



## **CONTROL YOUR DESTINY**

**By BOB KORVAS**

### **“Captive vs. Direct, what's the difference? “ Or, “Seen any Dinosaurs lately?”**

I'll give you the answer and end the suspense quickly. Captive-Direct are 'equals'. If you think there's a difference between the two read on. The only difference is one gets a W-2 plus employee benefits. The other gets a 1099 minus the cost of a lot expenses. Neither owns the 'book' of business. The insurance company does. Regardless of whether you agree or disagree, I (NAAFA, too) would love to get your comments. Be sure to defend your position with some facts.

2014 is my 34<sup>th</sup> year in the business, (17 at Amfam - 17 independent). It is a joy to know I own my business. Something a captive-direct agents can never have. (Hint: read your agents' contract!) That is, of course, unless you're in the planning stages to leave the captured-direct status or already did, like me and others. Not many of you reading this will ever leave voluntarily. The basic reasons for this is fear, ignorance or laziness.

Fear that your clients won't follow you. Fear the company could stop you. Fear that you won't have good prices to compete. Laziness that you might have to work for a change. Ignorance because you fail to research (Hint: ever read your contract) the facts. You follow 'lock step' with what American Family only from fear, ignorance or laziness. Well, unfortunately, I have some bad news for 90% of

the agents in the captive-direct systems. You'll be leaving sooner than you planned on. If you stay your income will disintegrate. So if you stay where you are and don't 'work', research, and plan to leave for independent agency, you're done! Period, end of story! Don't believe me?

Captive-Direct one-company-agents are too vulnerable to change and marketing. Your distribution channel is going away. How many of you remember the old days when debit life agents were going door to door collecting premiums and making sales? They were still common back in 1980 when I got in this business. In fact, AmFam recruited many of their best and most successful agents from that type of agent. (Remember Lou Delegge, Bill Muller here in Illinois R.I.P.) By 1990 those Debit agents were pretty much unnecessary due to more efficient electronic marketing, telecommunications, and internet. YOUR company competes in the commodity distribution channel. This is the channel that sells image and price, not product. (By product, I mean policy contract benefits).

When selling image and price (only) happens, you are not worth anything to the customer. You have no value to offer in the captive-direct system. Can you offer another insurance company if your client is canceled? Or when the rates drastically increase? Or if they have a need you can't insure due to activity. Does AmFam sell a policy that no one else can duplicate or improve on?

Still disagree? How many people do you know who still use a travel agent to book a flight? Why do travel agents charge a fee now? Yes there are travel companies but they add fees and service charges for valued added services. You need to have some *value* in order to stay in this business. The market place evolves and changes. American Family (and the rest) is doing this each time they cut a commission and terminate a contract.

Other than a Jurassic Park Movie or Museum, have you seen any dinosaurs lately? You have to adapt and change to survive. Every successful

independent does in every field. Even stock brokers have changed and disappeared. Now they are advisors and collect a fee. You can't make a living trading stocks and bonds when I can do it on line for \$5.

I have to tell you that direct captive-agents are the reasons for my success. Captive Direct agents are not really competition to a professional independent. Sure there are differences in quality and success among independents. ***But in order to just become an independent, you'll have already surpassed the knowledge, skill and professional education levels of even the best captive-directs.***

You and your company only offer one insurance contract. That contract is usually pretty much the same as the other 'clones'. Clones are State Farm, American Family, Allstate, Farmers, Country Companies, even Geico. Don't believe me? I challenge each of you who see this article to read your home insurance policy contract. Compare it to two others in 'your' captive direct marketplace. You will see the replacement cost definitions and maximum replacement limits 'cap' language.

Scheduled articles will be stated value with a long explanation that basically reads if the client doesn't replace the item the company can pay less than the amount of coverage the client bought. They're virtually clones.

If you like being in this business, you need to plan to move to independence. How do you do this? That's a whole other story. Just be sure you research your options, plan ahead and for goodness sake, don't even think about telling anyone about your plans. If you are thinking of partnering with an existing group (Like me) there's things to look for. I won't tell you who I'm with only out of respect to NAAFA advertisers. Feel free to contact me by email direct or through NAAFA and I'll do what I can to help.

Bob Korvas  
Phone 847/470-8830  
Website: [www.onecallusa.com](http://www.onecallusa.com)  
Email: [Bobkorvas@earthlink.net](mailto:Bobkorvas@earthlink.net)  
Or [NAAFAwest@comcast.net](mailto:NAAFAwest@comcast.net)

Dated 8/29/2013