

SPECIAL FOCUS ON AGENCY MANAGEMENT PAGE 8

Independent Agency Channel Holding Strong Against External Competition and Internal Pressures

Agents who leverage technology and take a customer-centric approach to see growth opportunities

PORTSMOUTH, N.H. — Decades of predictions that the independent insurance agency distribution channel was positioned for extinction remain wrong. As the channel continues to evolve, opportunities for growth over the next three to five years include leveraging technology and becoming hyper focused

on client personalization, according to a panel of insurance executives at the Big "I" NH annual convention.

For the majority of his insurance career, Matt Masiello, AAI, CEO, SIAA, The Agent Alliance, has heard the threat that independent agents would be put out of

business by everything from banks to the internet to direct writers.

"The fact is the channel is doing really well. There are more independent agencies now than there have been in years. Even though we're seeing a lot of consolidation through mergers and acquisitions, we're seeing new agencies pop up all over the country," said Masiello.

Insurance professionals who have worked as exclusive or captive agents are turning to the independent channel as their carriers have overhauled operations, negatively affecting agent contracts and compensation packages.

"For those of us that make a living either in or around independent agencies and property-casualty insurance, it's a pretty bright future," said Masiello. "There are opportunities around personal lines and small commercial lines as the captive agency channel continues to contract."

He noted that the exclusive channel has not seen the same levels of recruitment and investment that it had in the past. Masiello thinks some personal lines cli-



(Left to right) Leo Paquin, Big "I" NH national state director, Matt Masiello of SIAA, The Agent Alliance, Mark Russell of Ohio Mutual Insurance Group, Michael Nolin of Concord Group Insurance Companies, and Keith Beausoleil, Big "I" NH immediate past chairman.

ents will migrate to the independent agency channel, and small commercial lines business may do the same, particularly if an agency has experienced multiple consolidations through mergers and acquisitions. In those situations, small commercial business is often moved into service centers, which may leave clients unhappy.

One key area Masiello would like to see improvement in is customer centricity.

"We're an industry that is made up of processes within an agency or within a carrier that we then force on customers to have to go along with. We have a really great opportunity in the coming months and years with artificial intelligence (AI) and the collaboration between carriers, technology vendors and other organizations to ultimately become much more customer centric," he said.

Mark Russell, CPCU, CCLA, ARM, president and CEO, Ohio Mutual Insurance Group, agreed that having a business strategy that uses advanced technologies to deliver highly tailored experiences, products and services based on client preferences and behavior, is needed to hyper-personalize customer experience. Agents can work with carriers with structured and unstructured data and technology tools such as AI to leverage insights to personalize the insurance experience.

"We're working on a customer relationship management system to get data and leverage it with AI so we can alert our independent agents to give them clues when to reach out [to clients]," said Russell. "You know the customer better than us. As a carrier, we're never going to be at that level, but we know things behind the scenes with the data that we're collecting, and we want to work as a partner with you so that you can improve that customer relationship and add even more value than what you're adding right now."

For Russell, the key is to present the information in a usable form. "Then, you have the challenge of cutting through the clutter to get to your client because they're getting peppered with all

kinds of communication. But it's really the hyper-personalization, knowing the customer and when an event is coming up in their business or their personal life that you can add value to, and that's where we're putting a lot of our effort."

AI will play an important role in that process, according to Michael Nolin, CPCU, president and CEO, Concord Group Insurance Companies.

"It's not about removing people from process. It's about removing work from process. The more friction you reduce, the more noise you reduce, the better able we and independent agents are to place their people in the best spot to drive the most value. So, for me when I think of AI, efficiency isn't the destination, it's the lever to get you to the better [place]," said Nolin.

There are opportunities around personal lines and small commercial lines as the captive agency channel continues to contract.

— Matt Masiello, AAI, CEO, SIAA
The Agent Alliance

The advantages of scale are undeniable in terms of having access to technology, backroom operations and the ability to mine data, noted Nolin. "When you think of those opportunities, it's not a decision between tech or AI and relationships, and it's not a decision between scale and independence. From the independent agent's perspective, it's using technology, scale and relationships to strengthen independence."

AI and The Power of Relationships

AI and other advanced technology tools have the power to change numerous aspects of the insurance industry. Panelists were particularly interested in how AI can be used to strengthen relationships rather than replace the relationships the industry has been built on.

Panelists suggested that AI gives agents and carriers the ability to run better, more efficient businesses, but it also allows agents to spend more time with clients.

"There's a lot of friction between the client and the agent, and a lot of friction between the client and the carrier. AI allows us to compress or attack that friction in various areas, which allows us to do a better job for the client, allows us to spend more time where it matters on relationships and providing advisory and consultative services," said Masiello.

It is hard to exaggerate how "clumsy" and inefficient some of the processes are between agents and the multiple carriers they represent. Carriers are revamping various touch points from first notice of loss to interactions with claim representatives to recognizing longtime loyal customers.

"We're not where we need to be as an industry around that. Technology certainly affords the ability for us to accelerate that," said Russell.

The interactions with clients who have a claim can predict whether the carrier is going to retain that business or not. Billing is another area where processes need to be finetuned, so there is less frustration and fewer calls, according to Russell.

"Using agentic (relating to AI agents) solutions on the carrier and the agent side is going to free-up time for value-added conversations around advice, improving the risk and making better choices on coverages and carriers. We're excited about it, but we've got a lot of ground to cover," said Russell.

Eliminating "noise" and creating efficiency will allow underwriters to work less on processes to spend more time with agents working on solutions for clients. In addition, technology will help carriers and agents understand data better.

"The more knowledge you have around your data allows you to give better advice. So, the underwriter has more success collaborating around solutions. As you're servicing customers in your community, you will better understand what they need if you have more time with them," said Nolin.

Emerging Risks

In the next three to five years, emerging

risks that could shape the insurance industry include accident frequency and severity shifts in auto insurance, cyber security and AI, according to panelists.

Modern vehicles feature advanced technologies that improve safety, comfort and connectivity, but come at a price. Accident-avoidance technology is becoming a standard vehicle feature, and as it does accident frequency will continue to decrease, especially rear-end collisions.

With personal and commercial auto comprising such a large share of carrier business, carriers are going to have to be “even better in nonauto lines of business, making sure we’re offering top-notch products, service and accuracy in what we’re charging for those lines of business while staying competitive in commercial and personal auto,” according to Russell.

Accident severity is expected to increase, but the decrease in accident frequency could counter the severity trend, noted Russell.

As insurance professionals try to harness the power of AI, cyber criminals are using it to their advantage as well. Russell described the time and effort involved in keeping companies safe as a never-ending battle to combat cyber criminals

using AI in fraud schemes.

“You’ve got the power of technology and AI to continue to improve the way that you protect your data and protect your systems, but at the same time, the ability of bad actors to be even more effective than they usually are is a real risk as well,” said Nolin.

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— Michael Nolin, Concord Group Insurance Companies

The challenge of cyber security risks is that they are changing all the time. “As business owners or professionals working in agencies, we have to be really thoughtful about how we’re protecting our data. We have an ethical responsibility not just in how we use AI but in how we’re going to protect our data,” said Masiello.

“Get your data house in order. We see time and again, independent agencies have bad data in their management systems. We’ve just had seven or eight years of huge investment in the digitization of insurance agencies, and we’re going to start operating closer with our carrier partners to reduce friction in how we

do business together. It’s going to be really important that your data is clean,” said Masiello.

Agencies that lack clean data in their management systems will have difficulty adapting to AI tools for their agencies and for those needed to collaborate with their carrier partners.

“For me, that’s a really big market shift,” said Masiello. He anticipates agents will start to hear more thought leaders within the management system and technology space talking about the importance of undertaking a data analysis of management systems, and they will encourage agents to take the time to clean data up.

Another component of AI for larger organizations is the need to create AI ethics and governance positions to ensure that AI systems are designed and managed safely and in alignment with legal and moral standards, noted Masiello.

“Part of AI governance is that it is equally important to make sure that as you’re driving AI, you’re telling it what routes not to take and what destinations not to get to. There’s a tremendous amount of risk and responsibility about taking that opportunity, and then deploying it properly,” said Nolin. ■

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