

# Insurance Value Chain Hierarchy

Understanding the players involved in the insurance chain, from **risk-bearing carriers** to **individual agents**.

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# Introduction to the Insurance Value Chain Hierarchy

Welcome to our session on the Insurance Value Chain Hierarchy.

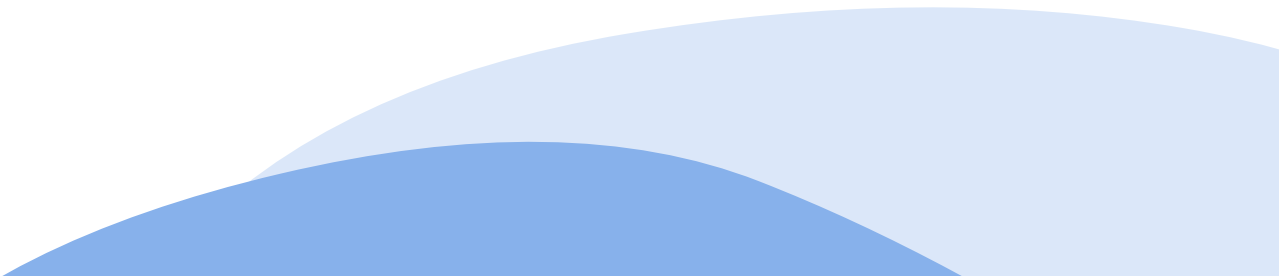
**Objective:** Explore what it is and understand its importance in the insurance industry.



# What is the Insurance Value Chain Hierarchy?

The **Insurance Value Chain Hierarchy** represents the players involved in the insurance chain, from the entity at the top that takes on the actual risk, down to the individual agents who sell the policies.

## The Hierarchy (Top-Down):

1. **Insurance Carrier (Insurer) / Underwriter**
  2. **Managing General Agent (MGA) / Managing General Underwriter (MGU)**
  3. **Third-Party Administrator (TPA)**
  4. **Field Marketing Organization (FMO) / National Marketing Organization (NMO)**
  5. **Independent Marketing Organization (IMO) / Brokerage General Agency (BGA)**
  6. **Insurance Agency / Aggregator / Cluster Group**
  7. **Independent Insurance Agent / Broker**
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# Insurance Carrier (Insurer) / Underwriter


The **risk-bearing entity** that designs, prices, and underwrites insurance policies.

## Core Functions:

- Product creation & pricing
- Risk underwriting (decides who qualifies and at what cost)
- Claims payment
- Premium collection
- Regulatory compliance

**Examples:** Zurich, Ambetter, Aetna, Zing Health

**Revenue Source:** Premiums from policyholders



# Managing General Agent (MGA) / Managing General Underwriter (MGU)

**Specialized intermediary** with delegated authority from carriers to underwrite, price, and sometimes settle claims. Carriers use MGAs/MGUs for niche markets, specialized products, or territories where they lack direct presence.

## **Core Functions:**

- Underwriting and binding policies on carrier's behalf
- Managing distribution channels and marketing
- Product development
- Premium collection
- Sometimes handles claims

**Examples:** Ryan Specialty Group, AmWINS Program Underwriters

**Revenue Source:** Commissions from carriers; sometimes profit sharing



# Third-Party Administrator (TPA)

**Outsourced service provider** for policy administration or claims handling for accident, health, and life insurance or self-funded plans.

## Core Functions:

- Provides administrative services with contracted carriers but **does not assume risk**
- Services: premium collection, claims processing, billing, enrollment, compliance, customer service
- Often works for an insurance carrier, MGA, or large self-funded employer groups
- Can also work alongside FMOs or agencies to support policyholder services

**Examples:** FirstEnroll (billing TPA), AdminOne (claims processing TPA)

**Revenue Source:** Service fees from carriers, MGAs, or self-funded entities



# Field Marketing Organization (FMO) / National Marketing Organization (NMO)


**Large-scale distribution partners** for insurance products, often in life and health insurance.

## **Core Functions:**

- Recruit and support independent agents/agencies
- Distribution, marketing support, and agent training
- Provide training, compliance guidance, and lead vendor programs
- Negotiate contracts with carriers or MGAs
- **Does not have underwriting authority** like an MGA

**Examples:** Sonic Marketing

**Revenue Source:** Overrides (a portion of the commissions agents earn) from carriers



# Insurance Marketing Organization (IMO) / Brokerage General Agent (BGA)

Similar to FMOs but often more **product-focused**, especially in life, annuities, and specialty insurance.

## Core Functions:

- **Does not have underwriting authority** but provides marketing and support services
- Gives independent agents access to multiple carriers
- Provides sales tools, illustrations, product expertise
- Assists in case design and underwriting support

**Examples:** Sicuro Health, Synergy Insurance Affiliates (SIA)

**Revenue Source:** Overrides from carriers





# Insurance Agency / Aggregator / Cluster Group

**Retail-level organization** where agents are grouped to gain carrier access, higher commission levels, and shared resources.

## **Core Functions:**

- Agencies can be **captive** (tied to one carrier) or **independent**
- Aggregators help smaller agencies combine resources for better commissions
- Direct sales to consumers or businesses
- Marketing and client servicing
- Back-office and compliance support

**Examples:** Bridgewater Health Insurance Agency, Cornerstone Insurance Agency

**Revenue Source:** Commissions from carriers or MGAs



# Independent Insurance Agent / Broker

The **frontline professionals** who sell insurance policies to consumers and businesses.

## Core Functions:

- Prospecting and selling policies
- Advising clients on coverage needs
- Servicing policies (endorsements, renewals, claims help)
- Marketing and client servicing
- Back-office and compliance support

**Examples:** Licensed Insurance Agents

**Revenue Source:** Commissions from carriers, MGAs, or FMOs/IMOs/BGAs they contract through



# Compliance

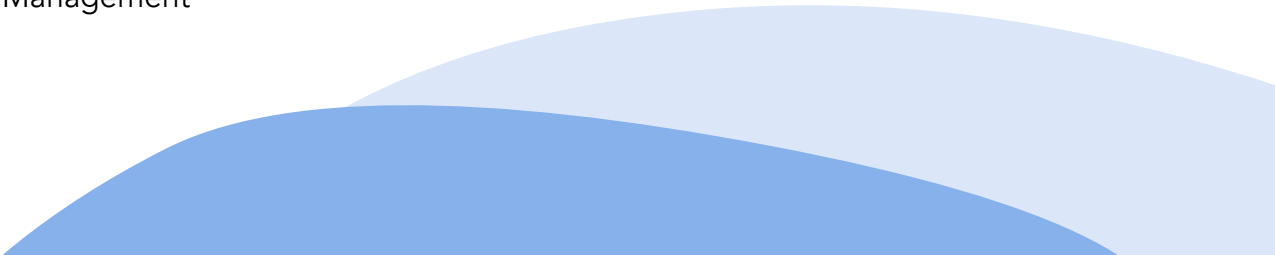
Following the laws, regulations, and industry standards that govern how insurance companies, agents, and intermediaries operate.

# Compliance: Insurance Carrier (Insurer) / Underwriter

## Core Functions:

- Adherence to state and federal insurance regulations
- Product approval and filing with state DOIs
- Market conduct compliance
- Licensing and appointment of agents/agencies
- Anti-money laundering (AML) programs
- Fair claims handling practices
- Consumer disclosures and protections
- Data privacy and cybersecurity law (e.g., HIPAA, GLBA)
- Oversight of downstream distribution partners (e.g., IMOs, FMOs)

**Responsible Parties:** Chief Compliance Officer (CCO), Compliance Department, Legal Counsel, Actuarial and Underwriting Compliance Teams, Senior Management



# Compliance: MGA / MGU

## Core Functions:

- Operates within carrier-delegated authority
- Maintains underwriting, marketing, and claims compliance per carrier contracts
- Adheres to all state producer licensing and reporting regulations
- Conducts compliance audits of downstream distributors (FMO, agencies)

**Responsible Parties:** Compliance Department, Licensing and Contracting Department, Underwriting Manager

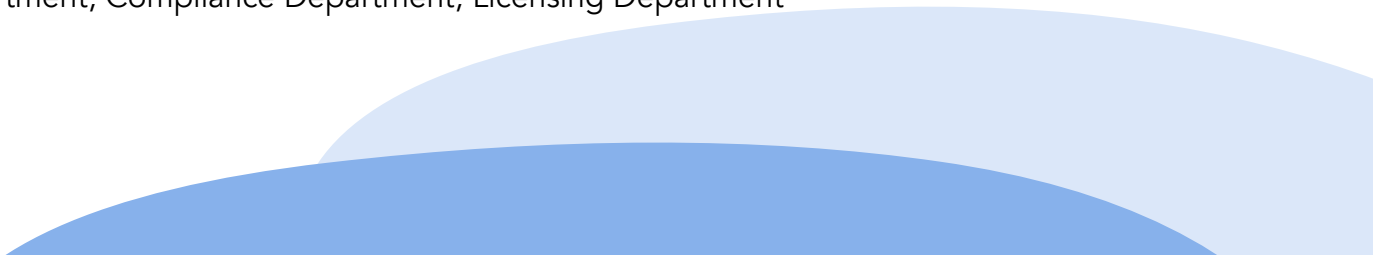


# Compliance: TPA

## Core Functions:

- Claims handling regulations
- Safeguard client funds and ensure timely, accurate claims processing
- Privacy and data security (e.g., HIPAA)
- Follow HIPAA (health data), ERISA (for self-funded plans), and state TPA licensing
- Contractual compliance with insurers and employer groups
- Reporting and recordkeeping obligations
- Anti-fraud measures
- Due diligence of product intake
- Marketing and communications compliance review
- Audits from carriers and regulators

**Responsible Parties:** Legal Department, Compliance Department, Licensing Department

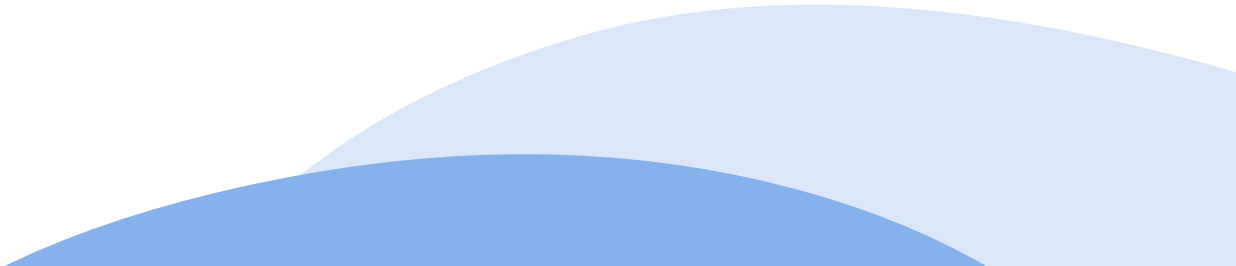


# Compliance: FMO / NMO

## Core Functions:

- Oversight of contracted agents' licensing, appointments, and certifications
- Marketing material compliance (e.g., CMS guidelines for Medicare)
- Training and Continuing Education (CE) monitoring
- Adherence to insurer and state marketing guidelines
- Background checks and agent onboarding
- AML and fraud prevention program participation
- Record retention and audit preparedness
- Monitors sales calls, disclaimers, and compliance scripts

**Responsible Parties:** Compliance Department, Licensing and Contracting Department, Legal Department



# Compliance: IMO / BGA

## Core Functions:

- Ensuring agents are properly licensed and appointed
- Product training and suitability guidance
- Ensuring compliant advertising and sales practices
- Upholding insurer guidelines and ethics
- Disclosure requirements (especially for annuities, life)
- Monitoring sales for red flags (e.g., churning, unsuitable sales)

**Responsible Parties:** Compliance Manager, Licensing Specialist, Sales Managers





# Compliance: Insurance Agency / Aggregator / Cluster Group

## Core Functions:

- State and federal licensing for the agency and its agents
- Oversight of sales and marketing practices
- CE tracking and training enforcement
- Handling of client information (data privacy)
- Ensuring compliance sales process (e.g., disclosure forms, needs analysis)
- Recordkeeping and document storage
- Errors & Omissions (E&O) insurance maintenance

**Responsible Parties:** Agency Principal/Owner, Appointed Compliance Lead, HR, Licensing Admin




# Compliance: Independent Insurance Agent / Broker

## Core Functions:

- Maintaining active insurance licenses and CE
- Staying current on product training and suitability requirements
- Adhering to all insurer guidelines and state laws
- Use of compliant sales/marketing materials
- Proper disclosure of commissions and conflicts of interest
- Documenting client interactions and recommendations
- Errors & Omissions (E&O) coverage upkeep
- Understanding and avoiding UDAAP (unfair, deceptive, or abusive acts or practices)

**Responsible Parties:** The individual agent is fully responsible for their own compliance



# Licensing and Contracting

**Licensing** is the legal permission given by a state's Department of Insurance (DOI) that allows a person or business to sell insurance.

**Contracting** is the business agreement you sign with an insurance carrier, FMO/IMO, or MGA that lets you sell their specific insurance products and earn commissions.

# Licensing and Contracting: Insurance Carrier

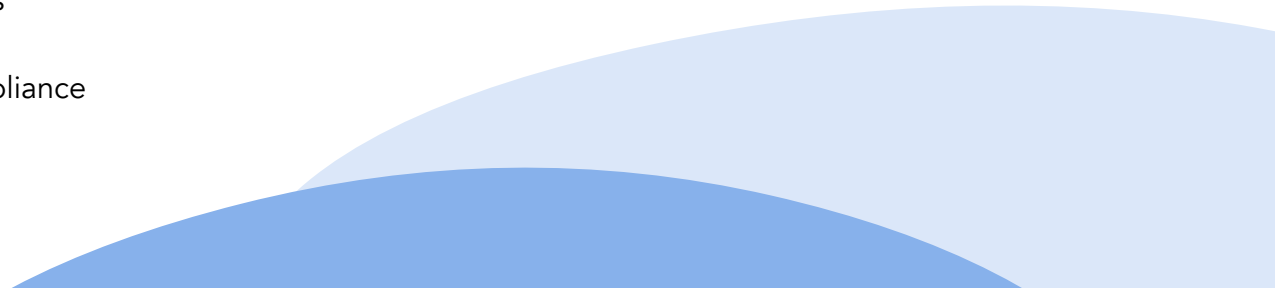
## Internal Responsible Parties:

- Licensing & Appointments Team (or Producer Management)
- Compliance/Legal Department
- Underwriting and Product Development Teams

## External:

- State Departments of Insurance (DOI) for producer licensing and appointments
- National Insurance Producer Registry (NIPR) for license verification and appointment filings


## Core Functions:

- Ensuring producers/agents hold active state licenses before appointment
  - Executing carrier-agent contracts and compensation schedules
  - Filing state appointments and renewals
  - Product filings and rate approvals
  - Monitoring continuing-education compliance
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# Licensing and Contracting: MGA / MGU

**Responsible Parties:** Compliance Department, Licensing and Contracting Department, Underwriting Manager

**Core Functions:**

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# Licensing and Contracting: TPA

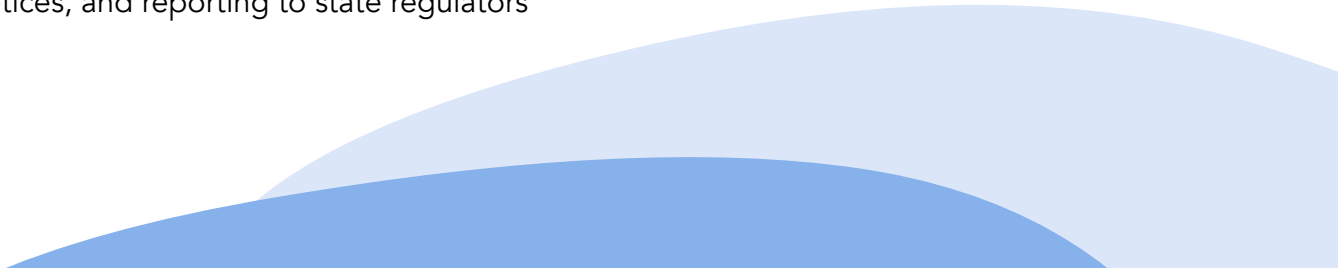
## Internal Responsible Parties:

- Licensing & Contracting Department/Compliance Manager
- Licensing Coordinator (if administering agent contracting on behalf of a carrier or FMO)

## External:

- Insurance Carrier (they delegate but remain ultimately accountable)
- DOI for oversight of TPA licensure

## Core Functions:

- Processing applications, background checks, and license verification for carriers or FMOs
  - Maintaining producer records and commission payments
  - Handling renewals, termination notices, and reporting to state regulators
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# Licensing and Contracting: FMO / NMO

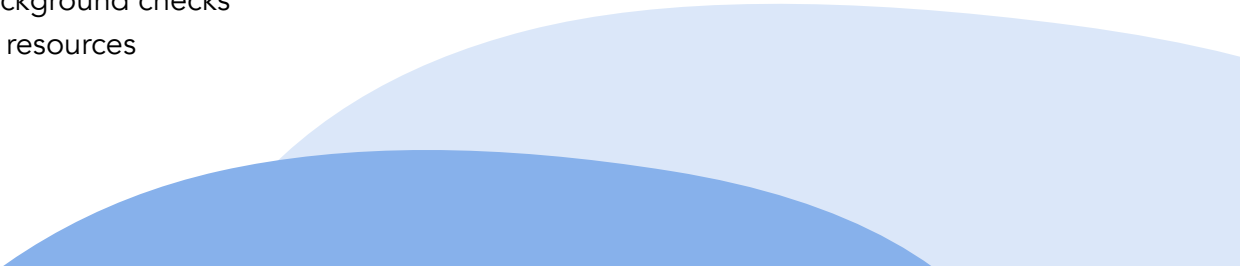
## Internal Responsible Parties:

- Licensing & Contracting Department
- Sales Support / Agent Services
- Compliance Officer

## External:

- Insurance Carrier appointment terms
- State DOI for any agency license requirements

## Core Functions:

- Recruiting agents and assisting with contracting paperwork
  - Submitting agent contracts to carriers and tracking status
  - Verifying licenses, E&O insurance, and background checks
  - Providing product training and marketing resources
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# Licensing and Contracting: IMO / BGA

Often overlaps with FMO functions but can be more product-specific (e.g., life or annuity).

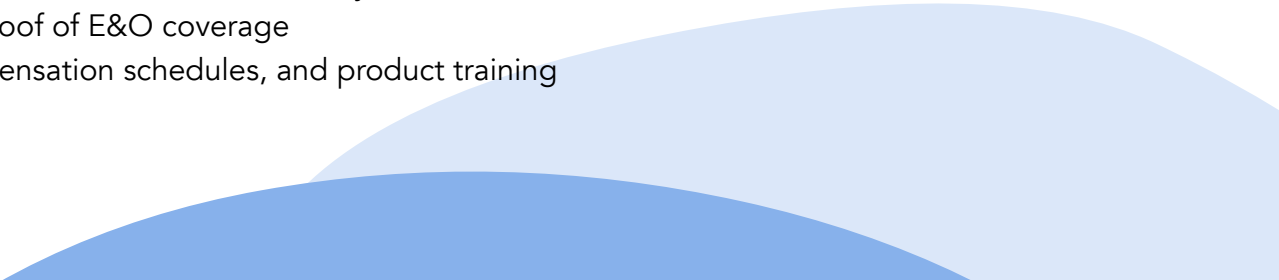
## **Internal Responsible Parties:**

- Contracting Specialists
- Compliance/Legal
- Agent Onboarding Team

## **External:**

- Carrier's producer services
- State DOI for agency licensing

## **Core Functions:**

- Establishing sub-agent contracts beneath the IMO/BGA hierarchy
  - License verification and maintaining proof of E&O coverage
  - Communicating carrier updates, compensation schedules, and product training
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# Licensing and Contracting: Insurance Agency


## Internal Responsible Parties:

- Agency Principal / Owner
- Agency Licensing Administrator
- HR or Operations Manager (if multi-agent office)

## External:

- DOI for agency/entity licenses
- Carriers for direct appointments

## Core Functions:

- Securing and renewing the agency's resident and non-resident licenses
  - Managing contracts with carriers, FMOs/IMOs, or cluster partners
  - Maintaining individual producer licenses and CE records for employed or affiliated agents
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# Licensing and Contracting: Independent Agent / Broker


## **Internal Responsible Parties:**

- The Agent/Broker personally
- Any assistant or office manager handling paperwork

## **External:**

- State DOI for licensing
- Carriers or FMO/IMO for contracting and appointment

## **Core Functions:**

- Obtaining and renewing personal resident/non-resident licenses
  - Carrying E&O insurance
  - Completing carrier-specific contracts and appointment paperwork
  - Meeting continuing-education and regulatory requirements
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# Examples of Typical Job Titles

## **Carrier:**

- Producer Licensing Manager
- Appointment Specialist

## **TPA:**

- Compliance & Licensing Coordinator

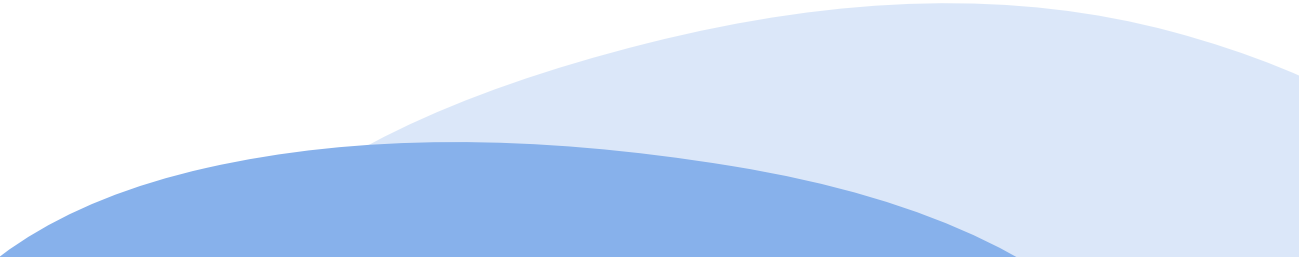
## **FMO/IMO/BGA:**

- Contracting Specialist
- Agent Onboarding Coordinator

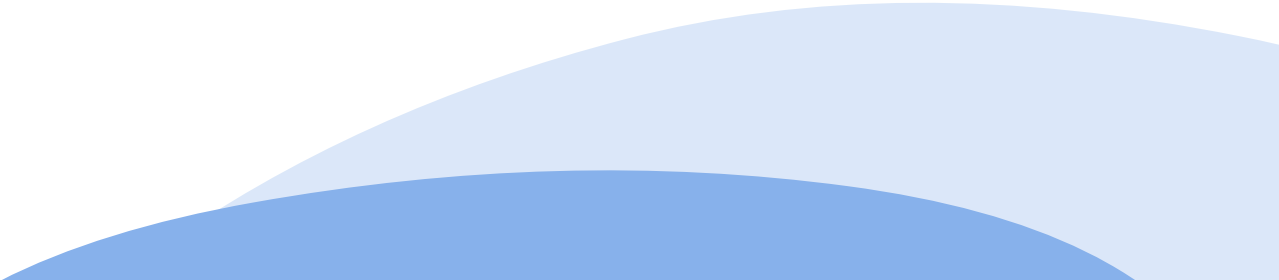
## **Agency:**

- Agency Principal
- Licensing Administrator

## **Independent Agent:**

- Producer
  - Broker/Owner
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# Key Takeaways

- The **Insurance Value Chain Hierarchy** shows the flow from risk-bearing carriers at the top to individual agents at the bottom
  - Each entity has **distinct functions**: Carriers underwrite and bear risk; MGAs/MGUs have delegated underwriting authority; TPAs provide administrative services; FMOs, IMO, and BGAs focus on distribution and support; Agencies and independent agents sell directly to consumers
  - **Compliance responsibilities** increase as you move down the chain, with each level accountable to the entities above
  - **Licensing and contracting** are essential at every level to ensure proper authority to sell insurance products
  - Understanding this hierarchy helps you navigate the insurance industry and know your role and responsibilities
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# Thank You!

Continue to be great!



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