


# Insurance Business Growth: Direct vs. Independent Agents

by Gregory Gambone, studioD 



*Captive and independent insurance agents face similar challenges.*

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Running an insurance agency can be a challenging and rewarding career, and successfully growing such a business requires a significant amount of time, dedication and money. Stable agencies can last for generations and may retain values in the millions of dollars. Both direct and independent agents can build expansive client bases, but the methods employed by each may differ.

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## **Direct Agents**

Direct insurance agents, more commonly referred to within the industry as "captive" agents, work exclusively for one insurance carrier. They focus on selling the products and services of that company to consumers and are contractually prohibited from selling, or participating in the sale of, a competitor's policy. While this may at first glance appear counterproductive, captive agents often enjoy additional perks and benefits that independent brokers do not.

## **Independent Agents**

Independent insurance agents remain free to solicit and sell the products of any insurance company. They may present consumers with insurance solutions that include an array of policies from multiple carriers. No single insurer may prohibit or restrict the independent agent's recommendations or activities. However, such freedom also means that these brokers have little to no support for most of the basic business expenses commonly covered in captive agent

contracts.

## **Marketing and Advertising**

Regardless of whether your agent contract is captive or independent, your livelihood relies heavily on your ability to acquire new clients. As a captive agent, you may receive leads or prospects generated from the carrier's own external marketing efforts. However, as an independent insurance agent, advertising campaigns and techniques are your responsibility both conceptually and financially. This often puts the independent broker at a disadvantage because successful campaigns may take monumental time, energy and money to create and implement, which detracts from time focused on selling policies. While captive agents may have fewer products to offer, they have more time and money to spend selling those products thanks to a cooperative insurance company.

## **Joint Ventures**

Growing an insurance business is extremely challenging for both captive or independent agents. However, captive agents are typically under more scrutiny and restriction than independent brokers with respect to the methods they employ to acquire new clients. Joint ventures, for example, present the potential for warm leads and introductions from connected associates and constituents. Independent insurance brokers are free to engage in this type of cooperative marketing with other business professionals, while direct agents may be prohibited by their employing carrier. Most insurance companies vehemently resist any association with unknown organizations to prevent potentially negative impressions.

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## **About the Author**

Gregory Gambone is senior vice president of a small New Jersey insurance brokerage. His expertise is insurance and employee benefits. He has been writing since 1997. Gambone released his first book, "Financial Planning Basics," in 2007 and continues to work on his next industry publication. He earned a Bachelor of Science in psychology from Fairleigh Dickinson University.

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