

## **What Is The Role Of An Insurance Broker And Agency?**

At the retail level, commercial insurance is distributed by insurance agents and brokers who work for organizations that are part of the distribution system, insurance agencies and brokers. Recently, however, the lines between agencies and brokers have become blurred. Traditionally, agents have represented the insurance company and brokers have represented the client. Agents and brokers are known as producers. Agents may be captive agents selling policies written by a single insurer, the agent's employer, or an independent agent selling policies from a number of different insurers. Independent insurance agencies have a larger portion of the commercial lines business than captive agencies -- about two-thirds. For personal lines, the ratio is reversed.

It is the broker's responsibility to seek out appropriate insurance coverages for the client and obtain the best overall price, terms and conditions. Brokers are most often associated with large or complex commercial lines risks.

Brokers may also become "wholesalers" who act as intermediaries between retail brokers or agents and insurance company underwriters. To be able to transact business with surplus lines insurers, wholesale brokers must be licensed as surplus lines brokers in the state where the policyholder or the risk to be insured is located. Wholesale brokers may also work with other wholesale brokers in the London Market, (see Lloyd's and the London Market at <http://www.iii.org/commerciallines/global/lloyds/>), or elsewhere to secure coverage.

Wholesale brokers may also be managing general agents, who are given authority by insurers to underwrite and "bind" insurance -- provide temporary coverage until an insurance policy can be issued. Managing general agents, who have a close relationship with the insurance companies they work with, may also handle claims and even help in the placement of reinsurance contracts.

Managing general agents may also arrange so-called program business which is specialty insurance for homogeneous groups of policyholders, such as members of a specific industry. These programs, often offered and endorsed by trade associations, may provide coverage at lower prices. As insurers seek out niche products, programs are increasingly available to a wide range of businesses and organizations from bed and breakfast inns to churches. Programs may also provide specially tailored liability insurance for professionals, such as vocational or physical rehabilitation specialists who work part or full time out of a home office. To be successful, a program must

generate a sufficient volume of premium and the risks within each program must be relatively homogeneous.

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