HOW WE ARE PAID FOR OUR SERVICES

We live in an age where consumers have become keenly aware and increasingly sophisticated in their knowledge of financial service provider fees. We strongly endorse disclosure to our customers of fees and commissions paid to agents and brokers in the sales and service of insurance products.

As Independent Insurance Agents, we represent and are licensed with a number of major, reputable insurance companies. Multiple insurer relationships enable us to provide a wide selection of competitive policies and customized protection to fulfill our customers' diverse needs.

Premium Commissions

Each insurance company pays commission to their licensed independent agents for the sale of their insurance policies. These payments are made to cover our fixed costs and the costs of selling and servicing our customers' policies throughout the year. The commission amounts vary by policy type and, in some instances, by company. Following are the ***average*** commission percentages paid each year on the most common policies.

Homeowners	20% of annual premium
Automobile	10% of annual premium
Umbrella Liability	15% of annual premium
Business Owners Policies	15% of annual premium
Business Automobile	10% of annual premium
Workers' Compensation	5% of annual premium
Group Medical Insurance	3% of annual premium
Other Group Health Insurance	12% of annual premium

Taxes, Filing Fees, and Assessments

No commissions or payments are made to agents for state taxes, filing fees, or assessments. Examples of such fees include the Massachusetts Division of Industrial Accident Assessment on workers' compensation policies and taxes and filing fees charged by some specialty lines insurers on "high risk" property and liability policies.

Inspection Fees

No commissions or payments are made to agents for inspection fees. Inspection fees are charged to cover an insurance company's costs in conducting on-site inspections of properties and insurance risks. Although an agent may bill and collect inspection fees, these payments are transferred and paid in full to the insurance companies who require inspections.

Contingency Bonus Fees

Some insurance companies reward their agents by paying bonuses for providing them with clients who, on average, do not experience excessive losses throughout the year. When insurers do not experience their expected amount of property damage and liability losses during any year, their profit margins are also higher than projected. Paying profit-based bonuses to agents and brokers is a means of sharing company profits and rewarding agents and brokers whose clients are above average in experiencing losses.

The profitability of insurers is also important to consumers. Profitable insurance companies stabilize the insurance marketplace, ensuring availability of coverage. In a stable insurance market consumers are afforded the most competitive pricing and the greatest selection of products.

Contingency bonus fees, by definition, are not guaranteed. They are paid on an annual basis only if the loss expenses of all of an agent's clients with an insurer are low enough to qualify. For example, in a year with severe winter weather or a hurricane, it is highly likely that insurance losses and damages will exceed those expected and eliminate the payment of any bonuses to agents for that year.

Life Insurance Commissions

Agent commissions for life insurance policies are defined as "front-end loaded". This means the majority of the commission to cover the agents' cost of selling and servicing his/her client's life insurance policy is paid in the first year. "Renewal" commissions are typically paid annually only for the first 10 years of a life insurance contract. During the renewal years the commission percentages are often adjusted downward over this period.

Life insurance commissions are paid on a "target" premium basis. The target premium of a contract is the amount of the annual payment charged to cover the pure cost of insurance on the life of an individual. It does not include administrative policy fees or excess premiums paid into a contract. Examples of excess premiums paid in the first year of a policy are single pay policy premiums and additional amounts paid into universal life insurance policies at the consumer's option.

Although there are numerous life insurance companies and their commission structures vary greatly, following are the ***average*** commissions ranges paid for some of the more common policies. In situations where a life insurance representative sells a policy to the client of an independent property and casualty insurance agent, these commissions are generally shared on a mutually agreeable percentage basis.

Term Life Insurance	70-90% of First Year Target Premium 3% of Excess Premiums 5-10% Years 2-10 of policy
Whole Life Insurance	50-85% of First Target Year Premium 3% of Excess Premiums 5-10% Years 2-10 of policy
Universal Life Insurance	80-95% of First Target Year Premium 5-10% Years 2-10 of policy