Independent Agents to sell the Allstate Brand

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On the heels of reports that GEICO is poised to surpass it as the number two auto insurer in the country, Allstate has decided to resuscitate an old strategy that it hopes will come to the rescue of its years-long slide in its in-force auto business. Recent efforts to stem the decline have thus far proven to be futile, leading some to wonder if the trend is now unstoppable.

But last week, PropertyCasualty360 reported that Allstate has started a campaign to recruit more independent agents to sell policies under the Allstate banner and that a formal announcement would be forthcoming in June (see article below).

Company spokesperson April Eaton told PropertyCasualty360 that Allstate "will consider appointing independent agency owners only in rural markets where we do not deploy exclusive agents."

Upon further investigation, however, NAPAA has learned the independent agent initiative is now underway and has already resulted in the appointments of approximately 25 new IAs, many of whom are located in urban markets, such as Houston, Dallas, Austin and Fort Worth - which hardly qualify as “rural” markets.

The Allstate IA program has been around for decades, but has been allowed to languish for the past several years. Appointments in the past were largely located in rural markets and only occasionally crossed into urban areas when an appointed IA had multiple locations, which may have included a location in an urban setting.

In the past, Allstate’s IA contracts were offered in exchange for large, 12-month volume commitments. These commitments were often fulfilled by “rolling” large blocks of policies from other carriers to Allstate. This quick fix apparently has Tom Wilson licking his chops over the potential for large-scale rollovers from the independent agent channel.

To be sure, this growth strategy has its advantages because massive rollovers would add policies at a much faster rate than is possible with the “one-policy-at-a-time” EA channel. But expanding into urban markets - where EAs now reign supreme - is certain to increase agent unrest amongst captive EAs.

When Tom Wilson took the helm as President and CEO, Allstate had 18.271 million standard auto policies in force. The decline in policy count, or PIF, began about a year later when his strategy to terminate thousands of long-term agents began to unfold.

From 2007 to 2013, Allstate’s auto PIF has declined by over 1.4 million and homeowner PIF has declined by nearly 1.7 million. During that period, the number of captive agents declined from 13,200 to 9,300, or 30%. The company denies that diminishing its agency force is the cause of the loss of its market share. Meanwhile, however, State Farm - which also has a captive agent model - has consistently grown its PIF and market share, while simultaneously expanding its agency force.

At yesterday’s Annual Shareholder meeting at Home Office, NAPAA executive director Jim Fish questioned Tom Wilson about the new IA appointments. Despite the fact that new IA’s are already encroaching turf long-held by captive Allstate agents, Wilson denied there would be any head-to-head competition, and that appointments would only be in rural areas.

Fish also suggested that allowing Allstate agents to market the Encompass brand would be a good move for the company, but Wilson flatly rejected the idea, stating that captive agents would continue to be provided with brokered product offerings in markets where Allstate products are not available.

In our opinion, the new IA initiative is certain to heighten the company’s strained relations with its agency force. Attempts to deceive captive agents about the location of newly-appointed IA’s will only make matters worse. In addition, Allstate pays a base commission of 15% to independents, compared to the 9% base it pays to EAs. Allstate is expected to announce a further reduction in captive agent base commission to 8% at the end of next year.