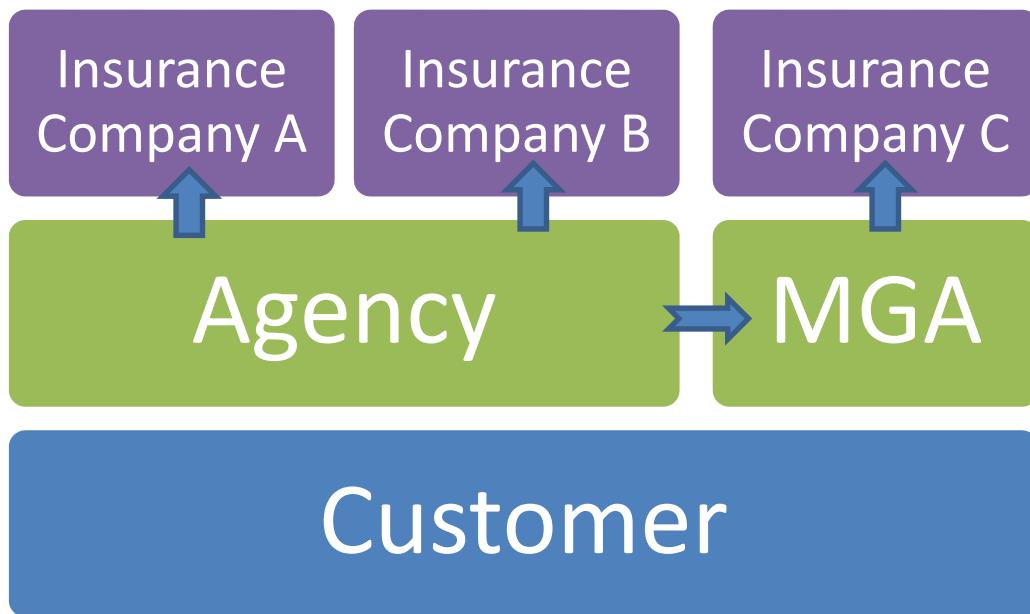


Overview of the Independent Insurance Agency System Representing More Than One Insurance Company

An independent insurance agency is a sales organization that may be large or small, family owned and operated or part of a large financial services corporation. What every independent agency has in common is that they represent or provide access to multiple insurance companies. The companies represented may differ in number and type from one agency to another based upon customer profiles, agency expertise, or agency location. The agency has a contract with each company in which ownership of customer information and renewal rights is *granted to the agency*. The contract also stipulates in what ways the agency can act on behalf of the company, commission rates paid for various types of insurance, and terms outlining the handling of premiums.

The company that ends up writing the insurance for a particular customer is the choice of the agent, and the customer. The choice of company could be determined by the coverage available, price, services provided to the customer, financial stability of the carrier, or other factors.

The agent is thus positioned to look after the best interests of his customers. Sometimes an agency may need to place insurance for a customer with a company with whom they do not have a contract. In these cases, the agency will place the insurance policy through a wholesale or managing general agency who does have a contract with that company.



Agency Authority and Binding

The agent or the agency (if a corporation or partnership) has a contract of representation with an insurance company that grants them authority to bind coverage under that company for a customer, up to stipulated limits. The agent's binder, which could be verbal or written, is a legal agreement to put an insurance policy into place

beginning at a given time. The ability to bind coverage in this way provides both the customer and the agent the flexibility to put the insurance the customer needs into effect at the most appropriate time. The actual paper copy of the insurance policy is created when the agent notifies the company of the binder either in writing or as part of their computer system.

Most agents are very careful about the binders they provide to customers. Typically, the agent will either check with the company first to see if the customer is acceptable then bind after they have been given approval, or the agent has learned through experience what the insurance company will and won't write.

The agent that is party to the contract with the insurance company often has delegated the authority granted to them to others in the agency. Those persons who are carrying out those delegated duties of soliciting, servicing, selling, and binding insurance need to have the license required by state law.

Regulation and Licensing of Agents

Licensed Agents

In Maryland, the government organization that regulates insurance is the Maryland Insurance Administration (MIA). The law that governs is called the Maryland Insurance Code. The law requires the licensing of any person and/or entity that sells, solicits or negotiates insurance in the State of Maryland. Any person or entity that meets the definition, unless specifically exempted under the relevant licensing statute, must be licensed in the area (property/casualty/life/health) they intend to sell. There are also licenses for surplus lines agents, limited lines agents, title agents, temporary agents, etc.

Individuals

To qualify for a license to which this section applies, an individual applicant must:

- Be of good character and trustworthy
- Be at least 18 years of age.
- An applicant may not have committed any act that the Commissioner finds would warrant denial of a license.
- So that the applicant is reasonably familiar with the kind or subdivision of insurance for which the applicant wants to be licensed, the applicant must complete successfully a program of studies that has been established or approved by the Commissioner;
- The applicant must pass an examination

Corporations and Partnerships

Agencies organized as partnerships or corporations must also have a license to sell insurance.

Different Types of Agencies

Insurance agencies can differ in as many ways as the people who own or work for them.

Independent agencies as a rule sell property and casualty insurance. For those new to the business that means insurance for buildings and contents that can be lost or damaged due to a natural or man-made causes (the “property” part), or insurance for businesses or individuals who are accused by others of causing injury, death, or damage (the “casualty” part). Some agencies sell insurance to businesses (this is called commercial insurance), while others sell to individuals and families (this is called personal insurance). Most agencies sell some of both.

In addition to property and casualty insurance, agents may sell life or health insurance to individuals, families, or businesses. Some agencies also sell investment products like IRA's and annuities.

Agencies that are relatively large often will group the sales and service of commercial, personal, or life and health insurance into departments for efficiency. This allows the people in that department to specialize their knowledge and skill to the benefit of the customer and the agency. Smaller agencies may have staff members that handle all kinds of insurance.

People Who Work in Agencies

There are many jobs and roles in an insurance agency. If the agency is relatively small, individuals may have several roles. In larger agencies, responsibilities are assigned to various staff members. Some of the types (and titles) used in an insurance agency may include:

- **Principal** A person who has an ownership interest in the agency who often is also involved in sales
- **Producer/Account Executive** A person whose primary responsibility involves the solicitation and sale of insurance to the public
- **Customer Service Representative** A person (also sometimes known as a customer service manager, or account service representative) who provides the day-to-day service and support to customers of the agency after the sale; this person often works closely with producers in securing new customers.
- **Marketing Manager** A person whose primary responsibility is communicating with insurance companies regarding the insurability and pricing of insurance for agency customers
- **Claims Manager** A person responsible for taking claims reports from customers, reporting the claim to the insurance company, and providing needed assistance until the claim is closed
- **Accounting Manager** A person responsible for managing the many financial accounts an agency has with insurance companies
- **Human Resources Manager** A person responsible for administration duties related to the agency's employee pay and benefit plans
- **Office Manager** A person responsible for a variety of management duties of the Agency