


# Exclusive Agents vs. Independent Agents

by Dale Marshall, studioD 



*Exclusive agents enjoy training and other company support.*

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Exclusive agents in the insurance industry, or captive agents, are contracted to sell policies for a single insurance company; independent agents can sell the policies of many different companies. In both cases, agents must be licensed in the state(s) in which they do business, and are limited by the scope of those licenses. For example, agents with a "Life and Health" license can sell only life and health insurance, while agents with property and casualty licenses can sell auto and homeowner's insurance. In addition, all agents may sell annuities, but a securities license is required to sell variable annuities.

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## **Exclusive Agents**

The main reason an insurance agent will work as an exclusive agent is financial. The company generally provides an office, administrative staff to process paperwork, ongoing training, significant bonus and other motivational programs, and an impressive national advertising budget. When consumers respond to advertising, the company directs them to an exclusive sales agent in their area, and generally provides extensive lists of prospects to agents.

Although some exclusive agents earn a salary, most are independent contractors and earn only a commission based on their sales. Exclusive agents usually earn commissions on their renewals as long as they remain contracted with the issuing company.

## **Independent Agents**

An independent agent represents several insurance companies that have appointed the agent to sell specific lines of insurance on a non-exclusive basis. While independent agents do not benefit from company-provided support, they enjoy several advantages over captive agents, including the opportunity to comparison shop on clients' behalf. Independent agents also dominate in the area of commercial property and casualty insurance, with about 80 percent of the market. However, they generally cannot sell policies offered by the large

captive companies, which are heavily marketed and very popular. Independent agents also own their own book of business, and earn renewal commissions as long as they maintain a contract with the issuing company.

## **Hybrid Agents**

Some exclusive agents have arrangements with their flagship companies that permit them to sell competitors' policies when the flagship has no comparable line of insurance. For example, if a client needs auto insurance and a Medicare Supplement policy, and the flagship offers only one, it will permit the agent to sell another company's policy. However, the majority of the business an agent writes must be for the flagship company.

## **Compensation**

Compensation for exclusive and independent agents is based on sales. Independent agents are paid strictly on commission by each of the companies they represent. Some exclusive agents may have a salary structure combined with their commissions, but ultimately, the greater an agent's production, the greater the compensation. Independent agents generally earn a significantly higher commission than exclusive agents, for whom the company pays most overhead costs. This difference can be as great as 50 percent, but independent agents must pay their own overhead. To deal with these costs, many independent agents join independent agencies and contribute to the cost of the agency's operation.

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## **About the Author**

Dale Marshall began writing for Internet clients in 2009. He specializes in topics related to the areas in which he worked for more than three decades, including finance, insurance, labor relations and human resources. Marshall earned a Bachelor of Arts in communication from the University of Connecticut.

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