

How does an insurance broker make money?

By [Investopedia](#) | May 7, 2015 — 8:11 AM EDT

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A. An insurance **broker** makes money off commissions from selling insurance to individuals or businesses. Most commissions are between 2 and 8% of **premiums**, depending on state regulations. Brokers sell all types of insurance, including **health insurance**, homeowner insurance, accident insurance, **life insurance** and **annuities**.

The broker is supposed to represent his clients' best interests. Part of the broker's duty is to understand the situation, needs and requirements of the clients to find them the best insurance policy within their budget. Choosing the right insurance plan is quite complicated, and studies show that many people end up choosing a less than optimal plan when they solely rely on their own judgement.

In addition to being well-versed on offerings from all insurance companies, brokers should not show favoritism towards any specific company. For this reason, brokers are paid a **commission** rather than receiving payment from insurance companies, which could create negative incentives that damage trust between the broker and client.

A broker has an important responsibility to help people navigate between insurance plans, many of which have subtle differences. In addition to connecting clients to the right policy, the broker continues to have obligations to his clients. The broker provides consulting services to help determine whether policies should be changed, provide assistance with compliance, and help with submitting claims and receiving benefits.

To stay up to date with changing **regulations** and ensure they are continuing to meet their duties, brokers are licensed by the state insurance regulatory agencies. This license must be renewed on a biannual basis in most states. The insurance brokers' job only begins after the policy is sold. They must regularly meet with their clients and determine that their current policies are meeting the clients' needs.



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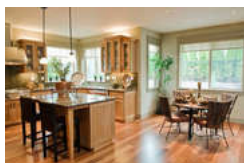
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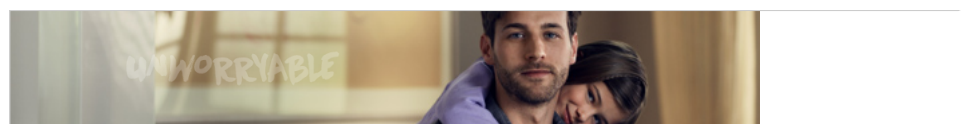
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