



Allstate Independent Agents Invade EA Territory

By Bryan Ahlquist

Jim Fish also stepped up to the microphone and asked Mr. Wilson a question about the company's plan to hire more independent agents in urban markets to sell Allstate products. Mr. Wilson stated that new independents would only be deployed in rural markets. NAPAA knew better and collaborated with Bryan Ahlquist to research and write the revealing article that follows Jim Fish's question below.

JIM FISH'S FIRST QUESTION TO TOM WILSON

“It was recently revealed that you are increasing Allstate’s presence in the independent agency channel. In the past, Allstate had a robust IA program in rural markets where there were few captive Allstate agents. But now, it appears that urban markets are no longer off limits as we are seeing new IAs coming on board in markets such as Dallas, Houston and Fort Worth.

I believe shareholders will want to know why you have chosen to nearly double your costs to sell and service this business when you have a less costly alternative available with your captive agency force.

Maybe you can help us understand the program by addressing some of the following issues:

First, it appears you will now allow IAs to compete head-on with captive Allstate agents in urban markets. Aren’t you concerned that this will ignite a new round of agent unrest and lead to declining morale?

Second, will you approach former Allstate captives, who are now independents, to offer them contracts?

Finally, this decision appears to blur the lines of your customer segmentation concept, which theorizes that consumers who buy insurance from independents are brand-neutral. Does this mean we can expect that captive Allstate agents will be allowed to offer the Encompass brand in the near future?”

to admit he needs more than his roughly 9,000 captive agents to get some of his old clients back.

Previously choosing to blame market conditions for the loss of market share rather than the stunning loss of nearly 5,000 captive Exclusive Agents over the past few years, Wilson’s newest recruitment program seems to defy even his own logic. Instead of invigorating the company’s EA program, he has decided to breathe new life into Allstate’s more costly alternative, the Independent Agency (IA) program.

Once seen as a burgeoning avenue to reach rural markets where its captive sales force was missing, Allstate’s IA program had recently declined to the point that its separate management structure was consolidated under the company’s central management. Now with approximately 1,700 independent agents, the IA program looks primed to expand in a big way – at the expense of captive Allstate EAs.

Recent promotional material from Allstate – obtained by NAPAA – touts access to the company’s 13 lines of insurance and other benefits as an inducement for independent agents to sign up to sell the *Good Hands* brand. In a recent Property and Casualty 360 article, reporter Mark Ruquet sites Allstate spokeswoman April Eaton as stating: “Allstate continually evaluates market opportunities to ensure that customers are able to do business with us how, when, and where they want to, including through a local Allstate [independent agents].”

Ruquet further quotes Eaton as saying Allstate “will consider appointing independent agency owners only in rural markets where we do not deploy Exclusive Agents. We want our current inde-

Allstate CEO Tom Wilson has begun an earnest effort to expand the ranks of his agent sales force.

Perhaps reacting to the loss of more than 1.4 million auto policyholders in recent years, Wilson appears ready

pendent agencies to grow with us.”

Then at this year’s Allstate shareholder meeting, CEO Tom Wilson echoed Ms. Eaton’s comments, adding that Allstate’s relationship with independent agents has spanned decades and that it only allowed independent agents to market Allstate’s products in “rural markets where there might not be enough business for Allstate’s Exclusive Agent (EA) agency owners.”

But if Allstate’s recent actions are any indication of its true intentions, both Eaton’s and Wilson’s statements will ring hollow in the ears of Allstate EAs. In just the past few months, Allstate has appointed six new independent agents in the Houston, Texas market. With more than two million residents, Houston could hardly be considered a rural market.

Twelve other Texas cites also saw independent agent appointments, including Lubbock with over 200,000 residents; Austin with 842,000 residents; and Dallas with 1.2 million residents. As of this writing, Texas alone represents a net gain of nineteen new Allstate independent agent appointments.

Recently appointed independent agent Mike Dagher operates an agency in Houston where he is surrounded by approximately 48 other Allstate agents. There are nine Allstate EA agents within a 4.5 mile radius of Mike’s independent agency, with the closest being only 1.2 miles away.

Here are the nine Allstate EAs closest to his independent agency:

Shawn Nguyen 3.7 miles
AZ Insurance 1.2 miles
Linda Brewster 3.5 miles
Abdul Dadabhoy 1.9 miles
Song Yi 3.6 miles
Timothy Cole 4.5 miles
Indira Bhushan 1.9 miles
Don Wilde 4.0 miles
Frederick Chang 2.2 miles

Newly appointed Dallas (1.2 million residents) independent agent Marcus Smith operates BAFG Insurance, which is in close proximity to 15 other Allstate agents. His nearest Allstate EA competitor is a mere 1 mile away, with the furthest being 3.8 miles.

Here are the eight Allstate EAs closest to his independent agency:

Fran Piegari 1.0 miles
Heather Wolfe 1.6 miles
Rick Lindsey 2.8 miles
Alana Calloway 2.5 miles
Stanley Smith 2.2 miles
Brandon Walters 2.5 miles
Brandy Hunt 3.8 miles
Wes Barnes 1.8 miles

Dean Davis operates Davis Insurance Agency in Austin Texas, a city of approximately 842,000 residents. As a newly appointed independent agent selling the Allstate brand, he has seven EAs either in his same Zip code, or within 4.4 miles from his office. The closest Allstate EA is only 2.2 miles away.

Newly appointed Fort Worth independent Jeffrey Ferrell operates in a city of about 760,000 people and has twelve Allstate agents surrounding his agency. His closest Allstate agent counterpart is only 1.9 miles away.

It seems highly dubious that Allstate CEO Tom Wilson could be unaware of the placement of these 19 independent agents located in urban Texas markets.

In addition to their concerns over the number and proximity of their Allstate IA competitors, the EA agent can add the troubling aspect of unequal pay. The Allstate IA contract pays a base commission of 15% new and renewal compensation. In addition, there are opportunities to earn lucrative bonuses. And besides a much better compensation scale, they have no office appearance requirements, staffing requirements, or life quotas.

In contrast, the company’s best and brightest EAs earn a base of 9% and must meet the Agency Success Factors before they earn a penny more. New Jersey agents have it even worse, as their base is only 6.5%.

Even more unsettling is the fact that Allstate IAs have full access to the company’s entire client base. This means that Allstate’s IAs can take payments and service existing Allstate accounts, but it also means they can request Agent of Record changes, as well as capture full compensation on accounts via cross-sales. Finally, when a customer becomes disenchanted with Allstate’s

rates, the IA can easily move the client to another company, while the EA facing a similar situation simply loses another customer.

The reality of Allstate’s recent actions – in spite of Tom Wilson’s assurances to the contrary – does little to diminish the skittishness that EAs are now experiencing. And when combined with the reduction of their base compensation and the purchase of Esurance, the prospect of having to deal with yet another new Allstate competitor in their neighborhoods may prove be too much for them to take.

Little is known about the ultimate goal for Wilson’s IA program. If Texas is intended to be a pilot program, it is a safe bet that IAs will be added in other major metropolitan areas as well.

It has often been said, “Actions speak louder than words.” This phrase, when properly modified to apply to Allstate CEO Tom Wilson should read: “It is better to watch what he does than to ever trust what he says.” *Ef*