

# SPECIAL REPORT

## COMMISSIONED VS. NON-COMMISSIONED PERSONNEL IN AN INSURANCE AGENCY

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Most insurance agencies pay people on a commission basis to bring in and to service accounts. It is a produce-or-die arrangement that creates numerous problems.

- Because of the long process it takes to work an account and to get paid for it, the Account Executive getting paid on a commission basis could wait months to get paid, making it difficult to support a family. This also makes it difficult to hire seasoned Account Executives.
- When a draw is paid, it typically is low, creating a burden on the Account Executive and creating an incentive for the Account Executive to write as much business as possible regardless of the long-term consequences to the agency or to the new clients.
- For Account Executives who are paid on a commission basis but receive a draw if they are unable to produce sufficient commissions to match the draw, they may have to return money which is typically difficult to do and the only way out is to quit and look for work at a new agency.

In order to survive at a new firm, the Account Executive looks to former clients and tries to take business from the prior firm.

- This system encourages bad selection of people to enter the insurance field. A seasoned underwriter who wants to get into the agency ranks will certainly not be able to do so without a paycheck for a long period of time.

- This system also creates bad selection of clients. A commissioned salesperson is typically going to bring in any client that they can find if they can sell them on going for the lowest price.

At Marsh and McLennan Agency LLC, we do not pay commissions to anyone employed by us. We are all salaried.

Our focus is on writing above average clients in select classes of business and screening out constant shoppers or toxic clients, knowing that our paychecks will not be impacted. Writing the best business is good for everyone. Having salaried Account Executives is also best for everyone in the long run.

I am proud of the fact that we do not pay commissions, as this creates a more secure environment and allows us to hire the right kind of people. We should be touting this with our clients as well.

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