

# Insurance Agent Encyclopedia Article

## Insurance Agent

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# Insurance Agent

Insurance agents use computers and mathematics to assess risk, determine premiums, and calculate the amount of claims.

Insurance agents help people buy insurance plans to protect against illness, accidents, or emergencies. The three major categories of insurance are life, health, and property. Insurance agents may be self-employed or they may work for a particular insurance company. Insurance agents work for individuals or for companies to select an insurance provider, fill out complex application forms, and maintain records. In the event of a loss, agents help their clients settle insurance claims.

Most companies prefer to hire insurance agents who have college degrees. Insurance agents often have bachelor's degrees in business or economics. However, some companies will hire a person without a college degree if that person has proven sales ability or success in other types of work.

The mathematics of insurance can be very complicated. Computers help insurance companies use **statistics** to estimate the **probability** of an event occurring. For example, the odds of an individual being involved in an automobile accident vary depending upon the driver's age, sex, driving history, location, and type or style of car. These statistics are used to determine appropriate rates for insurance plans. The riskier a person appears, based on the statistics, the higher the rate he or she will have to pay for insurance. Computers make it easier and faster to process insurance application forms and service requests.

Mathematics is used in the insurance business in other ways. For group coverage, insurance agents have to calculate the total cost, based on the number of persons being covered. Also, discounts may apply to the policy, thereby yielding some percentage off the normal cost. Most importantly to an insurance agent, the agent's pay, or commission, is often a percentage of the dollar amount of the policy sold.

## See Also

Probability, Theoretical; Statistical Analysis.

## Bibliography

Farr, J. Michael. *America's Top White-Collar Jobs—Detailed Information on 112 Major Office, Management, Sales, and Professional Jobs*, 4th ed. Indianapolis: JIST Works, Inc., 1999.

## **Internet Resources**

Occupational Outlook Handbook, 2000–2001 Edition. <<http://stats.bls.gov/ocohome.htm>>.