

# *The Macrotheme Review*

*A multidisciplinary journal of global macro trends*

## Discussion

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### Insurance: Agent vs. Broker

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#### Abstract

*Agent and broker are two professions that do business by being a middle-man between a company, such as an insurance company or a real estate developer, to the customer. Agents and brokers facilitate the transaction and information between the companies and the consumers.*

Keywords: Agent, broker, insurance

#### Who is an Agent? And who is a Broker?

Agent	Broker
<b>Can be a person working as an insurance agent or a real estate agent.</b>	is a person that is usually representing the customer and not the company.
<b>Usually, he is representing the insurance company he is working for.</b>	They should have certifications and must be duly licensed to perform this profession.
<b>They process all the paperwork relating to insurance policies and claims and usually end their relationship with the client once the transaction is done.</b>	It is his role to lay down all the cards in the table, so to speak, so that customers will be better informed.
<b>It is not his work to give you different options of which plan are better.</b>	Most of them are not working for a certain company but are working on commission basis, which allows them to carry multiple services which will benefit potential customers.

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#### Difference between Agent and Broker

In general, when wanting to get an insurance policy or buy a real state, you will need the help of an agent and a broker.

Agents and brokers are the people you should go to when getting insurance or a home, they are there to help you.

<b>Agent</b>	<b>Broker</b>
<b>Agents are the link between you and a company serving as intermediaries between the two parties and typically working on administrative tasks such as completing your papers and checking if you are qualified.</b>	Brokers are there to help you, the customers, to have the wise decision by helping you get information on different insurance policies or real estate prices and helping you choose the ones that fit your needs.

### **In brief**

Agents are usually working on administrative tasks and paperwork unlike brokers who are at the forefront of selling and giving advice to clients.

Both should have certifications and licenses to be able to work as a professional in this field.

Both works as middle-man, agents represent a company while brokers represent the customers.

### **Insurance agent vs. broker**

Insurance is a subject matter of solicitation.

If you are looking for an insurance policy for your business, you need right advice and information.

Normally this responsibility is fulfilled by a person who is either an insurance agent or a broker.

You are not concerned with the terminology as long as you are getting the right information.

Sometimes it becomes very confusing if it were to be asked to choose from an insurance agent and a broker.

Both insurance agent as well as a broker brings business for an insurance company as they sell policies of the company to the people.

If both are doing the same duty, why have different designations?

The answer to this conundrum lies in the subtle differences between their functions, duties as well as obligations.

Insurance Agent	Insurance Broker
Insurance agent is the person who has been authorized by an insurance company to carry out its business on its behalf.	Insurance broker works independently, and though he sells insurance policies, he is at best on the side of the client, not the insurance company.
This legal authority means the agent can sell the financial products of the company to the people by making a contract between a person and the company.	He is a qualified person as he passes the relevant course to obtain a license to work as a broker.
An agent is not an employee of the insurance company which means that he is not on the payrolls of the company.	He is a person who has knowledge of financial products of many companies in the market.
He rather receives a commission from the company when he sells its financial products.	He assesses the needs and requirements of a person or a business and helps him with just the right financial product.
He can be having other sources of income or could be doing other jobs.	Brokers help businesses develop specific insurance plans for the employees and then find an insurance company that accepts the plan.
He disseminates information about the products of an insurance company and convinces people about the need of any insurance policy.	Thus a broker matches clients with insurance companies.
Insurance agents are insurance professionals that serve as an intermediary between the insurance company and the insured.	Insurance brokers can be best described as a kind of super-independent agent.
As a broad statement of law, an agent's liability to their customers is administrative.	Brokers can offer a whole host of insurance products for you to consider.
That is, agents are only responsible for the timely and accurate processing of forms, premiums, and paperwork.	Brokers are required to have a broker's license which typically means the broker will have more education or experience than an agent.
Agents have no duty to conduct a thorough examination of your business or to make sure you have appropriate coverage.	Brokers also have a higher duty, in most states, to their clients. Brokers have the duty to analyze a business and secure correct and adequate coverage for the business.
Rather, it is your obligation to make sure you have purchased needed coverage.	This is a higher duty than the pure administrative duty of the agent. However, this expertise comes at a price.
Insurance agents can be either: Captive: A captive agent is an agent who works for only one company and is a "captive" of that company.	Brokers typically charge an administrative fee or premium payments are higher when purchased through a broker.
He will sell policies only for that insurer.	
Independent: An independent agent is one who works as an agent for a variety of different insurers.	
He can produce policies from several insurers and offer some comparisons of different insurance policies.	

Listed below is an explanation of the differences between insurance agents and insurance brokers.

### **Difference between Insurance Agent and Broker**

When one looks superficially, an insurance agent and a broker look like identical as both of them appear to be selling insurance policies.

The main difference between the two entities lies in the relation these persons have with the insurer and the insured.

An insurance agent is designated by the insurance company to sell its product by convincing people and gets commission from the company.

But, a broker matches the needs of a client with the products available with any of the insurance companies.

Both however need a license to carry out their business in a state.

Businesses require custom made products to fulfill their needs such as employee benefits.

Brokers are better suited to match their needs with insurance companies.

This is why brokers are better suited for commercial insurances, whereas insurance agents are better suited for personal insurance.

### **In Brief**

Insurance agent is a person designated by an insurance company to sell their products.

Broker matches the needs of a client with the available product in the market; it can be with any insurance company.

A Broker is a qualified person; he has to pass certain courses to get the license as a broker.

Both are paid commissions for their service.

### **Associated Careers**

Occasionally, insurance agents have dual professions-some property insurance agents are also real estate agents, for example.

Field representatives attempt to generate new business for agents and brokers.

They conduct and attend insurance conferences in order to remain fluent in the latest topics in insurance.

At times field representatives will educate insurers about advancements in the field.

Developing a long term relationship with an insurance professional is a key step in the development of a business insurance plan.

### **Insurance Brokers' case in Egypt**

In 2008, the law no. 118 was issued amending some provisions of the insurance supervision and control law no. 10/1981.

One of its aiming points was to reorganize the insurance brokerage profession and to allow legal persons its practice, thereby helping to assess the risks and raise the level of insurance brokerage, with a set of provisions that help to address some of the harmful actions in the market.

The insurance brokerage started then its turning point, and refused the idea of agencies in Egypt.

### **Insurance Agencies' case in Egypt**

We must admit that the Global market is full of insurance agencies, which represent great importance to it.

There are many insurance companies that need to expand their activities and establish new branches in all governorates and outside Egypt, especially at the level of small companies, which cannot establish many branches, that's why the existence of an agency plays an essential role in the activation of the presence of these companies through its provision of all policies issued by these insurance companies.

One of the main advantages of an insurance agency is to reduce the investment cost needed to open new branches and the Authority requirements, as well as displaying companies' services on different segments and spread it in all geographical regions.

The Egyptian insurance market needs to complete the supervision mechanisms and its development in order to establish insurance agencies.

In 2010, the sector leaders discussed the issue of permitting insurance companies to establish agencies together with insurance brokers.

The Egyptian Insurance Brokers Association (EIBA) members refused this idea, particularly that it represented a stress on them, because its competitiveness with the brokerage companies, which bear huge financial burdens resulting from its incurred huge administrative expenses, and its commitment to provide quarterly and annual budgets to the Egyptian Financial Supervisory Authority (EFSA).

EIBA downplayed the importance of this idea proposed by the Insurance Federation of Egypt (IFE), at that time, pretending that it would weaken the chances of brokerage firms growth, at the time the supervisory authority together with the federation should have been encouraging the

insurance brokers to engage in activity through establishing companies, which was allowed by the legislative amendments, latest at that time, the law 118/2008.

On the other hand, EIBA noted that its members from the individual brokers welcomed the idea proposed by the federation, if it will be allowed to individual brokers to establish agencies, in conjunction with more than one insurance company, and not confined to the establishment of agencies with a single company, as the second option reduces the brokers' chances to promote more coverages so as to ensure competition on one hand , in addition to the customers' opportunity to tradeoff between similar products, offered by more than one insurance company.

It was well known that EIBA had asked EFSA not to allow insurance companies to establish agencies, to be managed by insurance brokers with underwriting permissions.

EIBA justified its refusal to permit insurance companies to establish agencies managed by independent brokers with underwriting power, by saying that if happens this will prejudice the principle of competition with brokerage firms, which suffered a lot of financial burden in order to continue working, committed to the conditions laid down by EFSA, which may be non-binding on the agency.

In Egypt, the issue of permitting insurance agents in the local market was discussed and terminated by a "no" decision.

This decision must be reviewed currently, so far, that only 30 companies represent the total players' number in the Egyptian insurance market, which is a small number to operate in such a huge market yet unexploited due to the lack of insurance awareness.

The entire previously mentioned, make us ask about the merged insurance government companies, which became the holder of the biggest market share.

There is a point of view saying that this company is the only beneficiary from not permitting agencies' access to the market, in order to remain the only holder of the biggest market share.

Another point of view is saying that the insurance market is saturated with the current number of operating companies, together with the fact that there will be a huge loss for the insurance intermediaries if agencies are permitted, as they justified there "no" when this issue was opened to discussion, specially that this happened after the regulator's permission to brokerage companies to open in the market.

Finally, I think the Egyptian insurance market is able to accept new companies opening, as well as law amendments in order to permit agencies to work in the market, in order to start a real step in the insurance awareness and spread all over the country, particularly, with the fact that currently, the insurance markets worldwide are interested in creating and spreading new insurance products like takaful and bancassurance, health, and the one related to low and medium income people as microinsurance.