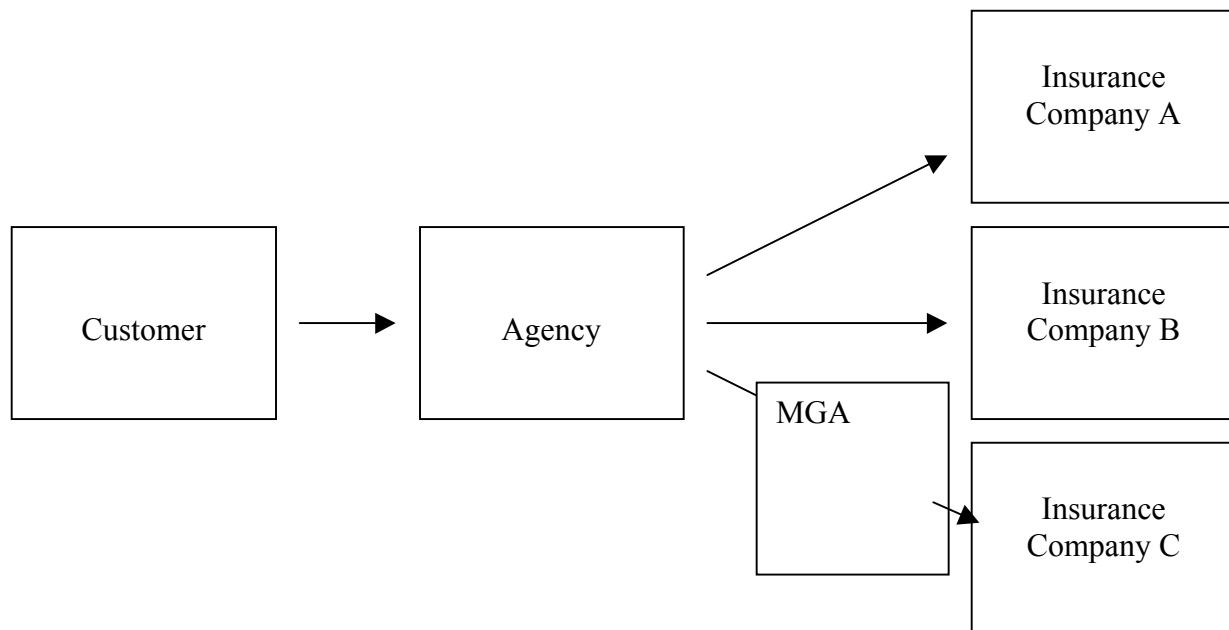


## Overview of the Independent Insurance Agency System Representing More Than One Insurance Company

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, 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 Texas, the government organization that regulates insurance is the [Texas Department of Insurance](#) (TDI). The law that governs is called the Texas Insurance Code (TIC). The law requires the licensing of any person or entity who performs one or more of these functions:

- Solicits applications on behalf of an insurance company or health maintenance organization
- Takes or transmits any application for insurance or membership in a health maintenance organization
- Takes or transmits any policy of insurance to or from an insurance company
- Advertises or otherwise gives notice that an application or policy will be received or transmitted
- Receives or delivers a policy of insurance
- Examines or inspects any risk
- Makes or forwards a diagram of a building
- Receives, collects or transmits any premium
- Performs any other act or thing in the making or consummating of any contract of insurance
- Examines or adjusts any loss

Any person or entity that meets the definition, unless specifically exempted under the relevant licensing statute, must be licensed under one or more of the following license categories depending on their authority and type of insurance handled. More information about specific licenses is available on the IIAT website.

- **General Lines Property and Casualty** (formerly known as Local Recording Agent or Solicitor)
- **Insurance Service Representative**
- **Limited Lines Property and Casualty** (formerly Farm Mutual, County Mutual (aka Group 2), Motor Vehicle Only, Crop, Prepaid Legal Services)
- **General Lines Life, Accident, Health and HMO** (formerly Life, Accident & Health (aka Group 1), HMO, Accident & Health (aka Group 2), Variable Contracts, HMO)
- **Limited Lines Life, Accident and Health**
- **Funeral Prearrangement Life Insurance**
- **Specialty License**
- **Managing General Agent**
- **Surplus Lines Agent**
- **Risk Manager**
- **Adjuster**
- **Life and Health Insurance Counselor**
- **Third Party Administrator**
- **Premium Finance Company**
- **Title Insurance Agent**

## **Individuals**

In order to be licensed, an individual must:

- Be at least 18 years of age;
- Have passed within the last 12 months the qualifying examination for the type of insurance the individual will handle;
- Have not committed an act for which a license may be denied under the law; and
- Have submitted the application, appropriate fees, and any other information required by TDI.

## **Corporations and Partnerships**

Agencies organized as partnerships or corporations must also have a license to sell insurance. More information on their licensing requirements are also on the IIAT website.

## **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. While smaller agencies face a big challenge in staying on top of the policies, rules, and company information about multiple lines of insurance, they have the advantage of being able to serve practically any customer.

## **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 might include:

<b><i>Principal</i></b>	A person who has an ownership interest in the agency who often is also involved in sales
<b><i>Producer</i></b>	A person whose primary responsibility involves the solicitation and sale of insurance to the public
<b><i>Customer Service Representative</i></b>	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.
<b><i>Marketing Manager</i></b>	A person whose primary responsibility is communicating with insurance companies regarding the insurability and pricing of insurance for agency customers
<b><i>Claims Manager</i></b>	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
<b><i>Accounting Manager</i></b>	A person responsible for managing the many financial accounts an agency has with insurance companies
<b><i>Human Resources Manager</i></b>	A person responsible for administration duties related to the agency's employee pay and benefit plans
<b><i>Office Manager</i></b>	A person responsible for a variety of management duties of the agency