

Mamas, Tell Your Kids to Sell Reinsurance



Summary:

A hair-weaving certificate requires 300 hours of training. An individual selling reinsurance needs zero education and faces zero testing.

By: Bruce Heffner

In the article "[40 Hours and I'm an Insurance Agent](#)," we caught a glimpse of the dismaying reality that it takes 15 times the education to be a manicurist in the author's state than it does to be an insurance salesman.

Now comes the additional shocker that to sell reinsurance and to operate under the reinsurance intermediary's license, the individual selling this reinsurance needs to have zero education, zero testing and zero personal proficiency licensure. There is no educational requirement, no testing, no continuing education requirement and no ethical code. There is not even a floor for reinsurance salesmen's professional requirements, much less any lofty standards. How, then, are they to be taken seriously or considered professionals?

Willie Nelson's song should be changed. His advice to mamas in an old song was, "don't let your babies grow up to be cowboys/let 'em be doctors and lawyers and such." No, what mamas should really do is tell their kids to sell reinsurance.

Medical school and law school are both incredibly expensive and time-consuming, and both lawyers and physicians must be licensed to practice - after years of post-graduate work and after passing very comprehensive tests. In some areas of the country, a major intermediary broker pays its reinsurance salesmen a salary of between \$146,000 and \$158,000, according to Glass Door; this amount does not include any bonuses, stock options or benefits, which are definitely provided.

See also: [The 13 Oddest Aspects of Reinsurance](#)

Salesmen of any sort can earn a great deal. The average annual income for an average sales



representative is between \$26,950 and \$133,040, according to 2008 figures from the U.S. Department of Labor's Bureau of Labor Statistics. Reinsurance salesmen are definitely well compensated. Reinsurance salesmen handle and sell millions - or perhaps billions - of dollars worth of reinsurance, costs that are ultimately paid for by you as part of your policy's insurance premium.

The top-5 highest-paying jobs in America ([according to CNBC](#)) are:

1. Surgeon (median base salary: \$352,220)
2. Psychiatrist (median base salary: \$181,880)
3. Physician - *general practice* (median base salary: \$180,180)
4. Corporate executive - *senior level* (median base salary: \$173,320)
5. Dentist (median base salary: \$146,340)

The top 5 highest paying jobs in America ([according to Glass Door](#)) are:

1. Physician (median base salary: \$180,000)
2. Lawyer (median base salary: \$144,500)
3. Research & development manager (median base salary: \$142,120)
4. Software development manager (median base salary: \$132,000)
5. Pharmacy manager (median base salary: \$130,000)

Reinsurance salesmen can definitely clear those hurdles and find themselves making more than the median salary of one of the five highest-paid jobs in the U.S.

The State Will Protect Your Wig but Not Your Wallet

For your supposed protection, the National Association of Insurance Commissioners (NAIC) has promulgated a series of "model" acts that address various issues, including topics related to reinsurance intermediaries, which, on paper, various states have adopted. However, the NAIC Annual Financial Reporting Model Regulation, (Section 7 D (1)) demands that the same CPA may not oversee the financial audit of an insurance company more than five consecutive years. It is well-known that becoming a CPA demands rigorous educational criteria and has extremely comprehensive ethical standards. There is no requirement to be a reinsurance salesman employed by an intermediary, yet almost every state focuses on the well-educated, well-trained and ethically bound CPA and virtually ignores protecting the citizens of its state by not properly overseeing the reinsurance salesman.

Perhaps the National Coalition of Insurance Legislators (NCOIL) needs to take up where the NAIC has failed.

Clearly, reinsurance itself is not magical and it is only really esoteric because the reinsurance industry and the intermediary brokers want it that way. The industry makes up its own words and has its own jargon, but the concepts are not difficult - and it certainly is not rocket science. The reinsurance industry (and those who sell reinsurance) have worked very hard to keep reinsurance nebulous and away from any scrutiny. Reinsurance is not insurance on insurance,

it is insurance on the claims made against specified individual (facultative) or a group (treaty) of insurance policies. Reinsurance has no premium tax, is lightly regulated, has favorable accounting for its sale, isn't generally faced with lawsuits from its purchasers, is able to argue the same issue over and over, punishes the purchaser and not the seller and is simple. The parties have unequal bargaining power - yet the law punishes the weaker. Reinsurance also has a lower overhead, meaning reinsurers can make a profit at a higher loss-level than insurance companies.

See also: [*Disjointed Reinsurance Systems: A Recipe for Disaster*](#)

Reinsurance represents one of the largest year-in and year-out expenditures of many insurance companies. It affects the costs of everyone's insurance as it is part of rate promulgation. Any excess charges or incompetence by the reinsurance salesman in what is charged to the ceding company is also passed on to the unsuspecting policyholders of the ceding company.

As long as state insurance regulators believe it is more important that a wig is braided correctly or that someone's fingernails and toenails are well-filed than it is that someone's insurance is correctly priced, expect to overpay for your insurance.

From all aspects of professionalism, any reinsurance intermediary that considers its front-line staff to be more than just salesman or that advertises its advantages over other intermediaries (beyond just selling reinsurance), should welcome, and, in fact, push for change, including a switch to federal regulation, if they are advertising that they have better qualifications than competitors. It is one thing to advertise and promise your professionalism, it's quite another to actually prove it.



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