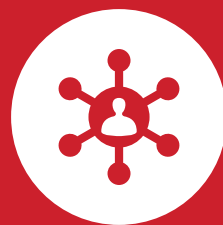




How to Become an Independent Agent

An EZGuide





Who doesn't want to be their own boss? If you're thinking of starting your own insurance agency, now might be the time. We're in a market with rising premiums, so insurance customers are shopping around. This could be a big problem for established agencies as long-term clients search for lower prices elsewhere. But this is a great opportunity for new agencies looking to build a book of business. Instead of playing defense trying to maintain renewals, new agencies (like the one you're thinking of starting) can devote time to snagging newly available prospects who are searching for a better deal.

The Current Market Advantage for New Agencies

The current market is full of opportunities for new insurance agencies. When insurance premiums rise, as they are now, clients begin searching for better deals. This is bad for established agencies trying to retain customers but great for new agencies who want to capture those customers.

Insurance prices are rising due to several factors. The first factor is inflation. As inflation increases, claims payouts increase, meaning premiums must also increase to compensate. More natural disasters are also driving up prices; many established insurance companies are struggling to get reinsurance, which helps insurers pay off losses due to catastrophes. Because of this, carriers are increasing premiums and even withdrawing from doing business in states like California and Florida, where fires and flooding are more frequent, and reinsurance is now harder to come by.

Increasing premiums and carrier withdrawal lead to more clients searching for affordable insurance. New agencies can capture the influx of insureds dissatisfied with their rising premiums and those who have lost insurance due to carrier withdrawal to grow their business at an impressive rate.

Not to mention, as the total amount of revenue decreases for carriers, they become more willing to try out new agencies as a way to increase sales. This means new, proactive agencies can add insurers they might not normally have access to. Inflation, more frequent climate disasters, and falling revenue for carriers may sound like negatives, but for insurance agencies that are just starting out, the current hard market offers opportunities.



Captive Versus Independent Agents

The current market might make it an excellent time to strike out on your own. However, there's still a lot to think about if you're considering becoming an independent agent. Let's look at some of the pros of starting your own business versus remaining at a larger agency.



Increased Product and Carrier Options

With the flexibility to work with multiple insurance carriers, independent agencies can offer their clients a wider range of insurance products. This flexibility enables them to better tailor coverage to the specific needs of individual clients. Captive agents are limited to the products offered by their parent company.



Higher Earnings Potential

Independent agents can earn higher commissions and bonuses because they often have more control over their pricing and underwriting. They can also receive commissions from multiple carriers, leading to more income opportunities.



Greater Client Retention

Independent agents can offer clients a broader selection of insurance solutions, making clients more likely to find a policy that suits their needs. Independent agents can also move clients from one carrier to another if their needs change, which can mean retaining clients they might have lost as captive agents.



Improved Flexibility and Autonomy

With more control over their business operations, independent agents can set their own schedules, develop their own marketing strategies, and make business decisions independently. This autonomy can be very appealing to those who value flexibility in their work.

Captive Versus Independent Agents



Diversified Income Streams

Independent agents can diversify their income streams by selling various types of insurance (e.g., home, auto, life, commercial). This can provide stability and reduce the reliance on a single product line.



Business Growth Opportunities

The ability to bring on other agents and form partnerships with other agencies means independent agencies can grow and expand their businesses. This scalability can lead to a more substantial and profitable operation.



Reduced Risk of Company Changes

Captive agents are subject to changes in their parent company's policies, pricing and direction. These changes can affect their book of business. Independent agents have the advantage of not being tied to a single company's fortunes and strategies.



Access to a Broader Market

Independent agents can market themselves to a broader customer base and geographic area, creating more opportunities to win new clients.



Long-Term Business Ownership

Independent agencies offer the potential for long-term business ownership and equity growth. Captive agents typically don't own their book of business, which means they have little to no equity value when they retire or exit the industry.



Market Resilience

Diverse product offerings and multiple carrier relationships often make independent agencies better equipped to weather economic downturns and market changes.



Benefits of Being an Independent Agent

Let's recap. By becoming an independent agent, you'll have the ability to get more product options and a wider client base. You'll also have more flexibility, the potential for more diverse income streams, and more growth opportunities. As an independent agent, you might also be able to handle changes in the insurance landscape with more market resilience. Best of all, you'll have equity in your book of business, so you can get the full financial rewards of your hard work.

Steps to Becoming Independent

Now that you know more about the benefits of becoming independent, let's look at the steps you'll need to take to start your own agency.

1 Research licensing agreements.

Contact your state's insurance regulatory authority to determine the licensing requirements for independent agents. This often involves additional coursework and passing an exam, especially if your captive license doesn't fully transfer to an independent status.

2 Understand your current contract.

Review your current captive insurance contract carefully. Pay attention to non-compete clauses or contractual obligations that may affect your transition. Consult with a legal professional if needed.

3 Build a business plan.

Your business plan should outline your financial goals, target market, marketing strategies, and projected budget. It serves as a roadmap for your new independent agency and is essential for securing financing or investors if necessary.

4 Choose an agency model.

Decide whether you want to operate independently, join an existing independent agency, or form a partnership with other agents. Each model has advantages and disadvantages, so carefully consider which aligns with your goals.

5 Get licensed.

If required, fulfill the licensing prerequisites. This may include taking pre-licensing courses and passing the state's insurance exam. Make sure your licensing remains in good standing throughout your transition.

6 Establish a legal structure.

Select a legal structure for your agency, such as a sole proprietorship, partnership, LLC, or corporation. Each has tax and liability implications, so consult an attorney or accountant to make an informed choice.

Steps to Becoming Independent

7

Choose insurance carriers.

Research and select the insurance carriers you want to work with. Consider factors such as the quality of their products, commission rates, financial stability, and the availability of the insurance lines you wish to sell.

8

Secure E&O insurance.

Errors and Omissions (E&O) insurance is crucial for independent agents. It protects you from liability in case of errors or omissions in your advice or services. Ensure you have adequate coverage.

9

Register your agency.

Register your business with the appropriate local and state authorities. This may include obtaining a business license, registering your business name, or forming an LLC, depending on your chosen legal structure.

10

Build a marketing plan.

Develop a comprehensive marketing plan that includes strategies for generating leads, building your agency's brand, and acquiring clients. This can involve online marketing, social media, referral programs, and more.

11

Set up your office and technology.

Establish a professional office space or work remotely and invest in the necessary technology to manage your agency efficiently. This includes computers, phones, agency management software, and secure data storage solutions.

12

Transition your clients.

Communicate with your existing clients about your move to an independent agency. Explain the benefits of this transition, offer to transfer their policies if possible, and provide reassurance about continued support.

13

Network and build relationships.

Attend industry events, join local business groups, and network with other insurance professionals. Building a network can lead to valuable referrals and partnerships.

Choosing the Right Tools for Your New Agency

Once you've established your agency, you'll need tools to help you grow your business and make your staff as effective as possible. Make sure you have software that allows you to:



Easily market your product.

There's nothing more important than a proactive marketing approach for a new independent agency. When you're starting out (and later, too), you'll need software that lets you market across online channels where most of your clients will search for insurance. This means having software that helps you maintain a strong, positive web presence and allows you to launch email marketing campaigns easily.



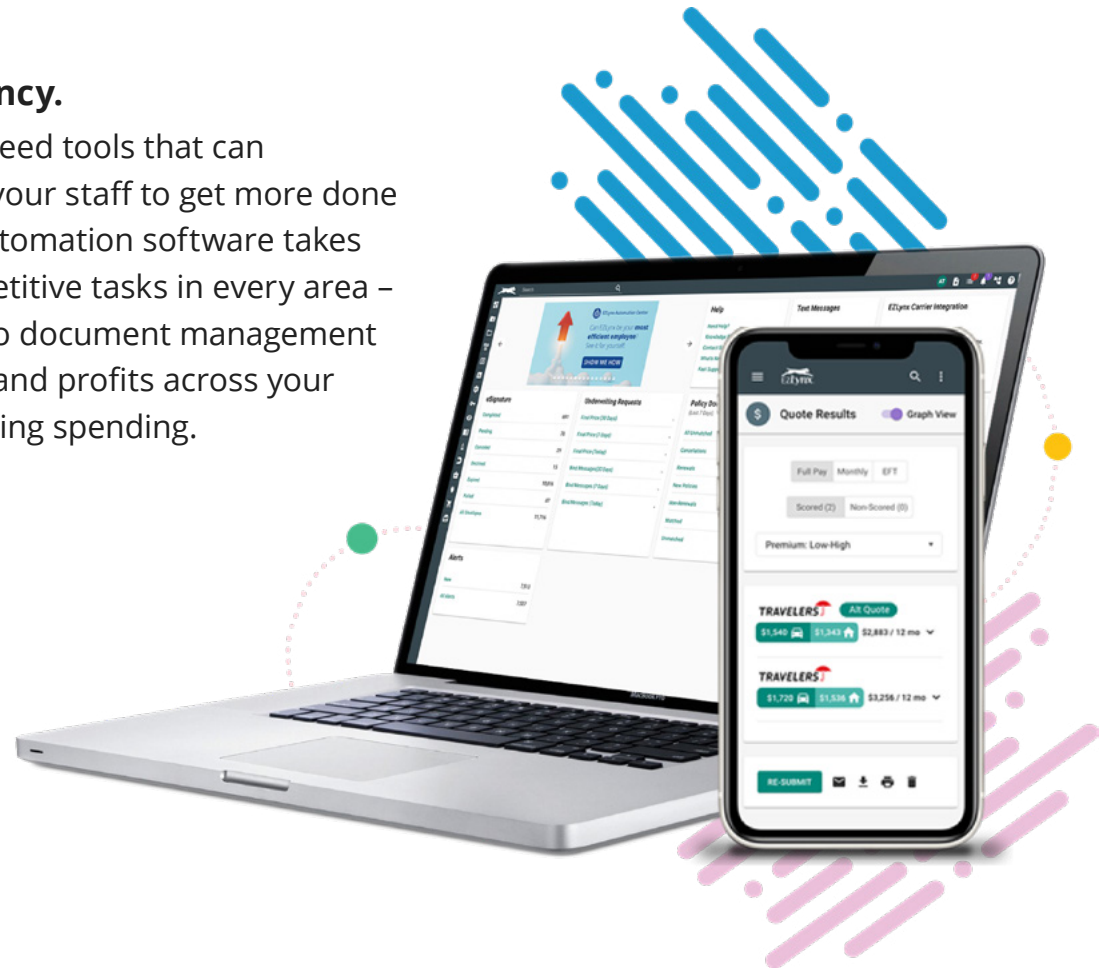
Maximize your renewals.

Every renewal counts, especially for an agency that's just starting out. Make sure you have software that allows you to implement a comprehensive, proactive retention process across your entire agency. You'll need tools that prioritize at-risk policies, summarize premium-bearing changes, and leverage automation to touch 100% of renewals.



Optimize staff efficiency.

As a new agency, you'll need tools that can maximize the impact of your staff to get more done without paying more. Automation software takes care of essential but repetitive tasks in every area – from sales to retention to document management to increase productivity and profits across your business without increasing spending.



Conclusions

Congrats! You've made it to the end! Let's go over some key takeaways.

- If you're considering becoming an independent agent, now is a great time. Rising premiums and insurance costs in the current hard market offer enormous opportunities to new agencies.
- The benefits of becoming an independent agent include gaining equity over your book of business, having more flexibility in the marketplace, and being better able to weather shifts in the insurance landscape.
- Follow 13 steps to become an independent agent, starting with researching licensing agreements and finishing with working to build your network of clients.
- Once you establish your agency, make sure you have the right software to market and grow your business.



We hope you've found this guide to becoming an independent agent useful as you think about launching your own business. Want more help? EZLynx was made for entrepreneurs who want to start their own agencies. From day one to your first million and beyond, EZLynx is your partner for growth. Visit our website **EZLynx.com** or call **(877) 932-2382** to find out how EZLynx can set your agency up for success.