
Insurance Sales Agents

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Significant Points

- Despite slower-than-average growth, job opportunities should be good for college graduates and persons with proven sales ability or success in other occupations.
- Successful agents often have high earnings, but many who assume agent jobs fail to earn enough from commissions to meet their income goals and eventually transfer to other careers.
- In addition to offering insurance policies, agents are beginning to sell more financial products, such as mutual funds, retirement funds, and securities.

Nature of the Work

Most people have their first contact with an insurance company through an insurance sales agent. These workers help individuals, families, and businesses select insurance policies that provide the best protection for their lives, health, and property. Insurance sales agents who work exclusively for one insurance company are referred to as captive agents. Independent insurance agents, or brokers, represent several companies and place insurance policies for their clients with the company that offers the best rate and coverage. In either case, agents prepare reports, maintain records, seek out new clients, and, in the event of a loss, help policyholders settle their insurance claims. Increasingly, some are also offering their clients financial analysis or advice on ways the clients can minimize risk.

Insurance sales agents, commonly referred to as “producers” in the insurance industry, sell one or more types of insurance, such as property and casualty, life, health, disability, and long-term care. Property and casualty insurance agents sell policies that protect individuals and businesses from financial loss resulting from automobile accidents, fire, theft, storms, and other events that can damage property. For businesses, property and casualty insurance can also cover injured workers’ compensation, product liability claims, or medical malpractice claims.

Life insurance agents specialize in selling policies that pay beneficiaries when a policyholder dies. Depending on the policyholder’s circumstances, a cash-value policy can be designed to provide retirement income, funds for the education of children, or other benefits. Life insurance agents also sell annuities that promise a retirement income. Health insurance agents sell health insurance policies that cover the costs of medical care and loss of income due to illness or injury. They also may sell dental insurance and short- and long-term-disability insurance policies.

An increasing number of insurance sales agents are offering comprehensive financial planning services to their clients, such as retirement planning, estate planning, or assistance in setting up pension plans for businesses. As a result, many insurance agents are involved in “cross-selling” or “total account development.” Besides offering insurance, these agents may become licensed to sell mutual funds, variable annuities, and other securities. This practice is most common with life insurance agents who already sell annuities; however, property and casualty agents also sell financial products. (See the statement on securities, commodities, and financial services sales representatives elsewhere in the *Handbook*.)

Technology has greatly affected the insurance agency, making it much more efficient and giving the agent the ability to take on more

clients. Agents’ computers are now linked directly to the insurance carriers via the Internet, making the tasks of obtaining price quotes and processing applications and service requests faster and easier. Computers also allow agents to be better informed about new products that the insurance carriers may be offering.

The growth of the Internet in the insurance industry is gradually altering the relationship between agent and client. In the past, agents devoted much of their time to marketing and selling products to new clients, a practice that is now changing. Increasingly, clients are obtaining insurance quotes from a company’s Web site and then contacting the company directly to purchase policies. This interaction gives the client a more active role in selecting a policy at the best price, while reducing the amount of time agents spend actively seeking new clients. Because insurance sales agents also obtain many new accounts through referrals, it is important that they maintain regular contact with their clients to ensure that the clients’ financial needs are being met. Developing a satisfied clientele that will recommend an agent’s services to other potential customers is a key to success in this field.

Increasing competition in the insurance industry has spurred carriers and agents to find new ways to keep their clients satisfied. One solution is to increase the use of call centers, which usually are accessible to clients 24 hours a day, 7 days a week. Insurance carriers and sales agents also are hiring customer service representatives to handle routine tasks such as answering questions, making changes in policies, processing claims, and selling more products to clients. The opportunity to cross-sell new products to clients will help agents’ businesses grow. The use of call centers also allows agents to concentrate their efforts on seeking out new clients and maintaining relationships with old ones. (See separate *Handbook* statements on customer service representatives and on claims adjusters, appraisers, examiners, and investigators.)

Working Conditions

Most insurance sales agents are based in small offices, from which they contact clients and provide information on the policies they sell. However, much of their time may be spent outside their offices, traveling locally to meet with clients, close sales, or investigate claims. Agents usually determine their own hours of work and often schedule evening and weekend appointments for the conve-



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nience of clients. Although most agents work a 40-hour week, some work 60 hours a week or longer. Commercial sales agents, in particular, may meet with clients during business hours and then spend evenings doing paperwork and preparing presentations to prospective clients.

Employment

Insurance sales agents held about 381,000 jobs in 2002. Most insurance sales agents employed in wage and salary positions work for insurance agencies and brokerages. A decreasing number work directly for insurance carriers. Although most insurance agents specialize in life and health or property and casualty insurance, a growing number of “multiline” agents sell all lines of insurance. A small number of agents work for banks and securities brokerages as a result of the increasing integration of the financial services industries. Approximately 1 out of 4 insurance sales agents is self-employed.

Insurance sales agents are employed throughout the country, but most work in or near large urban centers. Some are employed in the headquarters of insurance companies, but the majority work out of local offices or independent agencies.

Training, Other Qualifications, and Advancement

For insurance sales agent jobs, most companies and independent agencies prefer to hire college graduates—especially those who have majored in business or economics. High school graduates are occasionally hired if they have proven sales ability or have been successful in other types of work. In fact, many entrants to insurance sales agent jobs transfer from other occupations. In selling commercial insurance, technical experience in a particular field can help sell policies to those in the same profession. As a result, new agents tend to be older than entrants in many other occupations.

College training may help agents grasp the technical aspects of insurance policies and the fundamentals and procedures of selling insurance. Many colleges and universities offer courses in insurance, and a few schools offer a bachelor’s degree in the field. College courses in finance, mathematics, accounting, economics, business law, marketing, and business administration enable insurance sales agents to understand how social and economic conditions relate to the insurance industry. Courses in psychology, sociology, and public speaking can prove useful in improving sales techniques. In addition, because computers provide instantaneous information on a wide variety of financial products and greatly improve agents’ efficiency, familiarity with computers and popular software packages has become very important.

Insurance sales agents must obtain a license in the States where they plan to do their selling. Separate licenses are required for agents to sell life and health insurance and property and casualty insurance. In most States, licenses are issued only to applicants who complete specified prelicensing courses and who pass State examinations covering insurance fundamentals and State insurance laws. As a result of the Gramm-Leach-Bliley Act of 1999, the industry is increasingly moving toward uniform State licensing standards and reciprocal licensing, allowing agents who earn a license in one State to become licensed in other States upon passing the appropriate courses and examination.

A number of organizations offer professional designation programs that certify one’s expertise in specialties such as life, health, and property and casualty insurance, as well as financial consulting. Although voluntary, such programs assure clients and employers that an agent has a thorough understanding of the relevant specialty. Agents are usually required to complete a specified number of hours of continuing education to retain their designation.

Employers also are placing greater emphasis on continuing professional education as the diversity of financial products sold by insurance agents increases. It is important for insurance agents to keep up to date on issues concerning clients. Changes in tax laws, government benefits programs, and other State and Federal regulations can affect the insurance needs of clients and the way in which agents conduct business. Agents can enhance their selling skills and broaden their knowledge of insurance and other financial services by taking courses at colleges and universities and by attending institutes, conferences, and seminars sponsored by insurance organizations. Most State licensing authorities also have mandatory continuing education requirements focusing on insurance laws, consumer protection, and the technical details of various insurance policies.

As the demand for financial products and financial planning increases, many insurance agents are choosing to gain the proper licensing and certification to sell securities and other financial products. Doing so, however, requires substantial study and passing an additional examination—either the Series 6 or Series 7 licensing exam, both of which are administered by the National Association of Securities Dealers (NASD). The Series 6 exam is for individuals who wish to sell only mutual funds and variable annuities, whereas the Series 7 exam is the main NASD series license that qualifies agents as general securities sales representatives. In addition, to further demonstrate competency in the area of financial planning, many agents find it worthwhile to earn the designation “Certified Financial Planner” or “Chartered Financial Consultant.”

Insurance sales agents should be flexible, enthusiastic, confident, disciplined, hard working, and willing to solve problems. They should communicate effectively and inspire customer confidence. Because they usually work without supervision, sales agents must be able to plan their time well and have the initiative to locate new clients.

An insurance sales agent who shows ability and leadership may become a sales manager in a local office. A few advance to agency superintendent or executive positions. However, many who have built up a good clientele prefer to remain in sales work. Some—particularly in the property and casualty field—establish their own independent agencies or brokerage firms.

Job Outlook

Although slower-than-average employment growth is expected among insurance agents through 2012, opportunities for agents will be favorable for persons with the right qualifications and skills. Among such persons are flexible and ambitious people who enjoy competitive sales work, have excellent interpersonal skills, and possess expertise in a wide range of insurance and financial services. Multilingual agents also should be in high demand because they can serve a wider range of customers. Insurance language tends to be quite technical, so it is important for insurance sales agents to have a firm understanding of relevant technical and legal terms. Because many beginners find it difficult to establish a sufficiently large clientele in this commission-based occupation, many eventually leave for other jobs. Most job openings are likely to result from the need to replace agents who leave the occupation or retire. A large number of agents are expected to retire in coming years.

Future demand for insurance sales agents depends largely on the volume of sales of insurance and other financial products. Sales of health and long-term-care insurance are expected to rise sharply as the population ages. In addition, a growing population will increase demand for insurance for automobiles, homes, and high-priced valu-

ables and equipment. As new businesses emerge and existing firms expand their insurance coverage, sales of commercial insurance also should increase, including coverage such as product liability, workers' compensation, employee benefits, and pollution liability insurance.

Employment of agents will not keep up with the rising level of insurance sales, however. Many insurance carriers are trying to contain costs. As a result, many are shedding their captive agents—those agents working directly for insurance carriers—and are relying more on independent agents or direct marketing through the mail, by phone, or on the Internet.

Agents who incorporate new technology into their existing businesses will remain competitive. Agents who use the Internet to market their products will reach a broader client base and expand their businesses, but because most clients value their relationship with their agent, the Internet should not threaten jobs, given that many individuals still prefer discussing their policies directly with their agents, rather than through a computer. Also, the automation of policy and claims processing is allowing insurance agents to take on more clients.

Agents may face increased competition from traditional securities brokers and bankers as they begin to sell insurance policies. Because of increasing consolidation among insurance companies, banks, and brokerage firms, and due to increasing demands from clients for more comprehensive financial planning, insurance sales agents will need to expand the products and services they offer.

Agents who offer better customer service also will remain competitive. Call centers are another important way carriers and agents are offering better service to customers, because such centers provide greater access to their policies and more prompt services.

Insurance and investments are becoming more complex, and many people and businesses lack the time and expertise to buy insurance without the advice of an agent. Moreover, most individuals and businesses consider insurance a necessity, regardless of economic conditions. Therefore, agents are not likely to face unemployment because of a recession.

Earnings

The median annual earnings of wage and salary insurance sales agents were \$40,750 in 2002. The middle 50 percent earned between \$ 28,860 and \$ 64,450. The lowest 10 percent had earnings of \$21,730 or less, while the highest 10 percent earned more than \$101,460. Median annual earnings in 2002 in the two industries employing the largest number of insurance sales agents were \$40,480 for insurance agencies, brokerages, and other insurance related activities and \$42,130 for insurance carriers.

Many independent agents are paid by commission only, whereas sales workers who are employees of an agency or an insurance carrier may be paid in one of three ways: salary only, salary plus commission, or salary plus bonus. In general, commissions are the most common form of compensation, especially for experienced agents. The amount of the commission depends on the type and amount of insurance sold and on whether the transaction is a new policy or a renewal. Bonuses usually are awarded when agents meet their sales goals or when an agency meets its profit goals. Some agents involved with financial planning receive a fee for their services, rather than a commission.

Company-paid benefits to insurance sales agents usually include continuing education, training to qualify for licensing, group insurance plans, office space, and clerical support services. Some companies also may pay for automobile and transportation expenses, attendance at conventions and meetings, promotion and marketing expenses, and retirement plans. Independent agents working for insurance agencies receive fewer benefits, but their commissions may be higher to help them pay for marketing and other expenses.

Related Occupations

Other workers who provide or sell financial products or services include real estate sales agents and brokers; securities, commodities, and financial services sales agents; financial analysts and personal financial advisors; and financial managers. Other occupations in the insurance industry include insurance underwriters; claims adjusters, examiners, and investigators; and insurance appraisers.

Sources of Additional Information

Occupational information about insurance sales agents is available from the home office of many life and casualty insurance companies. Information on State licensing requirements may be obtained from the department of insurance at any State capital.

For information about insurance sales careers and training, contact either of the following sources:

- ▶ Independent Insurance Agents of America, 127 S. Peyton St., Alexandria, VA 22314. Internet: <http://www.iaaa.org>
- ▶ Insurance Vocational Education Student Training (InVEST), 127 S. Peyton St., Alexandria, VA 22314. Internet: <http://www.investprogram.org>

For information about health insurance sales careers, contact

- ▶ National Association of Health Underwriters, 2000 N. 14th St., Suite 450, Arlington, VA 22201. Internet: <http://www.nahu.org>

For general information on the property and casualty field, contact

- ▶ Insurance Information Institute, 110 William St., New York, NY 10038. Internet: <http://www.iii.org>

For information about professional designation programs, contact either of the following organizations:

- ▶ The American Institute for Chartered Property and Casualty Underwriters/Insurance Institute of America, 720 Providence Rd., P.O. Box 3016, Malvern, PA 19355-0716. Internet: <http://www.aicpcu.org>
- ▶ The American College, 270 Bryn Mawr Ave., Bryn Mawr, PA 19010-2195. Internet: <http://www.amercoll.edu>