

Practice Management ▼

The Road to Independence – Is it Time for Your Practice to Make the Move?

Independent model attracting advisors in the career insurance space



by Kurt Shallow

Mr. Shallow is Senior Vice President of Firm Development at Lion Street. The importance, role, and value of both the independent and career advisor has been a central focus of his successful career. Kurt's extensive industry experience has enabled him to oversee and be involved in all aspects and channels of distribution, technology, account management, and industry organizations, as well as the development and distribution of Life Insurance, COLI/BOLI, Disability, LTC and 401k.

The appeal of being a career insurance agent continues to decline as the financial services mar-

ket places more value on being an independent Firm. Career agencies continue to decline in number and fewer new or successful producers seek out career companies. According to LIMRA, the failure rate of agents in the first four years is over 80%¹. At the same time, many successful veteran agents plateau or even see production diminish over time. The reasons given by advisors for both these challenges are similar: New agents are inadequately trained and developed, while successful agents, ultimately, do not get enough exposure to new ideas, new markets and like-minded advisors.

In addition, regulators are calling on advisors to act in a more fiduciary manner, which means being able to provide for the best interest of the client. In turn, savvy clients are now demanding more choice and more transparency. This can be challenging when you are limited by the offerings of your carrier. This leaves many career agents looking for an alternative business model.

The Financial Industry's Shift to Independence Began Over A Decade Ago

In the last 10 years, more and more investment advisors have been leaving wirehouses, and choosing to go independent. Since 2008, a wirehouse advisor's business card had become a liability. Yet they had no experience running a standalone business. Instead, many chose to affiliate with an independent platform such as Commonwealth, LPL Financial or HighTower Advisors. These offered scale, better economics and freedom, as well as immediate help with operations, compliance and marketing.

The Same Trend is Happening in the Life Insurance Space

Compare this phenomenon with the current state of the traditional insurance advisor. A generation ago career insurance companies, mostly mutual companies, still dominated the industry.

Now, independent channels and producers are growing at the expense of career channels and agents because of those market drivers outlined at the beginning of this article: changing client expectations, increased fiduciary regulations, a lack of significant value being created for their practice as well as restrictions surrounding product access and marketing.

Career agents are often perceived, fairly or not, as representing one company and its products over the best interests of the client. These perceptions have long existed, but they especially have mattered in the years following the 2008 financial crisis and most recently from the fallout of DOL Fiduciary debate.

Evolution of the Independent Firm

According to a LIMRA and National Underwriter survey of 725 independent insurance professionals², the top three reasons producers switched to independence were to:

- Serve the client's best interest
- Access a wide range of products, services and carriers
- Create commercial value in their business

Brokerage General Agency Model

The initial step many career agents take who desire independence is working with a Brokerage General Agency (BGA). The BGA can function like a fully operational back office for the independent agent, similar to the career company, but with more flexibility. However, while the traditional BGA model does offer a broader selection of carriers, it does not provide direct access to them. This means producers have less influence, as well as limited ability to aggregate premiums towards pooled overrides.

Producer Group Model

In the last 20 years, the most successful producers grew their business by joining a producer group. As part of a collective, they remain independent, but not alone. They enjoy not just flexibility and choice for their customers but also greater influence and scale.

Through access to subject matter experts and knowledgeable professionals in

advanced markets, an independent advisor can offer clients the best options for their specific needs. And because of the network of specialists and skills offered through these collective firms a producer is, in essence, able to expand their services without having to assume more overhead. This increased scale of services can result in exponential revenue growth and greater commercial value for the independent producer.

Making the Move to Independence

While there are many reasons to move to an independent business model as part of a producer group, for the career agent, the move can look daunting. There are quite a few logistics to think about when making such a big change – managing multiple carrier relationships, branding your Firm, implementing and staying up to date with technology, finding the right broker-dealer, the logistics of finding office space and staff, and providing payroll and benefits. All of these are valid concerns that need to be addressed.

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Lion Street has distilled the combined experience of highly successful, independent advisors into a transition program called the Road to Independence™. The company has perfected the process and can help advisors mitigate their concerns. Lion Street takes the time to truly understand an advisor's business, goals and challenges, and will customize the right solution to meet the unique needs of each Firm. It brings together like-minded advisors, and each advisor is an equity owner in the company. This creates a culture of collaboration and idea-sharing for the mutual benefit of each Owner-Firm. Every Owner has input on how Lion Street is managed without the traditional restrictions and mandates of a career company.

Lion Street Founder and CEO Bob Carter explains, "The captive career system has been an integral part of the growth of life insurance sales over the years. However, today's opportunities often do not align with historical systems. Elite life insurance producers and their clients demand objectivity and diversification. We've developed a concept that allows the advisor to experience true independent firm ownership while serving as the 'Firm-Behind-the-Firm.'"

The "Firm-Behind-the-Firm" means providing access to resources and support that help advisors grow their businesses, enjoying the influence with carriers that a producer group offers, as well as direct connection to carriers normally found only in captive organizations. "Successful agents often outgrow a captive agency structure," continues Carter. "We will work with agents who are feeling limited in some way by the traditional distribution model and can help get them on the Road to Independence™"

Completely Independent or Are There Other Options?

Another question that often comes up when discussing a move to independence is whether to make an immediate move all at once, or to take more of a staged approach. Successful career agents have certainly built up significant benefits plans and renewal bases. For a litany of reasons, it may be economically viable to retain a career contract and continue producing at a consistent amount sufficient for maintaining status, benefits and renewals. In this case, making a move to an independent model in stages may make the most sense.

However, there are those that want to end their career contract and immediately begin reaping the benefits of being fully independent. Finding a producer group who is willing to work with agents on this, no matter which path they may choose is key, and Lion Street is able to help customize a transition plan.

Finally, there may be a way forward for agents under both systems, as the two need not be mutually exclusive. Producers and carriers who understand they would be well served with the exposure that comes from partnering with true independent distribution might be the future winners. Done right, career agents can see growth and value in their independent practice while also growing their career agency production. And forward-thinking carriers can see greater agency system production with corresponding lower training and development expense.

Change is a Choice and on the Other Side is Immense Opportunity

For the advisor the question is simple. Do you want to spend the rest of your career building value for someone else or would you rather build value for yourself and for your clients? Lion Street is a distribution platform built by reflecting on the structure of the successful business models of the past while creating a contemporary platform for the future. Lion Street wants to build a great company owned by those who built it ... Lion Street's Owner-Firms.

If this sounds like what you are seeking, we invite you to learn more about the value of Lion Street ownership and contact us about getting on the Road to Independence™. ❖

For more information about Lion Street's Road To Independence program, please visit www.LionStreet.com/RTI.

Endnotes

1. LIMRA, *Agent Production & Retention*, 2017
2. LIMRA, *The Path to Independence*, 2015