5 Reasons Why You Should Only Buy Your Insurance From an Independent Insurance Agent

Understanding how to get the best advice, coverage, and price

If you've been watching television lately, or listening to the radio, chances are you've heard multiple advertisements from tons of different insurance companies — each one claiming to have the best products and the best price. Insurance is one of the most heavily marketed products in the world, next to automobiles. It's so heavily saturated that people have begun to tune out the messaging being thrown in their faces nonstop, on a daily basis.

Not all insurance companies are created equal. The same can be said for insurance salespeople. This guide aims to help you understand the different insurance delivery models and how each one differs in how you receive advice and guidance. While many insurance companies paint insurance as a price-based commodity, it's important to understand that having the correct coverage is serious business. Insurance is a legal contract that you agree to. It's important that you understand the terms and conditions of that contract — not just the price — before you agree to it.

Unfortunately, the way insurance is marketed today, that point is conveniently glossed over, and in our opinion, that does a great disservice to the general public. What's more, depending on who you purchase your insurance from, you could be misled, or not told the full truth. That's why it's important to understand the 5 reasons why you should only do business with an independent insurance agent.

First: The Different Types of Insurance Delivery Channels

Captive (Exclusive) Model

A captive agent (a.k.a. “exclusive” agent) works exclusively for one company and one company only. These companies have agents and local agencies; however, a huge drawback is that they only sell their own proprietary products. In addition to sales, captives also typically service your policy. If you have a policy question or claim situation, you can contact them and someone at their office will assist you. Captive agents are typically compensated on a salary + commission + bonus model.

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Direct Writer Model

A direct writer sells its insurance products without the use of agents. Instead, they have employees who typically work out of large call centers and sell direct to the public. Typically, direct writers separate their sales and service departments, meaning that after the sales rep sells you a policy, you will most likely never speak to them again. Direct writer reps are paid on a salary + incentive model — a small salary to start, plus pay per sale, usually on a sliding scale. The more sales they get in a month, the more each sale is worth. This compensation model, combined with very competitive work environments, means direct writers are usually more aggressive with you, because they have a small window of opportunity — usually a 15–20 minute phone call, often monitored by a quality control team. Have you heard the term “hard sell” before? That's typically a direct writer's M.O.

Independent Agents

Independents do not work for any one insurance company. They work for themselves — think of them as self-employed — and are generally compensated 100% on commission. Independent agents are much like captive agents, but unlike captives, independents have access to a wide range of insurance companies and products (sometimes as many as 30–50 companies), so they can shop your coverage to see who offers you the best possible deal.

Because independents aren't employees of an insurance company, they can provide advice that is truly unbiased and objective — there is no corporate “big brother” pulling the strings. They are not monitored or pressured into presenting certain products when others may be more suitable. Because independent agents work with so many companies, they also tend to have a better grasp on the different markets and the insurance industry in general. This is extremely important, because there are a lot of companies and products out there, and you can't give someone sound advice unless you have a good understanding of them.

It's Like Buying a New Truck

Let's say you were in the market for a new truck. You walk into the dealership and are immediately approached by a salesman. You walk over to a truck you like and start discussing the exact specifications you're looking for: an extra cab, 4×4, dark blue, with a sprayed-in bed protector and fog lamps. When it comes down to talking about price, do you think that salesman would tell you that right down the street there was a competing dealer with a truck that matched your exact specifications — or maybe even better — for $4,000 less?

Of course not. Why? Because that salesman is not independent. His job is to sell his brand and his brand only. Of course he's going to position his truck as if it were the best on planet earth. The same can be said for direct writer reps and captive agents. When you speak with one, sure, you're talking to a licensed insurance professional — but who you're really talking to is an employee of their respective company, whose job is to sell only that company's products. If you're not a savvy insurance shopper, you may not even realize you're not getting unbiased, objective advice. That's a problem, because getting the right coverage is the entire point of insurance.

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The Truth About Commissioned Insurance Agents

As long as insurance has been around, insurance salespeople have been paid on commission. To many people, the word commission has a negative connotation. It's important to understand, though, that the insurance company pays the agent a commission to service their customers' policies. For the insurance company, this is a much more cost-effective way to distribute their products. As an insurance consumer, you do not pay the agent any fees or other costs — they are compensated by the insurance carrier directly.

Some people may ask: if an independent agent is compensated 100% on commission, wouldn't they be the very ones trying to sell the most insurance possible, regardless of suitability? No. You want to deal with someone who is 100% commission, because they have a lot of skin in the game to make sure you are properly insured — and they have to earn your business year after year after year, or they will lose it. They care, and are actually vested in you and your protection.

The 5 Reasons

1. Independent agents offer a wide range of products and services across multiple lines of insurance, which gives you choice.
2. Independent agents generally have a better handle on the overall insurance market and various products and programs.
3. Independent agents are local, small business owners. When you support local small business, everyone wins.
4. Independent agents can offer advice that is truly unbiased and objective, because there is no “big brother” pulling the strings.
5. Independent agents have a bigger interest in providing better coverage options. They aren't just trying to sell the lowest-quality plan to make a fast sale.

Conclusion

With all of that being said, there are good, bad, and great insurance professionals in all three of these categories. We are in no way trying to throw mud — simply speaking from personal experience and industry knowledge. I just know that if I were buying a new truck, I'd rather go somewhere that sold all brands, makes and models. That way, I'd know the advice I was getting was honest.

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