customers and prospects. New technologies also can assist an independent agent in growth efforts, but staff must be brought into the fold and presented with ample training opportunities and refreshers.

Further, as mentioned in the EY report, customers are looking to insurance professionals for more than products; they are looking for risk advice. Where appropriate, staff should be trained and prepared to help analyze customer exposures and help to develop proper risk-mitigation strategies.

## No. 5: Personal vs. commercial lines

An area ripe for growth for many independent agents is small commercial business. The challenge is knowing how to win it.

This segment makes up \$81 billion in premium in the U.S. as more than 30 million small businesses dot our landscape. Many of these businesses are located just a door or two away from the local independent insurance agent, and these small businesses need a variety of coverage from workers’ compensation to business interruption to commercial auto, among other things.

There’s no doubt this is a lucrative business for independent agents to approach, but they should not go knocking on their neighbors’ doors without doing some homework. Agents should not only know their carriers’ appetites; they also should go in knowing as much as they can about the small-business prospect they are courting. Again, small business can boost an independent agent’s books, but it requires time and commitment at the beginning.

## No. 6: Strength in numbers

While being local can be advantageous in terms of white-glove personal service, it can also serve as a disadvantage when it comes to accessing carriers and boosting commissions.

One way around this is for independent agents to join alliances, which can open new doors to carriers and increased commissions. Further, they should join associations, which will offer them the support they need to grow. By aligning themselves with an alliance, independent agents can have greater access to carriers, as well as support for marketing, management and technology.

With the resources of an alliance behind them—one that serves as the total solution for an independent agency not just an aggregator or market access provider—independent agents have the strength they need to tackle their competition—whether it’s exclusive, direct or other.

## Summing it up

The new year is an exciting time to set goals and put fresh energy toward achieving them. There are ample opportunities for new growth for those professional, independent insurance agents who know where to look and are willing to put forth the effort to reach their goals. A blizzard of challenges may greet them at the door, but with the right approach, independent agents can uncover lucrative opportunities and grow their businesses exponentially. ■

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