A hard insurance market presents many challenges for insurance agents, both exclusive and independent alike. Increased premiums, reduced underwriting capacity, limited coverage, non-renewals – the year ahead will no doubt have its challenges irrespective of how one chooses to sell insurance.

This article is not intended to provide a clear winner, but rather, intended to provide some food for thought.

What if the key difference between surviving and thriving in a hard market was simply a matter of adaptability? Of being able to pivot and respond to what the market brings?

Conventional wisdom indicates that premium increases can be a commissions boon, and for some lucky agents that may be the case. Recession fears and high inflation have led to increased belt-tightening, with insureds more likely to shop around than ever before.

That could leave exclusives feeling the squeeze. With their ability to access products from multiple carriers, independent agents have a greater likelihood of being able to provide options that meet clients' needs on both price and coverage.

Conversely, the marketing and outreach in support of an agency’s brand is certainly well maintained in the exclusive agent arena, given the support of larger pools of advertising dollars through the parent company channels.

An area that has hit exclusive agents particularly hard recently has been commission volatility. Typically, an independent agent receives higher commission rates than an exclusive agent and seems to be better insulated against extreme highs and lows. When coupled with an exclusive agent’s lack of ownership over renewal commissions, independent agents again seem to fare better in the short and long-term.

Of course, in this hard market, we are experiencing inflationary economics as well, and the costs for all facets of running the agency are borne by the independent agent. In contrast, the exclusive agent receives varying levels of assistance from carrier headquarters.

The independent agent benefits from being positioned as more of an objective insurance provider simply because of their lack of affiliation with a particular carrier. That is a competitive advantage over an exclusive agent, who can be perceived as pushing specific carrier policies to meet sales quotas.

There is no right or wrong way to be an insurance agent – there is just the right or wrong way for you. As we head into 2023 and the challenges of a hard market, consider the advantages and disadvantages of being either independent or exclusive, then consider which option works better with your personal style and business goals. If you believe that, overall, adaptability and control over the business is a better way, then an independent agency may just be your solution to a hard market.

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