



2023 State of the Independent Agent

Building Resilience in the Face of Industry Threats

1,645

Survey respondents

46

States represented

\$2.5M

Medium agency premium inforce

Introduction

Market fluctuations including inflation and rising interest rates have largely impacted the insurance industry over the past few years. These macroeconomic challenges—combined with technological advancements, evolving customer experiences, and regulatory shifts—have culminated in a perfect storm for the insurance industry. However, those are not the only challenges impacting insurance providers and independent agents. The industry is also grappling with an increase in the frequency—and severity—of natural disasters; with environmental risks leading to discussions about climate change and its impact on insurance, particularly the affordability and availability of coverage in regions prone to adverse weather.

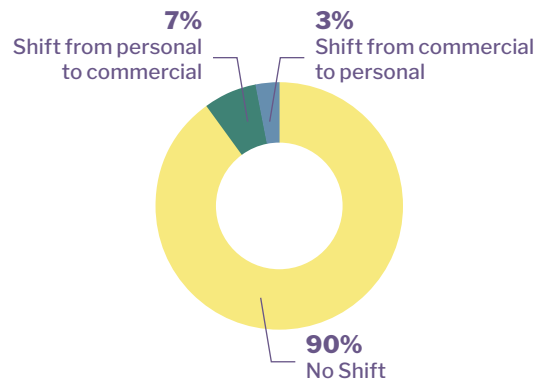
Openly’s 2023 State of the Independent Agent Report explores the homeowners insurance industry from the perspective of independent agents across the country. It provides insights into how independent agents are coping with and adjusting to macroeconomic trends and market challenges.

Business operations

The results of the study shed light on how independent agencies are evolving their business focus, customer offerings, and responses to emerging threats, revealing a snapshot of the industry’s current state—and projected trajectory.

Personal lines emerged as the dominant force driving new business for independent agencies, as reported by 67% of respondents. This underscores the continued significance of catering to individual clients’ insurance needs. Commercial lines, while comprising a smaller portion, still contributed notably, accounting for 29% of new business. This diversification highlights the adaptability of independent agencies to cater to a range of clients while retaining their core strengths of providing choice through tailored policies and exceptional customer service.

Do you anticipate a shift in your agency’s line of business?



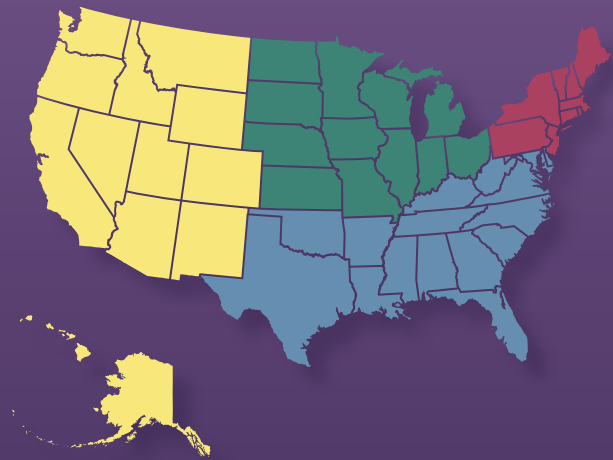
Remarkably, over 90% of respondents projected continuity in their agency’s business focus. This consistency can be viewed as a proactive response to market dynamics designed to maintain trust and stability for their clients, and ensuring that clients’ changing needs can be continually met within the agency’s established framework.

Industry threats

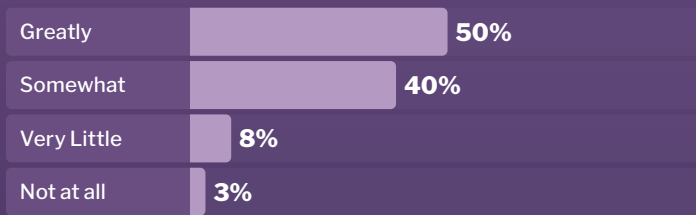
The future of homeowners insurance stands at a crossroads, influenced by an array of challenges demanding a comprehensive industry response.

The impact of adverse weather events and climate change on homeowners insurance has become an increasingly pressing concern among independent agents. When asked about the impact of adverse weather events and climate change on homeowners insurance over the next three years, more than 89% of those surveyed deemed the weather and climate as greatly or somewhat impactful on homeowners insurance. This perception of this threat remained consistent across geographic regions, indicating widespread acknowledgment of the industry’s vulnerability to weather-related perils.

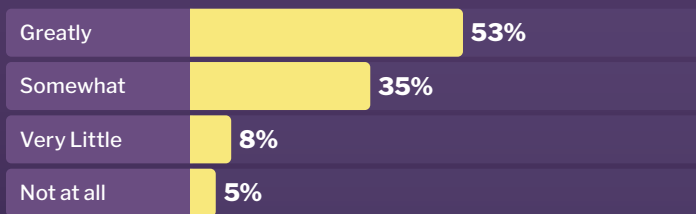
How will climate change impact home insurance?



National



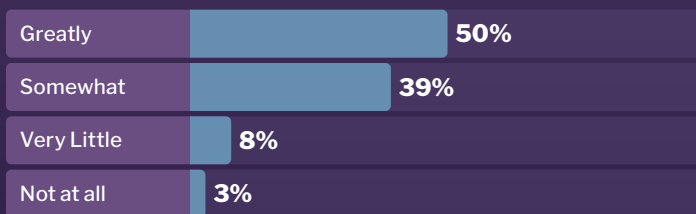
West



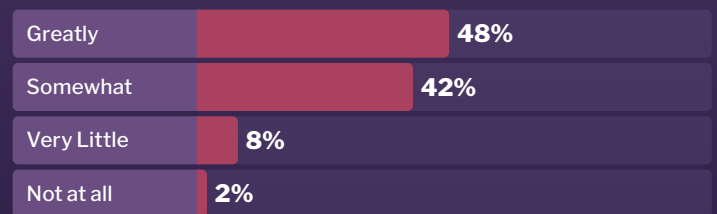
Midwest



South



Northeast



Beyond weather-related challenges, other threats loom over the insurance landscape. 60% of respondents expressed significant or very significant concern about insurance companies' exiting markets, pointing to the potential of a contracting competitive field that could induce market concentration and limit consumer choice. Additionally, 41% identified the rise of Direct-to-Consumer (DTC) providers as an emerging threat. While DTC models offer streamlined access to insurance products, they pose a challenge by potentially overshadowing the personalized guidance and diverse product offerings that independent agents provide.

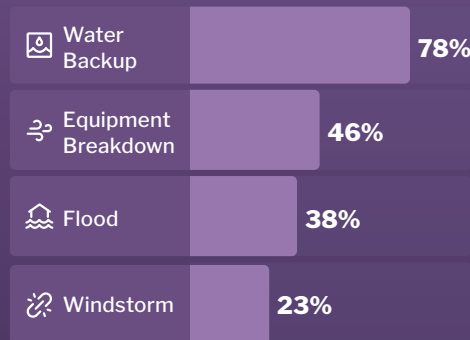
The interplay of these threats finds direct resonance in respondents' concerns regarding rate adjustments. Carrier exits have ripple effects that extend beyond competition alone. As competition dwindles, the remaining carriers face hiking rates to counterbalance the reduced capacity for distributing losses. Adverse weather events (which can be a driver of market exits), are also amplifying the frequency and severity of claims, driving up losses and necessitating rate adjustments.

However, independent agencies aren't simply responding to threats; they're recalibrating offerings to address shifting dynamics. Independent agencies are leveraging their capacity to provide choice and offer additional coverages to fit clients' needs. When aggregated across all geographic regions, water backup and equipment breakdown were the most frequently added coverage options.

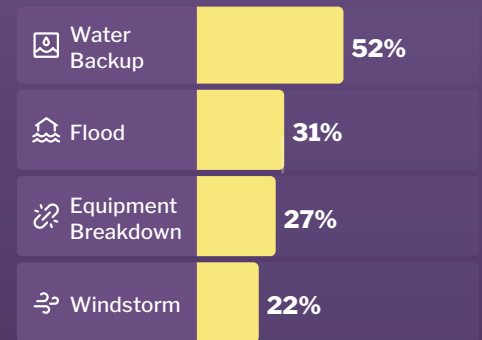
However, when the data was segmented based on geographic regions, protection against regionally-specific adverse weather patterns was reflected in the supplemental coverages added by policyholders; West Coast policyholders were more likely to add flood and earthquake coverage, while those in the Midwest, South and Northeast added flood and windstorm coverage more frequently.

What additional coverage did your agency sell most last year?

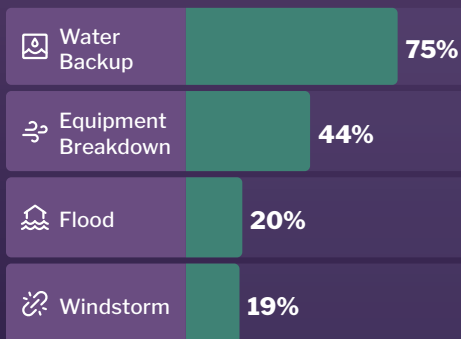
National



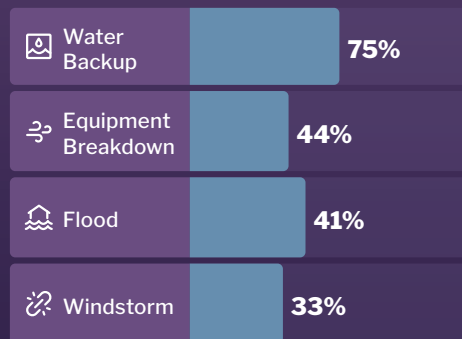
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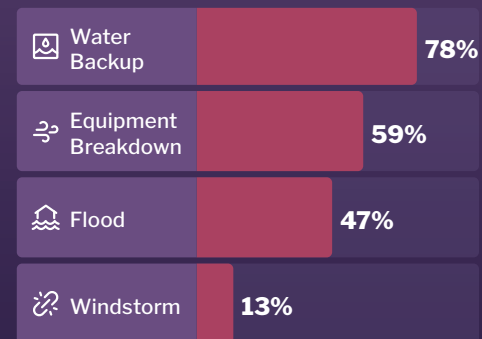
Midwest



South



Northeast



Strategic responses

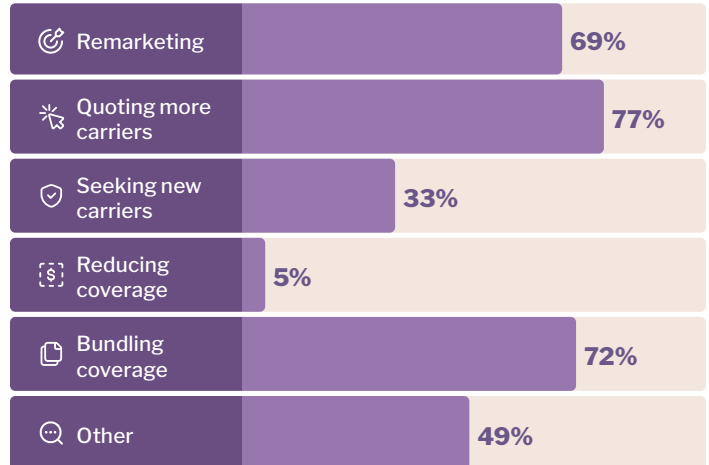
Industry threats often translate into direct impacts on insurance rates, with factors like a surge in claims attributed to increasingly severe and frequent inclement weather. The consequences of rate increases can be substantial for insurance agencies, driving agencies to implement strategic solutions.

Two primary strategies that surfaced as effective in addressing rate hikes were: quoting with multiple carriers and remarketing. A notable 77% of respondents always or often opted to quote (new business) with more carriers, while 69% chose remarketing as a strategy (for existing clients) for tackling rate increases.

Within the subset of respondents (49%) who designated “Other” as their tactic to counter rate increases, increasing deductibles emerged as the predominant solution, favored by 36% of participants, while 31% are focused on enhancing the customer experience through client education and proactive communication.

How often do you use these tactics to combat rate increases?

Survey participants were allowed to select multiple tactics.

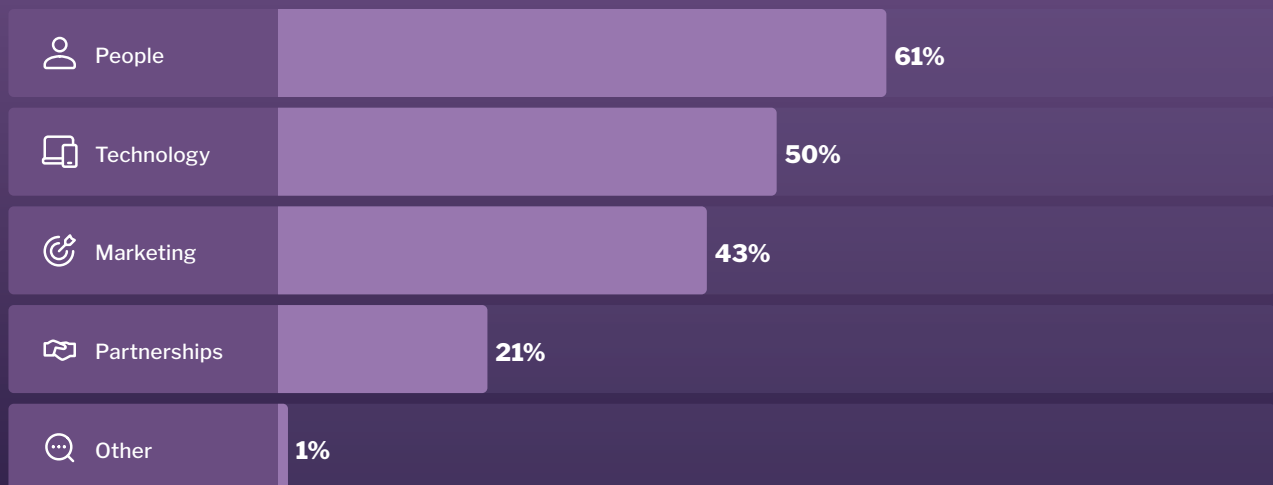


Investment priorities

In response to industry threats and rate increases, the survey showed that independent agents are proactively seeking ways to secure their business continuity and foster growth. The survey indicated that 61% of respondents plan to invest in talent acquisition, underscoring a keen awareness of the importance of possessing the right skills and expertise to navigate evolving market dynamics.

In a landscape where innovation is key, technology is shown to be an increasingly influential cornerstone of strategic planning for independent agencies, with 50% of respondents earmarking technology as a top investment priority. (Interestingly, agencies with over 30 years of operational history were more likely to prioritize technology investments.) This outcome highlights the increasing adoption of insurtechs, digital platforms, artificial intelligence, and data analytics, which is driving improved underwriting accuracy and enriched customer experiences.

What areas does your agency plan to invest in over 3 years?





Conclusion

The insights gained from the State of the Independent Agent underscore the depth of these challenges and provide a roadmap for the industry's adaptation strategies. Remaining steadfast in their commitment to serve clients and deliver value through choice, independent agents continue to be a vital and dynamic force within the insurance ecosystem. With strategic investments in talent and technology, independent agencies are positioning themselves to navigate threats and seize emerging opportunities.

Methodology

The survey aggregated responses received between June 19, 2023 and July 2, 2023 from both Openly-appointed and non-Openly-appointed independent agents with active property and casualty licenses across the United States. 1,645 independent agents participated, representing a range of agency profiles, including diverse agency sizes and geographic regions. 43% of respondents are agency principals, with the remaining group composed of producers, managers, and customer service representatives. The agencies surveyed span a range of business ages, from younger agencies to businesses with over 40 years of organizational longevity. Furthermore, the agencies surveyed include those with premium volumes ranging from modest to over \$50 million.

About Openly

Openly provides premium, straightforward home insurance. Our cutting-edge platform redefines excellence by offering comprehensive coverage, market-leading technology, and a level of service that's unparalleled.

Founded by industry veterans in 2017, Openly set out to deliver modern and transparent homeowners insurance through trusted partners; and we're dedicated to empowering independent agents with the essential tools and resources they need to thrive. Visit Openly.com to explore our platform and experience the future of homeowners insurance.