

How to Start a Car Insurance Company

Since car insurance is required to drive in most places, and since driving continues to increase in popularity, demand for car insurance companies continues to rise as well. If you can come up with the investment capital, and are looking...

Part 1 of 2:

Enabling Yourself to Sell Insurance

1.



Obtain a property and casualty insurance license from your state. This license allows you to legally sell car insurance in the state in which you hope to operate your business, and ensures that you have the necessary knowledge and skills to do so.^[1]

1. Attend a pre-licensing course. You will likely be required to take courses covering both insurance and ethics. These courses will be specific to the state in which you are hoping to acquire a license. Most are available online and can be completed at your own pace, but do require course fees.
2. Take a state-administered exam. This is required to obtain an insurance license in most states.
3. Find out what the requirements are for your state from its department of insurance (which sometimes go by various names). They will also notify you of the financial and other requirements related to licensing.
4. Some states will allow you to transfer your license from state to state.

2.



Construct a business plan for your car insurance company. Your business plan should outline how you'll attract customers, which insurance carriers you'll work with, and what your start-up costs are expected to be, as well as your projected income for the first few years of business.^[2] Of course, there are some simpler decisions to make as well.

1. Choose the specific location of your business. You must know the state or states in which you intend to operate to get an insurance license.
2. Determine the actual city in which you will locate your business as well. This will help you start to consider whether you will be buying, leasing, or building an office.
3. Know that the specifics of your business plan are likely to change as you begin to build your business.
4. One immediate necessity of an insurance company is the ability to determine risk when insuring your clients. (Larger companies, with whom you may be able to partner or purchase information from, will have the best access to this sort of information and the cutting-edge technologies with which it is derived.)

3.



Be prepared to offer as much as possible to your customers. The more policies you have, the more policy options and different rates you can offer your clients. You can even sell policies offered by other larger insurance providers.^[3]

1. Be sure to offer liability insurance, collision insurance, and comprehensive insurance, as well as multi-car insurance policies and umbrella policies.
2. Diminish unanticipated surprises by getting advice on your business plan from lawyers, accountants, public relations professionals, and other business people as early as you're able to do so.
3. Develop strong relationships with contacts at other insurance providers and carriers, at all levels of the industry. These people, who you should treat as both professional peers and as friends, will likely become key avenues of information, if not formal business partners.
4. Research what's available independently. Familiarize yourself with all of the plans you will have the capability to offer (both when you open and as you grow), as well as what it will take to offer them. Some of these will necessitate cooperation with other insurance businesses.
5. The sooner you know who you need to work with, and who you would like to work with in the future, the better you can develop those relationships.

4.



Consider purchasing an existing car insurance agency. Business acquisition has the advantages of saving time, acquiring an existing customer base, and avoiding startup costs. There are always opportunities to franchise or partner with successful insurance companies as well.^[4]

1. Purchasing or buying into an existing company is both easier and more reliable than starting your own business – in part because the business plan is already developed and has likely been put into effect.
2. Build your own brand to have full control of your insurance company by starting from scratch.
3. Add an insurance company to your business portfolio by buying a franchise or partnering with an established insurance agency.

5.



Know the cost of starting a car insurance company. You need to have a good idea of how much it will cost to get the company up and running. There's no benchmark amount that is required to start a car insurance company. Your business model, your location, your experience, and your business partnerships

will all greatly affect this figure.^[5]

1. There are guaranteed expenses associated with licensing, which can be quite substantial – figures in some states can reach several hundreds of thousands of dollars. While you may be able to fully license your company for under \$100,000, recognize that costs such as rent, your own salary, and other necessary expenses can quickly add up.
2. Contact the Small Business Administration (SBA) for information regarding the likely costs you will incur in starting a business, and for help securing the funding to do so.

Part 2 of 2:

Getting Your Car Insurance Company Up and Running



1.

Secure sufficient financing to get your business running. If you're planning to run your car insurance company as a full-time job, you will likely need to secure financing to do so. This will likely require either a loan or investment capital from private investors to cover your start-up costs and living expenses until you start generating revenue.^[6]

1. Whereas banks are sometimes hesitant offering new business loans, the SBA exists specifically to help start and run small businesses.
2. Reach out to any personal connections you have in the business world. Private investors can be a great source of investment capital.
3. Have a carefully prepared proposal ready when you apply for financing. This should contain details including the total capital you require, the salary you intend to pay yourself, and other initial expenses for the first few years. This will help potential financiers assess the risk involved in a potential loan or investment.



Acquire a business license and insure the business itself. In order to sell insurance, you need to register in the city in which you tend to do business. You also need to get a business license from the city.^[7]

1. Fill out all necessary applications and pay the associated fees. While it is unlikely that you will have to undergo any further testing or coursework, there will certainly be paperwork and necessary payments.
2. If you intend to hire employees or hope to incorporate your business, you will also need to acquire an agency license.



Revisit and finalize your business plan. Other aspects of your long term business plan will necessitate identifying customers and the specific sales strategies that will appeal to them, hiring qualified employees, and identifying competitors.^[8]

1. Once it feels like you're ready to go, there are likely a few more things to do.
2. Be sure you've met all legal requirements and have protected yourself and your business.

3. Purchase liability and property insurance for your car insurance company to protect your assets in case of a natural disaster, an accident, and to protect from losses associated with lawsuits.
4. Finalize which specific insurance policies you want to sell. Though much of this will have been determined by this point, you may realize you have more of a capacity to differentiate options than you had previously thought.
5. Again, be sure you're equipped to provide as much as possible to your customers. For instance, consider selling insurance for special niches, such as vintage car insurance, motorcycle insurance, and RV insurance.

4.



Market your car insurance company. You need to be able to identify and contact potential clients. Advertising is a necessity, and it's worth reaching out to people you know. The keys to marketing are identifying your target market, noting what makes your products unique, and developing a strategy to communicate the reasons to purchase insurance from your company.^[9]

1. Advertise in local publications, at driving schools, at the DMV, and online.
2. Contact family members, friends, business associates and everyday acquaintances to notify them of your new business.
3. Emphasize – in both conversations and all marketing materials – opportunities for potential clients to save money by switching to an insurance policy offered by your company.

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