



Driven by dollars

The role of compensation in life insurance agent placement decisions

Strategic industry report

Celent.

Analysis & Creation by Celent
Commissioned by Vertafore | October 2025



Foreword from Vertafore

For insurers, compensating independent agent partners is more than just the cost of doing business. It's a **powerful component** of distribution management. Strategic compensation is a key driver to attract and retain top agents and facilitate long-term growth. Unsurprisingly, modern insurance agents expect transparency, flexibility, and recognition for the work they do. However, it is imperative for insurers to exceed agent expectations and reliably deliver the compensation essential for their business success to develop strong, lasting partnerships.

At Vertafore, we view compensation strategy as a **competitive differentiator**. With thoughtful design and effective administration, you can successfully align agent motivation with your company goals. The challenge isn't just designing the right mix of commissions, bonuses, and contests; it's knowing what agents need and understanding down to the fine details how different elements of compensation influence where business gets placed. With this information, you can engineer compensation strategies that truly set your business apart.

The **right technology** is the foundation for successful delivery. Legacy systems lack the functionality to meet insurer and agent needs. Modern compensation management solutions must do more than just process commission checks; they need to empower insurers with analytics and automation, be adaptable to changing market conditions, and motivate agents to sell the products you want them to sell. They need to turn compensation from a back-office headache into a strategic advantage that drives agent loyalty.

This report confirms that compensation influences agent behavior when placing business, and the solutions insurers use directly determine how effective that strategy can be. We're proud to present this report with Celent, just as we're proud to partner with insurers that recognize this opportunity in modernizing such a fundamental element of the industry. **Together, we're committed** to transforming compensation management into a tool for engagement, growth, and sustainable success.

Dedicated to delivering your path forward,

The Vertafore Team



 **Vertafore Celent.**

Celent.

This report was commissioned by Vertafore, which asked Celent to design and execute a Celent study on its behalf. The analysis and conclusions are Celent's alone, and Vertafore had no editorial control over report contents.

Driven by Dollars

The Role of Compensation in Life Insurance Agent Placement Decisions

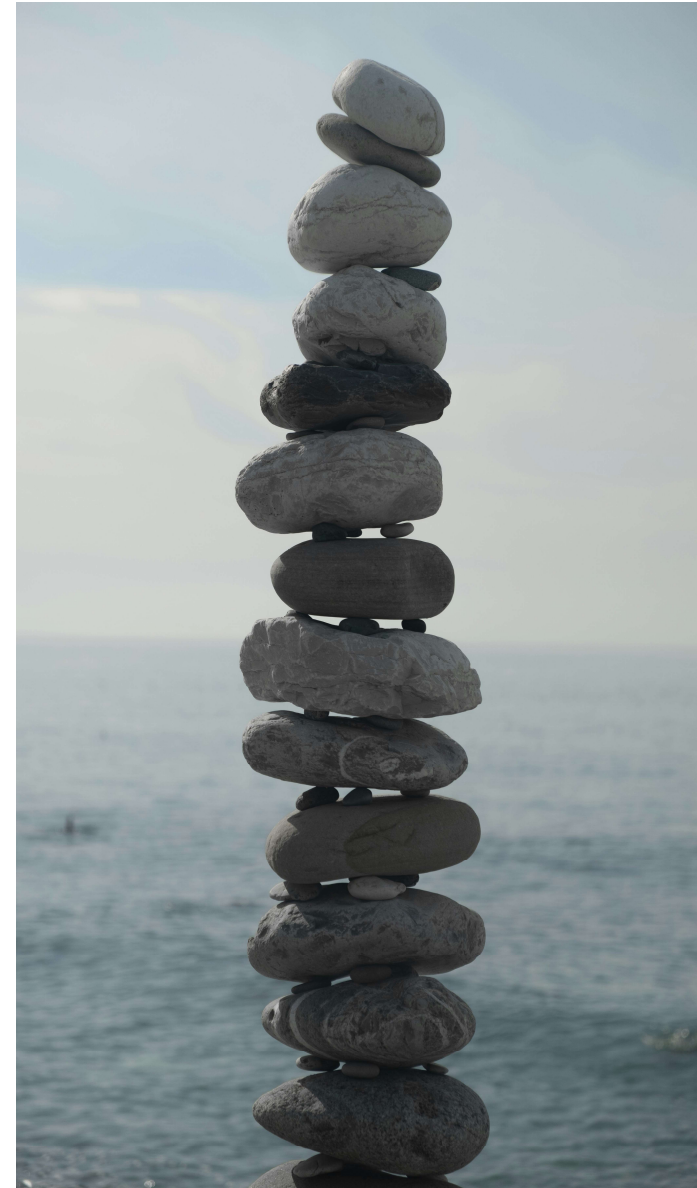
September 24, 2025

Karen Monks and Karlyn Carnahan

A part of GlobalData

Despite what agents say, compensation meaningfully influences where business is placed.

- Life insurance agents often insist that compensation does not influence where they place business, framing product fit, customer needs, and service quality as the dominant drivers. We recently surveyed hundreds of agents and revealed a more nuanced reality.
- While those factors remain important, compensation structures—including base commissions, bonuses, and incentives—play a meaningful role in shaping placement decisions for a significant proportion of agents.
- Contests and recognition programs also continue to have an outsized impact, reinforcing the idea that motivation is not purely financial but also tied to competition, achievement, and status within the field.
- For insurers, these findings carry clear implications. A competitive, well-structured compensation program is not just a hygiene factor—it is a differentiator in attracting and retaining producer attention.
- Designing and managing such programs, however, is no simple task. Incentives must balance fairness, regulatory compliance, and strategic growth goals while remaining responsive to shifting agent expectations.
- Increasingly, this requires specialized technology capable of modeling, administering, and tracking complex compensation plans at scale.
- Insurers that prioritize compensation strategy and execution will be better positioned to build stronger distribution relationships and drive sustained growth.



Background

- We wanted to understand the role that compensation plays when an agent chooses where to place business. If it has a significant impact, and requires complex permutations, that has an impact on the kind of technology a carrier needs.
- So, in June 2025, we surveyed over 600 life and health insurance agents about commissions and what drives their decisions on where to place business.
- We worked with a third-party survey firm to obtain our respondents. While we provided criteria to ensure the respondent sold life insurance or annuities in North America, we had no other influence over who received the survey.
- We did not actively seek out agents who were also financial planners selling annuities. As a result, annuities are not as prevalent in the responses as they have been in the market.
- We included questions on the demographics of the respondent. Our hypothesis was that there were differences in attitudes depending on things like their age and experience in the industry, their role, and the size of the agency. Where we can see differences, we call them out.
- We also included a variety of questions on the nuances of the types of compensation—transactional commissions vs. bonuses; monetary and nonmonetary; and the technology needed for agents to manage their own compensation.
- We did not ask if they were actively selling life insurance. Our assumption is that they are because they responded with statistics about the composition of their book by line of business (LOB), and their role in selecting the carrier.
- This survey was sponsored by Vertafore, but Vertafore had no influence over the selection of respondents or the analysis of the results.

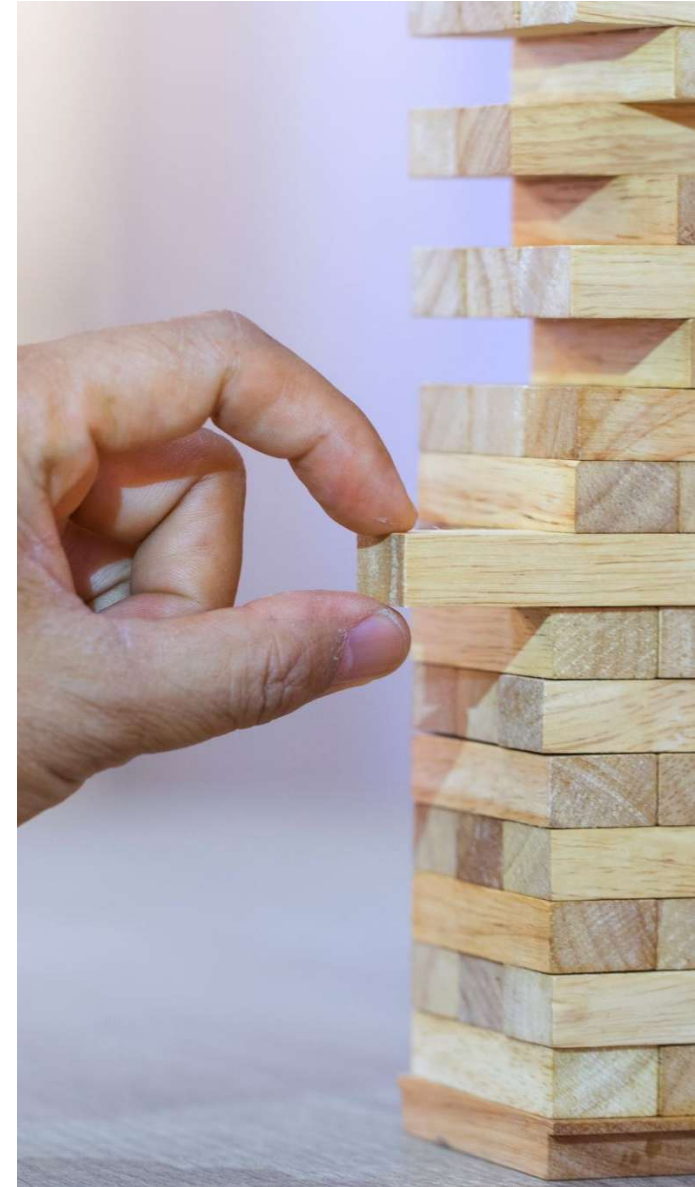
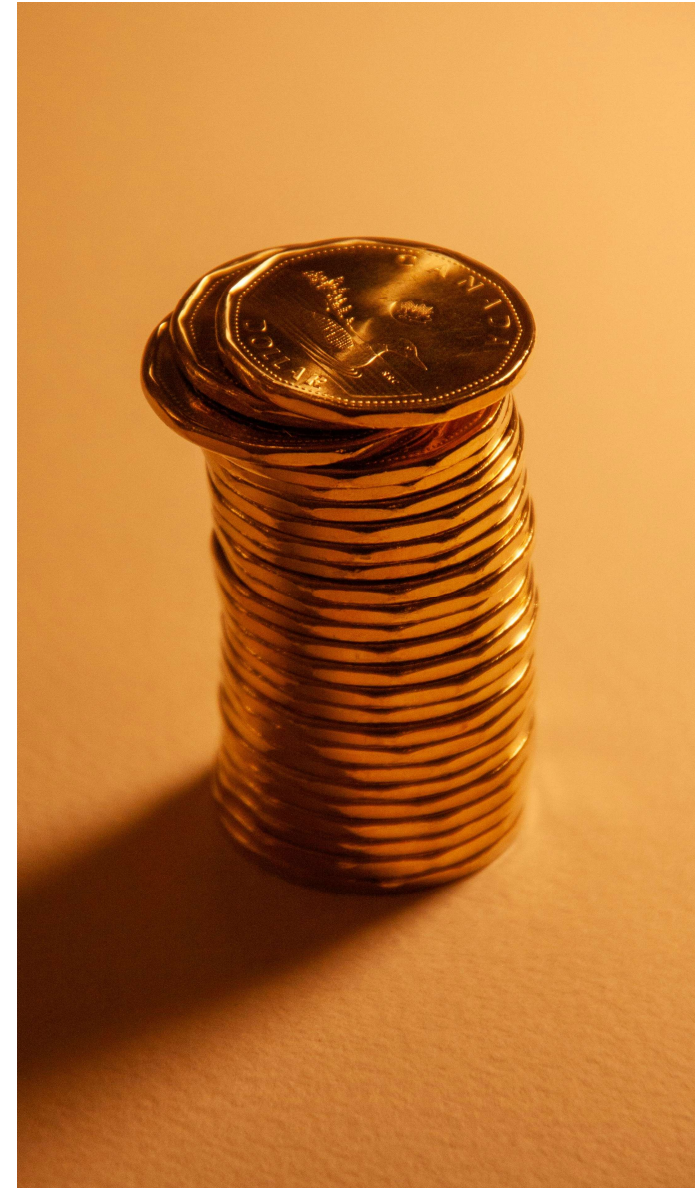


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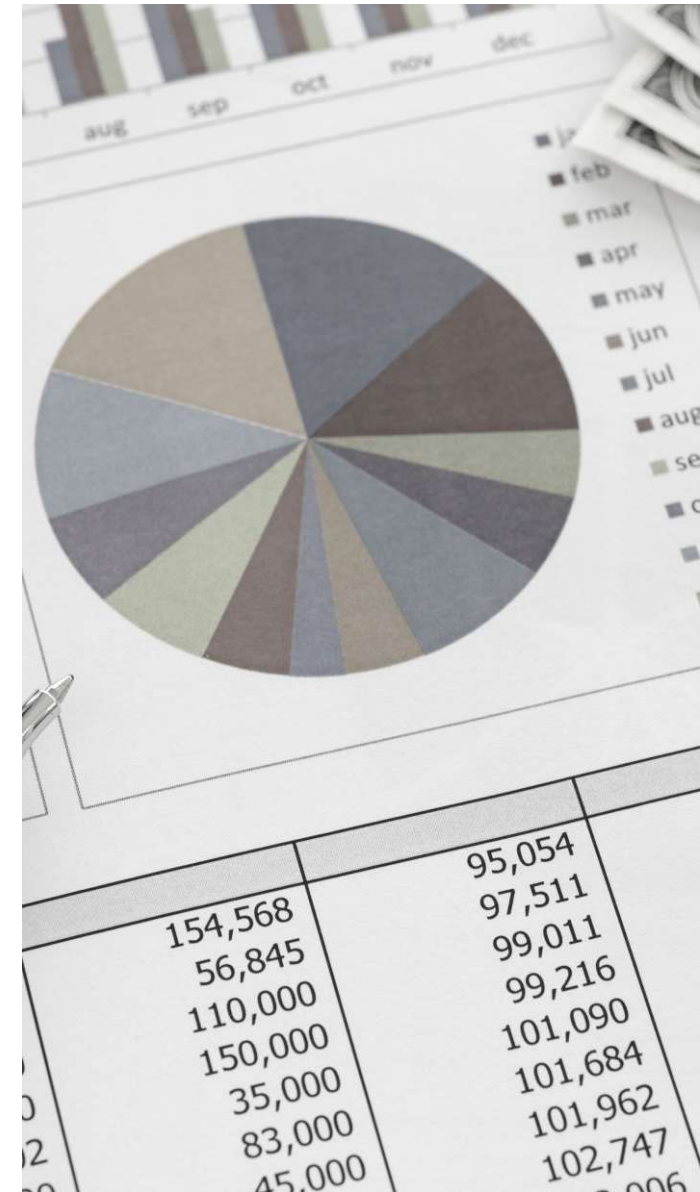


Commissions

How are life insurance commissions paid?

First year and residual commissions

- Commission structures vary by policy and company, but typically, life insurance agents receive as commission 60% to 80% of the premiums paid by the policy holder in the first year. Lines of business determine the amount agents and brokers can earn. Term life typically provides 40-120% of first-year premiums while permanent life typically provides 10-80% of the first-year “target” premium.
- In later years, the agent may receive anywhere from 3% to 10% of each year's premium, also known as residuals, renewals, or trailing commissions. Residuals provide a passive source of income, meaning agents don't have to continually sell new policies to continue earning commission. As customers renew their policies, agents also earn residuals, which are smaller, ongoing payments.
- Most life insurance agents are paid strictly on commission, meaning they only make money when they sell policies. However, many policies provide a residual income stream, which is paid out each time the client renews their policy.
- Added up, 5% to 10% of all the premiums paid over the life of a policy could go to commissions.
- To gauge the level of importance of the various commissions, Celent asked a series of questions related to commissions, bonuses, payment features, commission statements, and technology. The following pages compare the level of each with availability in the market. Availability is determined by the level to which the options are offered by insurers per the respondent and considers if all or most carriers offer the option.

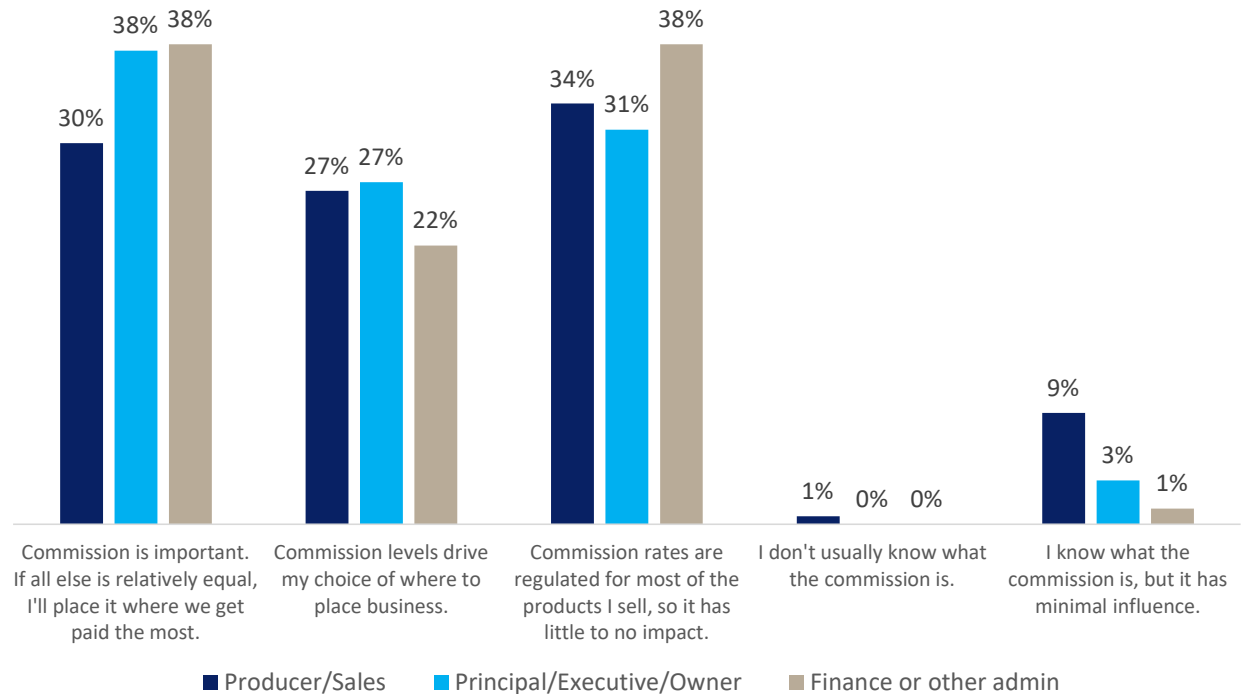


Commission plays a significant role for many respondents. Regardless of role, almost 60% say that commission has an impact on where they place business.

Note: From this point forward, the analysis focuses only on respondents who indicated, “I usually make the decision about where to place the business.” Findings reflect the perspectives of this decision-making group.

- Commissions remain a powerful influence on agent behavior, though the impact varies.
- Overall, 26% of respondents say commission drives where they place the business. Another 35% prioritize higher pay when other factors are equal.
- At the same time, 33% noted that regulated commission rates limit their effect on decision-making, while another 9% said they are aware of commissions but are only minimally influenced by them.
- Taken together, the findings suggest that—despite regulatory constraints—commissions are still strong motivators, especially for leaders within agencies, and play a meaningful role in shaping where business is placed.

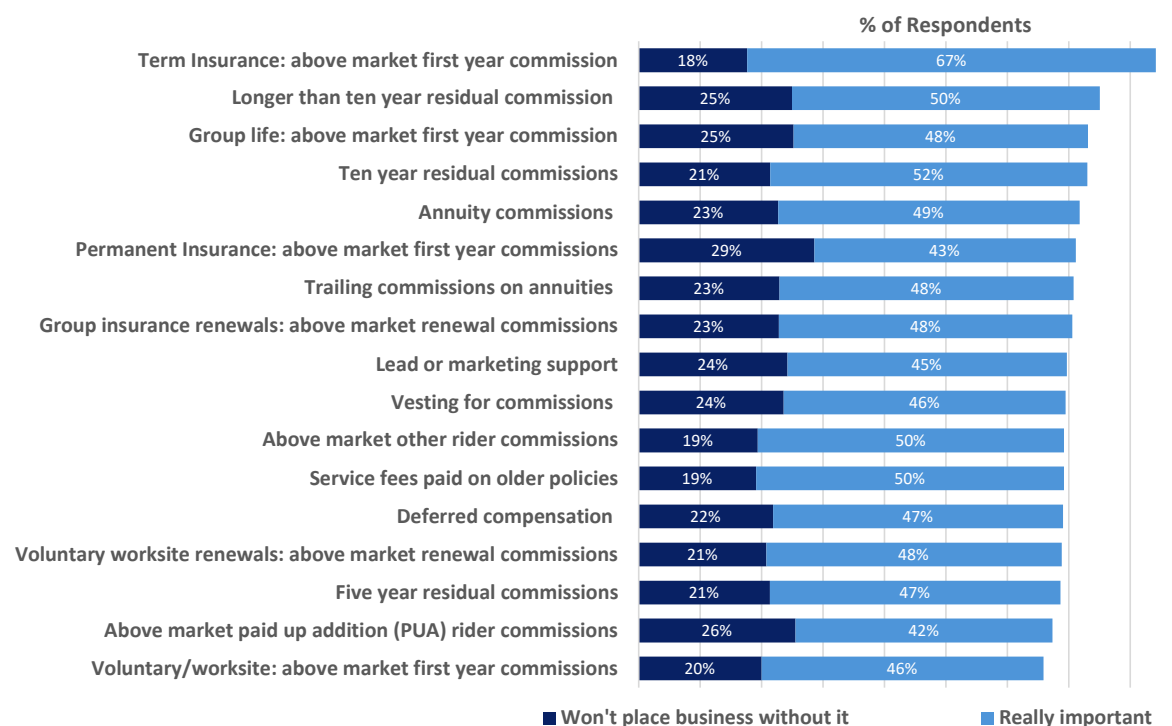
When choosing with which life insurer to place business, how much do you consider the commission that will be paid by the insurer?



Competitive commissions on immediate payouts for term insurance are very important, yet longer-term commission payouts are highly valued.

Level of importance of commission/compensation plan options

- Overall, long-term commission benefits play an important role in decision making by respondents.
- After above market rates for term insurance, longer than ten and ten-year residual commissions are considered highly important by three-quarters of respondents.
- Annuity commissions, competitive permanent insurance commissions, trailing annuity commissions, and lead/marketing support are among the top eight commission options highly valued by respondents.
- Voluntary insurance related commissions fall to the bottom of the list, which may have to do with the labor climate.
- “Dynamic commission tiers motivate agents to focus on long-term customer relationships rather than one-time sales,” stated on respondent.

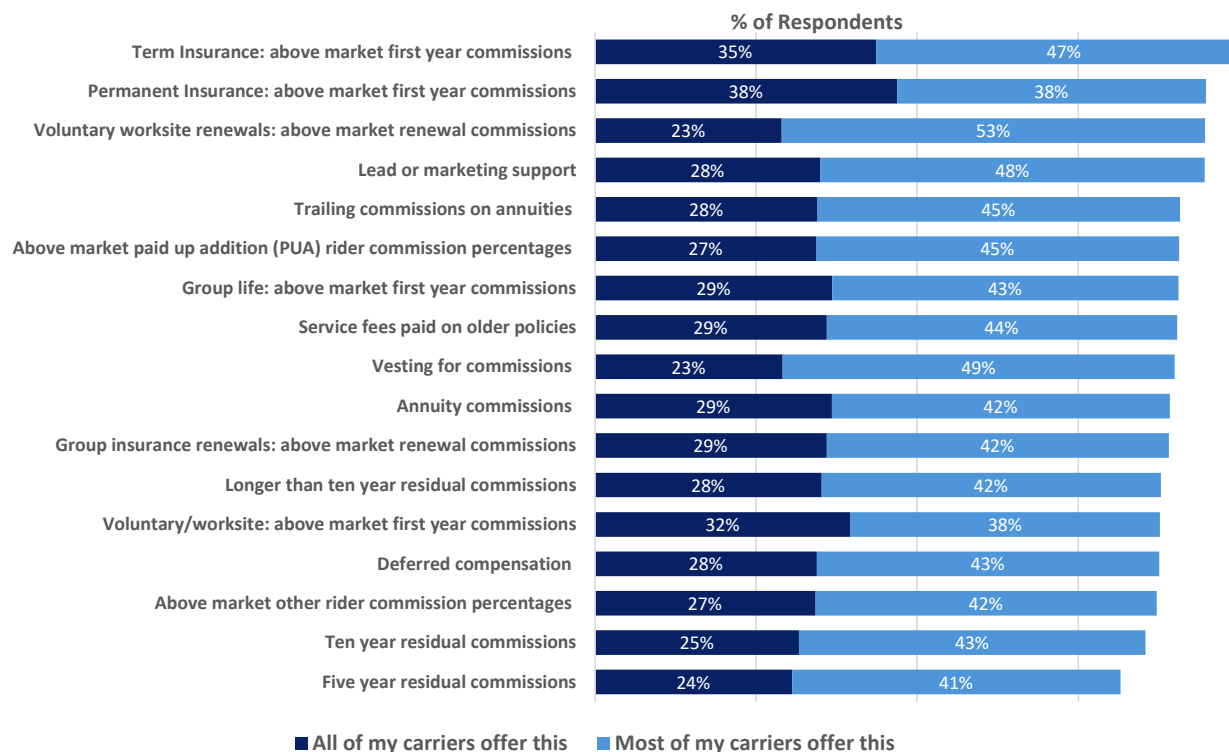


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Most compensation features are widely offered, but variability across carriers creates opportunities for differentiation.

Availability of commission/compensation plan options

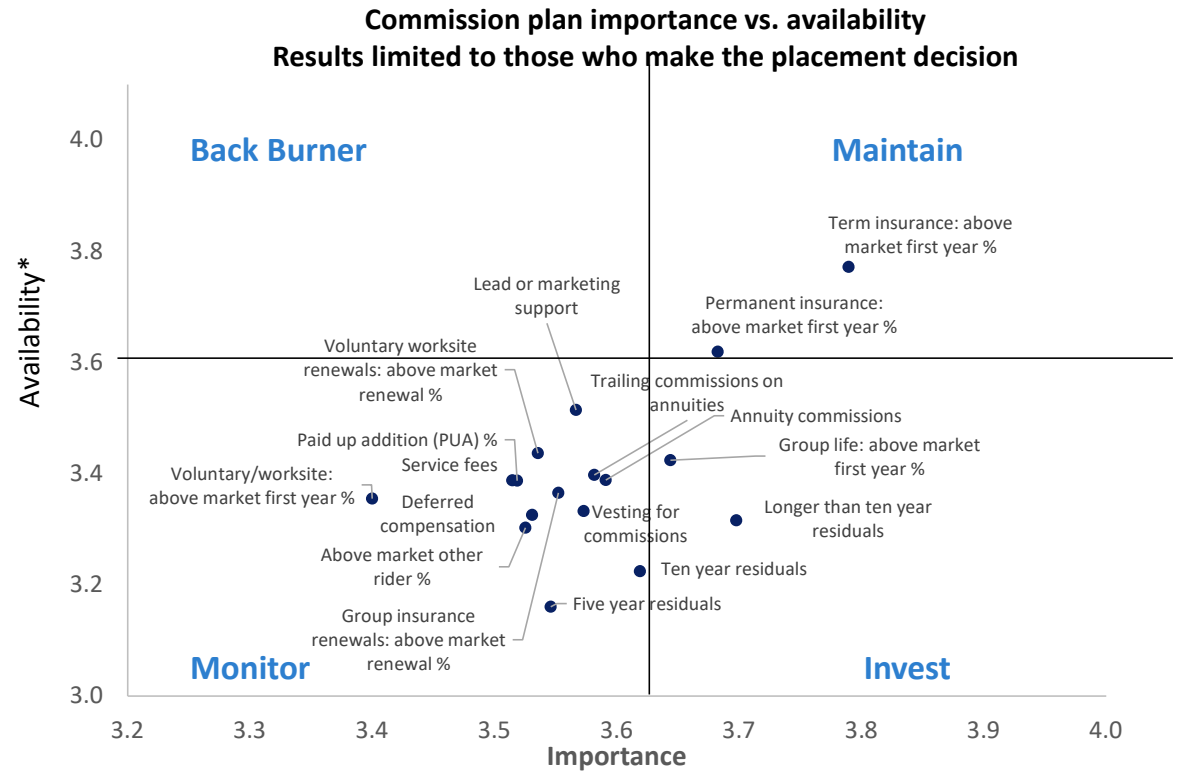
- While most carriers offer a variety of compensation features, there is still significant room for differentiation, as no single option is available from all carriers.
- Respondents generally have access to above-market term and permanent insurance commissions, yet the longer-term commission structures they value most are not as widely offered.
- Similarly, residual commissions remain less commonly available, highlighting an area where carriers could better align their offerings with agent preferences and create a competitive advantage.
- “One insurer recently added residual commissions for long-term policies, exciting for steady income,” noted one respondent



Note: This analysis focuses only on respondents who indicated, “I usually make the decision about where to place the business.” Findings reflect the perspectives of this decision-making group

Insurers should align commission offerings with agent priorities, maintaining widely available essentials and investing in under-served high-value features.

- We asked respondents to rate the importance of specific commission plan features and to indicate how many of their carriers offered those features.
- Insurers should **maintain** features that are highly important, and widely available in the market. Features that are highly important, but not widely available create opportunities for differentiation. Insurers should consider **investing** in these features. Those that are not important but are widely available can be put on the **back burner**. Those that are not highly important but are also not widely available are worth the effort to **monitor**. Should their level of importance change, they create opportunities for differentiation.
- Decision-makers place the greatest value on above-market first-year premium commissions for both term and permanent insurance, with these features ranking highest in both importance and availability.
- They also express strong interest in extended commissions beyond ten years, though this option is less widely offered.
- In contrast, group life and group insurance renewals are viewed as less critical, even though availability is moderate.
- Carriers should assess their own offerings against those features that are most important to agents. Features that are highly important and are currently not widely available in the market can create differentiation.

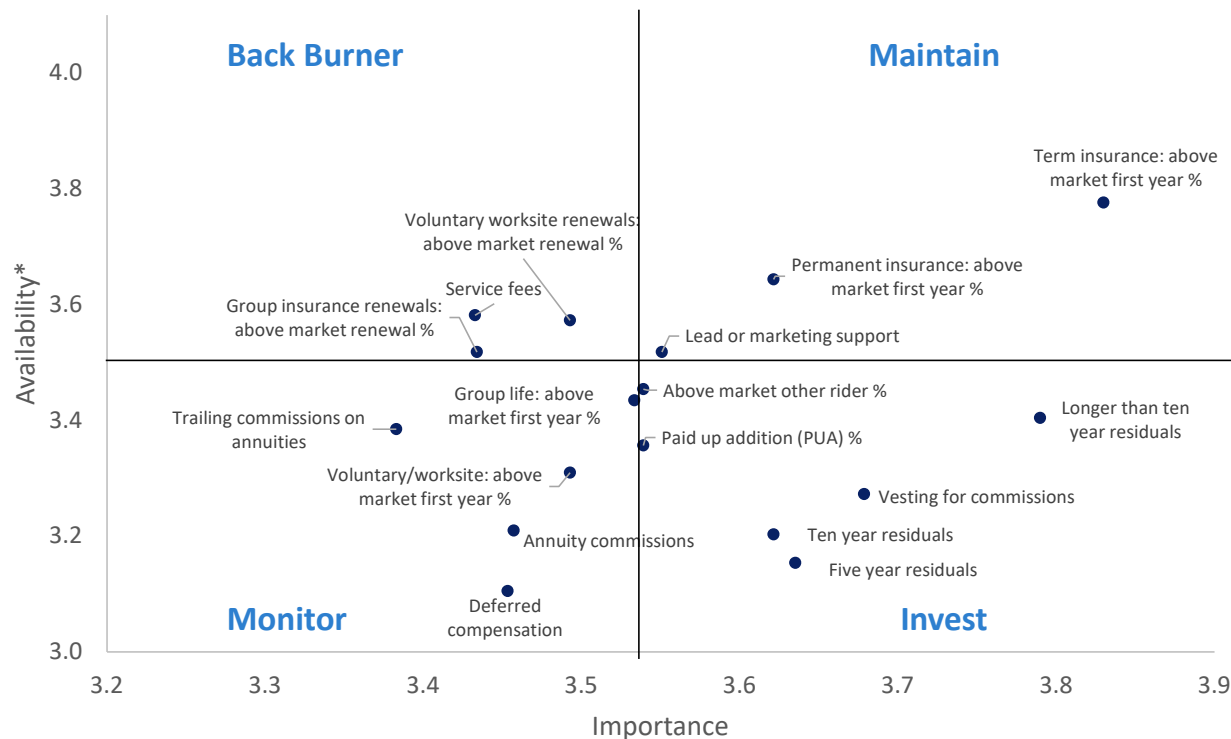


*Availability considers all or most insurers offering the option

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

Producers value certain long-term commission features that remain scarce, creating opportunities for differentiation.

Commission plan importance vs. availability



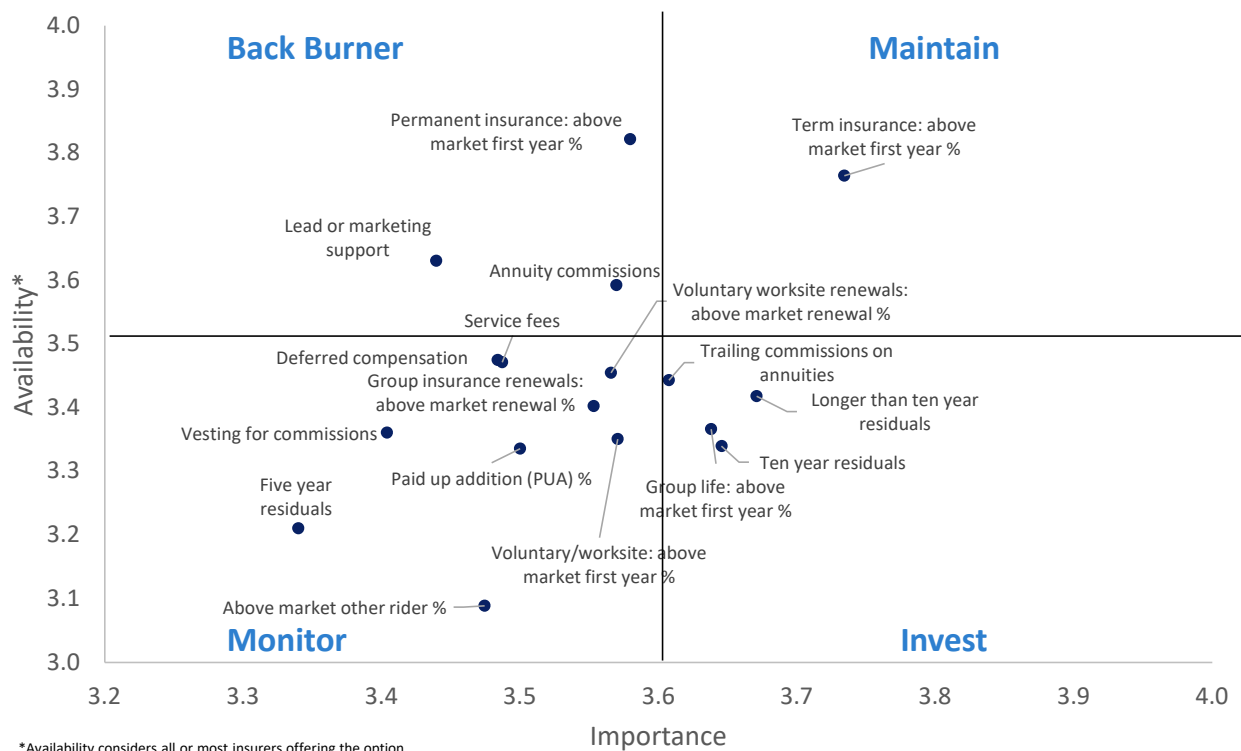
*Availability considers all or most insurers offering the option

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

- Producers and agents show a clear preference for above-market first-year premium commissions for term insurance, but they also place high value on long-term compensation features.
- These include longer-than-ten-year residual premiums, vesting for commissions, and five- and ten-year residual premiums—features that are less commonly available from the insurers.
- Insurers could benefit from recognizing that agents view longer-term commissions help stabilize income during periods of lower sales.
- Offering these types of compensation could not only support agents' financial security but also encourage sustained production and longer-term loyalty to the insurer.
- "Commissions that are tilted towards long-term policies, encourage continuous services rather than short-term sales," said one respondent

Principals and owners value above-market term commissions and long-term compensation features that are less commonly available, presenting opportunities for differentiation.

Commission plan importance vs. availability



*Availability considers all or most insurers offering the option

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

- Principals, executives, and owners show a strong preference for above-market first-year premium commissions for term insurance, with both importance and availability rated highly.
- Commissions on permanent life insurance products, however, are less important to this group.
- In addition, they place considerable value on long-term compensation features such as longer-than-ten-year residual premiums, ten-year residual premiums, and trailing commissions on annuities—options that are not as widely available in the market.
- Insurers that offer these less common, highly valued commission structures could better meet the needs of principals and owners while differentiating themselves in a competitive market.

Longer term commission plans drive behavior and should be part of commission plans.

Key Findings

- Commissions remain a major driver of placement decisions, with 35% of respondents indicating that higher pay is a priority when all other factors are equal.
- Principals and owners, in particular, place greater emphasis on commission structures than other roles, highlighting the importance of tailoring compensation strategies to this group.
- Above-market first-year commissions for term and permanent life insurance are both highly valued and widely available. However, longer-term residuals—especially those extending 10+ years—are highly desired but less commonly offered.
- This creates a notable mismatch: producers and principals consistently prioritize long-term and vesting features more than insurers currently provide, suggesting a gap between market expectations and existing offerings.

Recommendations for Insurers

- Enhance long-term commission structures, including 10+ year residuals, vesting schedules, and trailing annuity commissions, to better align with agent priorities.
- Balance upfront incentives with ongoing compensation to foster loyalty, reduce turnover, and provide financial stability during slower sales periods.
- Target principals and owners with tailored packages that emphasize strategic, long-term benefits and highlight stability and growth potential.
- Differentiate through flexible commission structures that can be customized based on agent tenure, production levels, or specialty lines.
- Link commissions to policy persistency, compliance, and quality metrics to encourage sustainable, high-quality business practices.
- Offer clear communication and transparency around commission structures, ensuring agents understand both short- and long-term earning potential.
- Periodically review and benchmark commission offerings against the market to maintain competitiveness and retain top talent.



Contests and Bonuses

Life insurance compensation often includes bonuses to reward production, persistence, and growth.

Insurance company incentive trips and bonuses are coveted rewards in the industry. They are usually powerful motivators for agents and brokers. These trips often send top performers to exotic destinations, with fully paid accommodations and exclusive activities as a testament to their success. Beyond travel, financial bonuses offer additional recognition for exceeding sales targets, fostering a competitive yet supportive environment within the company.

Bonuses are earned based on a variety of factors including sales volume, retention, team management, etc.

Production Bonuses (Sales Volume): Agents earn bonuses for hitting certain sales targets, often measured by annualized first-year premium (FYP) or annualized premium equivalent (APE). For example, if an agent writes \$250,000 in premium in a year, the insurer may pay an extra 5–10% on top of commissions.

Persistency Bonuses (Policy Retention): Since life insurance is valuable only if policies stay in force, companies pay bonuses for maintaining high policy persistency (low lapse/cancellation rates). For example: If an agent's block of policies has a 90%+ persistency after 13 months, they may receive a retention bonus.

Recruiting/Team-Building Bonuses: In career agency systems, agents who build and manage a team (often called unit managers or general agents) earn bonuses based on their team's production.

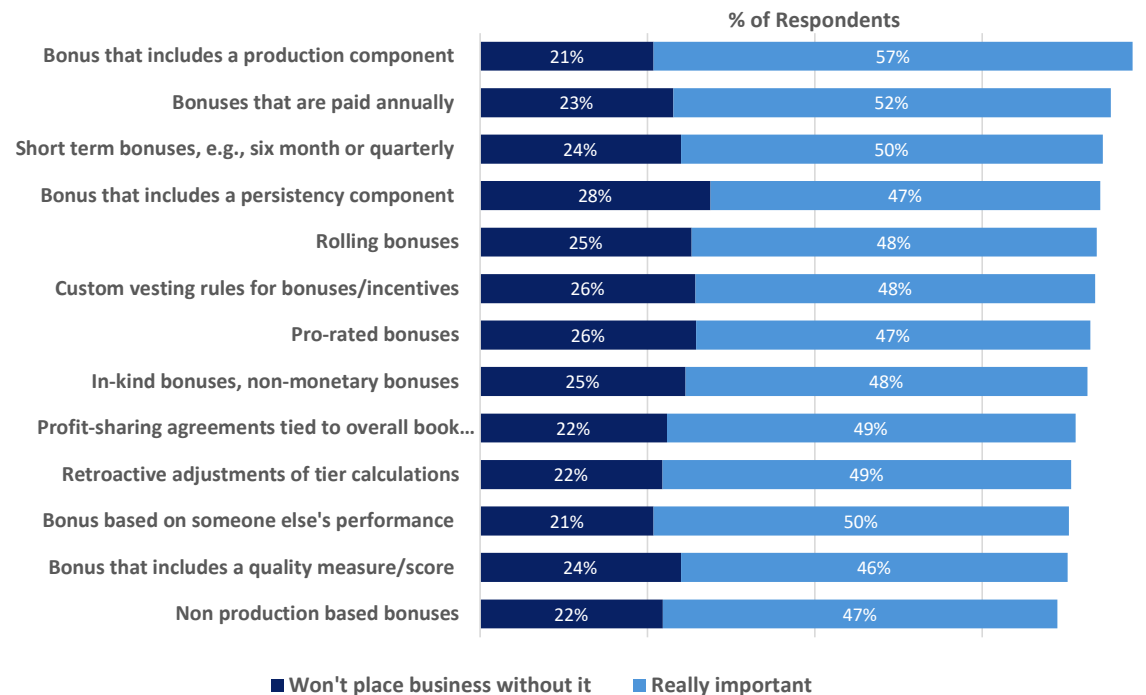
Contests and Incentives: Carriers frequently run short-term contests with cash bonuses, luxury trips, or merchandise for hitting monthly or quarterly production goals.



Agents prefer performance-based bonus plans with frequent, tangible rewards.

- The most valued bonus plans are those tied to production indicating a strong preference for performance-based incentives.
- Short-term and rolling bonuses are also popular, suggesting that frequent, tangible rewards are more motivating than less frequent payouts.
- Annual bonuses as well as bonuses that target persistency round out the top six preferences.
- These findings indicate that insurers should prioritize clear, frequent, and merit-based incentives to better engage their agents.
- While bonuses based on others' performance, quality metrics, or non-production factors are generally less influential, they remain important to over 60% of respondents.
- Additionally, some respondents highlighted more unique bonus approaches, including rewards for high-level talent, stock ownership opportunities, and recognition for exceptional performance beyond standard targets.
- Incorporating a mix of traditional and innovative bonus structures may help insurers appeal to a broader range of agent motivations and foster long-term engagement.

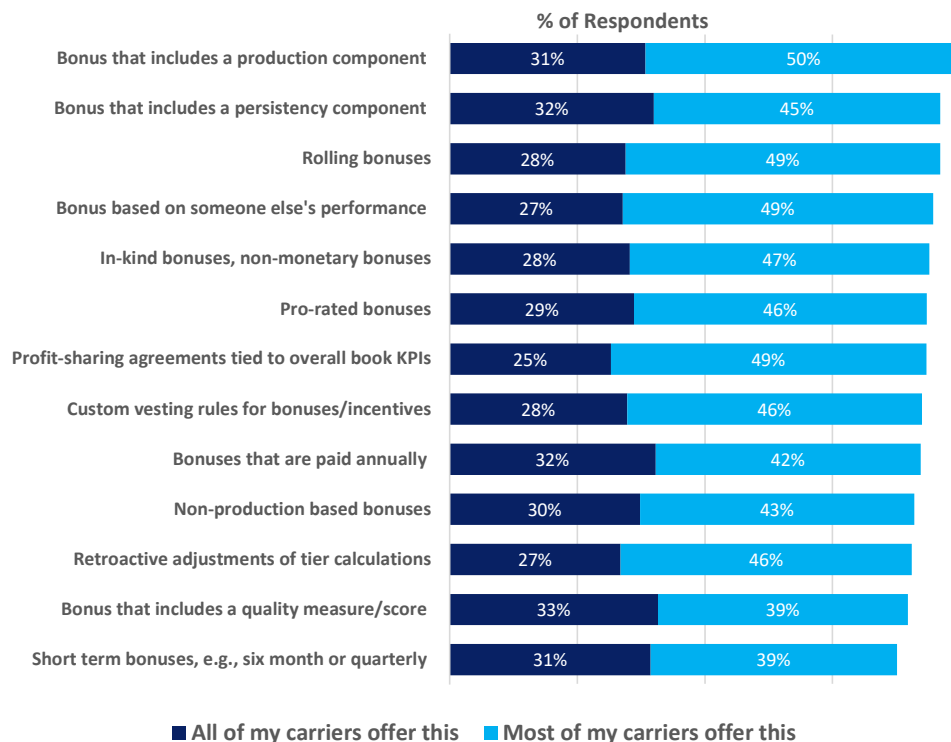
Level of importance of bonus/incentive plan options



Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

The widespread availability of production- and performance-based bonuses suggests that insurers can best engage and retain agents by linking rewards to results.

Availability of bonus/incentive plan options

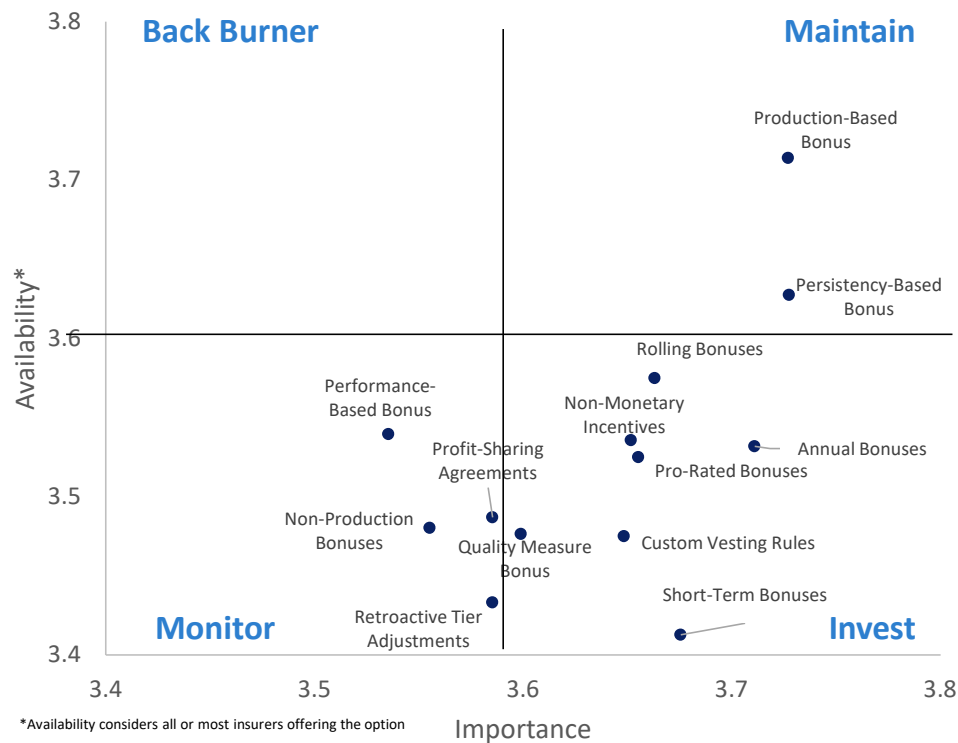


- Among life insurers, the most commonly available type of bonus is one that includes a production component, with 81% of respondents reporting that all or most of their carriers offer this structure.
- Following closely are bonuses tied to policy persistency, rolling bonuses, and bonuses based on the performance of others, which are also widely available across carriers.
- Overall, life insurers tend to offer a broad and diverse array of bonus options, reflecting a strong industry emphasis on performance and sales-driven incentive structures.
- This pattern underscores the importance insurers place on motivating agents to achieve measurable results, rewarding both individual contributions and, in some cases, collaborative or team-based outcomes.
- The prevalence of these bonus types highlights the sector's commitment to aligning compensation with performance, ensuring that incentives are closely connected to both production and long-term business goals.
- "I'm seeing more dynamic bonus models and profit-sharing tied to actual persistency and claims ration performance. It's a nice shift from just pure volume, especially for long-term relationship agents," said one respondent.

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

Many incentive types are highly valued but not widely available, highlighting opportunities for insurers to differentiate by better aligning offerings with agent priorities.

Bonus type importance vs. availability



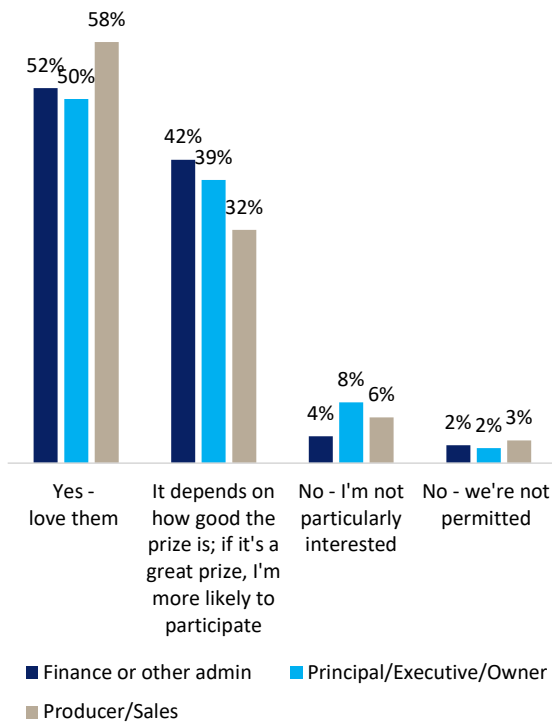
*Availability considers all or most insurers offering the option

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

- Respondents rate production-based bonus and persistency-based bonus as the most important and **widely available incentives, showing strong alignment between priority and provision.**
- Residual commissions and persistency-driven bonuses are also highly valued, reflecting a preference for long-term, performance-linked rewards.
- While short-term and annual bonuses are important, short-term bonuses are less widely available than annual bonuses, indicating a potential gap in provision.
- Several other incentives—such as performance-based bonuses, retroactive tier adjustments, and non-production bonuses—fall into a lower importance and lower availability zone, suggesting limited strategic focus may be needed.
- However, the overall spread of importance scores shows that many items are viewed as highly important, yet not widely available. With so many potential options, it may be hard for carriers to scale their incentive programs without the right technology.
- Overall, **increasing the availability of the most valued but underprovided incentives** indicates a significant opportunity for insurers to differentiate themselves by expanding their availability and better aligning their offerings with agent priorities.

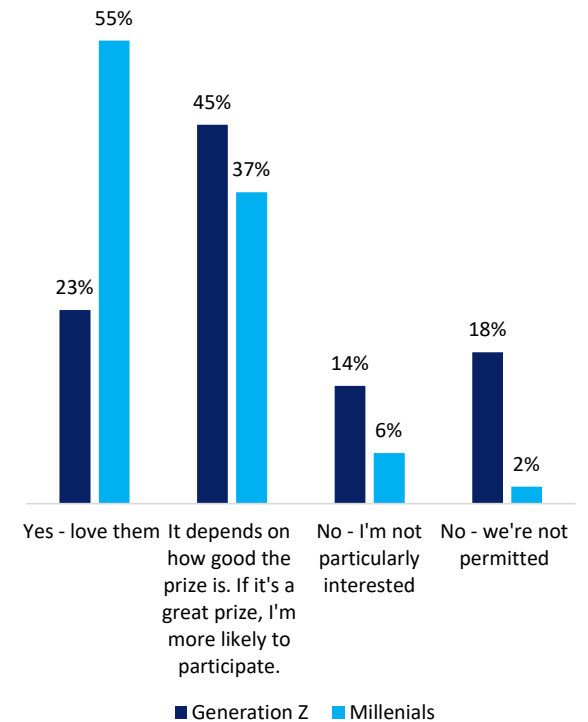
Contests have a strong influence on where business is placed, with all agency staff being motivated by good contests and prizes and Millennials driving the support

Contest Participation by Role



- Over half of respondents (54%) fully enjoy participating in contests, while 37% are motivated selectively, depending on the appeal of the prize.
- Agency staff tend to be most motivated when the prize aligns with their preferences, whereas agents overall enjoy contests regardless of the prize.
- Across all roles, contests are highly engaging, with 90% of agents, 89% of principals/executives/owners, and 94% of agency staff reporting motivation to participate.
- Across Generation Z and Millennials, the latter are most driven by contests.
- These results suggest that contests can be a highly effective tool for insurers to drive engagement, boost performance, and reinforce desired behaviors.
- By offering prizes that appeal to participants and ensuring broad access, insurers can leverage contests to motivate a wide range of contributors, enhance participation, and support overall productivity and retention.

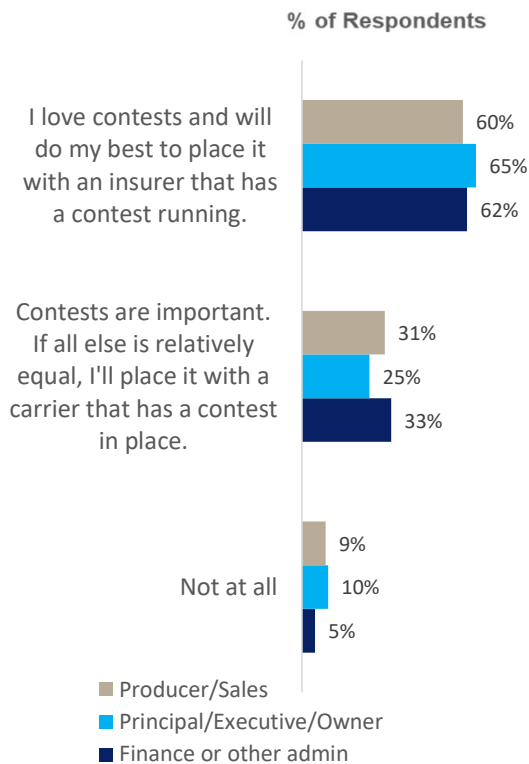
Contest Participation by Age/Generation



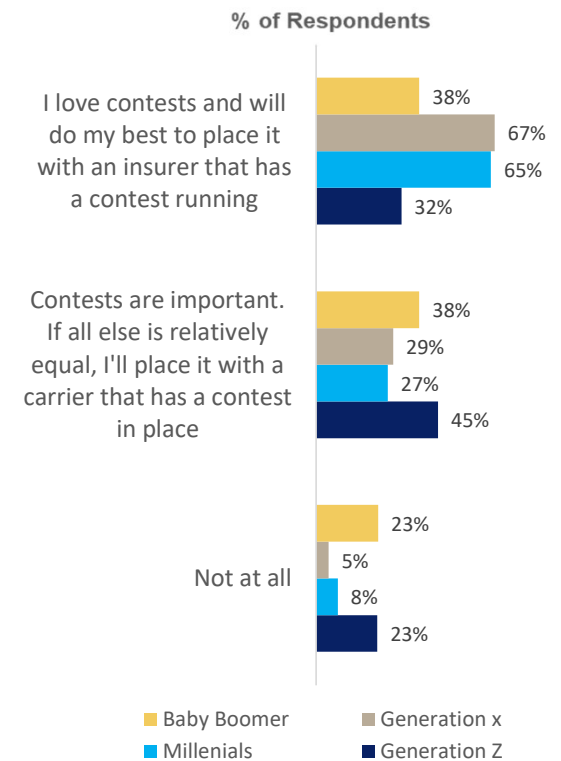
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Contests are a powerful tool for insurers to engage agents, influence placement decisions, and drive performance and loyalty across all segments.

If you're participating in a contest, how much does that influence your decision on where to place business?



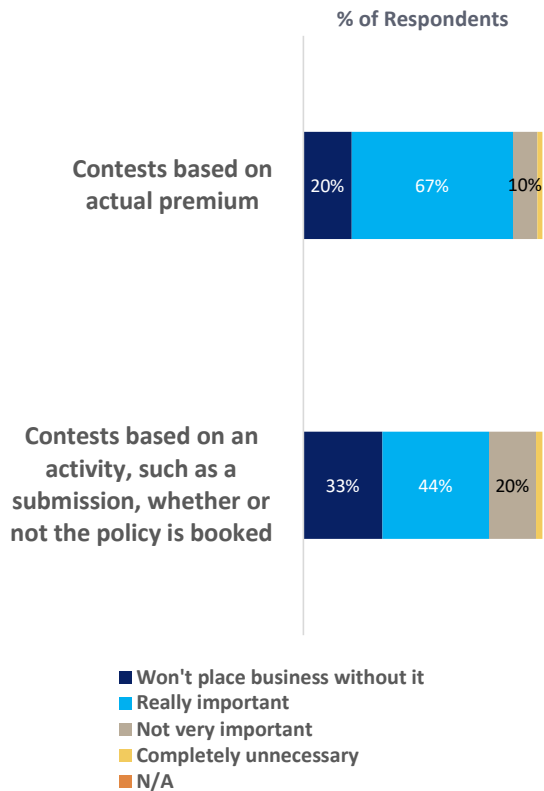
- Overall, 62% of respondents are highly motivated by contests and actively prefer insurers running them while another 29% consider contests important if other factors are equal. Only 8% say contests have no influence demonstrating that contests are a powerful factor in placement decisions.
- Principals, executives, and owners show strong motivation for contests and prefer insurers offering them, with producers and agency staff showing similarly high levels of interest.
- Contests are particularly important to Millennials and Gen Z, with 67% of younger agents reporting that they love contests and will prioritize placing business with insurers that offer them.
- For insurers, this highlights contests as a highly effective engagement and differentiation tool. By designing appealing and accessible contests, insurers can attract and retain top talent, influence placement decisions, and build stronger relationships with both younger and experienced agents.



Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

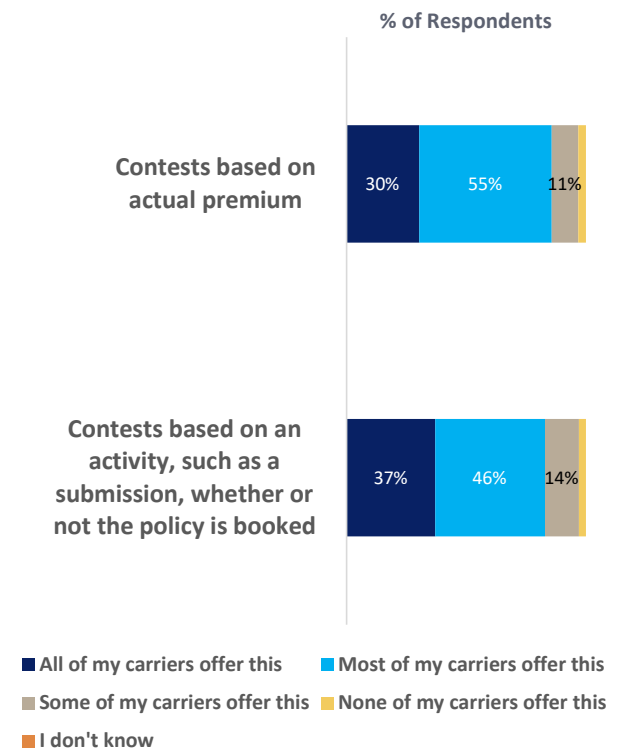
Contests are valued as productivity drivers and almost all insurers offer them.

Contests/Competition Importance Level



- **Contests based on actual premium are highly valued, with 87% of respondents rating them as either really important or business-critical.**
- Activity-based contests, such as submissions regardless of booking, are also well regarded with 77% viewing them as important, though 20% express some indifference.
- Premium-based contests are widely available, with 85% of respondents reporting that all or most carriers offer them, while activity-based contests are slightly less widely available, with 14% noting partial availability.
- Very few respondents report no access to either type, reflecting strong overall adoption.
- Other contest formats mentioned by respondents include short-term competitions like “most premium in 30 days” with high-value prizes, strategy-based games, and team- or region-based contests.
- For insurers, this indicates that offering a mix of widely valued premium- and activity-based contests—along with innovative formats—can serve as a key engagement and differentiation tool, motivating agents, driving activity, and enhancing loyalty across teams and regions.

Contests/Competitions Availability



Note: This analysis focuses only on respondents who indicated, “I usually make the decision about where to place the business.” Findings reflect the perspectives of this decision-making group

Bonuses and contests drive agent engagement, highlighting opportunities to expand incentives and influence placement decisions.

Key Findings

- **Bonuses are a primary motivator for agents:**
 - Production-based and persistency bonuses are the most highly valued.
 - Short-term and rolling bonuses generate higher engagement than annual-only rewards.
 - While most insurers offer production and persistency bonuses, short-term bonuses remain less widely available, highlighting an area for potential improvement.
- **Contests strongly influence placement decisions:**
 - Some 90% of agents are motivated by contests, with 62% actively preferring insurers that run them.
 - Millennials and Gen Z agents are particularly responsive, with contests and prizes influencing their placement decisions.
 - Premium-based contests are the most valued and widely offered, while activity-based contests are also important, though slightly less common.



What Insurers Should Do

- **Expand short-term & rolling bonus programs** such as monthly or quarterly incentives, to better meet agent demand and drive ongoing engagement.
- **Tie bonuses to persistency** and quality to encourage behaviors that support long-term profitability and sustainable growth.
- **Leverage contests strategically** to influence placement decisions ensuring they are frequent, engaging, and aligned with agent motivations.
- **Offer high-value, desirable prizes** (e.g., luxury trips, exclusive experiences) to boost motivation.
- Design contests that **reward both individual performance and team achievements**, fostering collaboration and broad engagement.
- **Close the gap between agent preferences and market offerings** by increasing the availability of short-term and rolling incentives, ensuring programs align more closely with what motivates agents.

Distribution Management Technology

The right commission management system can provide insurers with the tools and capabilities to effectively manage their distribution channels, optimize compensation programs, and leverage data and technology for competitive advantage.

Commission management modules within a distribution management system allow for the easy creation and administration of compensation statements, transactional payment plans, performance management, and self-service tools, in addition to commission and bonus plans.

Vendors are also investing in expanding functionality, improving usability, enhancing configuration tools, streamlining implementation, and investing in AI capabilities to meet the demands of insurers in this changing landscape.

Insurers should look to these systems as a way of meeting the desires and needs of principals/owners, agents and agency staff.

Internal and external areas to investigate include:

- **Payment plans:** Look for the ability to easily create payment plans by product, date, compensation type, producer status, and other factors.
- **Commission statements:** Look for producer access to commission statements and reconciliation tools meant for a producer.
- **Technology:** Look for self-service functionality like providing agents, principals/owners, and agency staff access to reporting features that allow self-monitoring of performance, the ability to run agent and agency commission and/or incentive compensation reports, and dispute management features that can be handled within the portal by the distributor. Technology should be browser-based, available via a tablet or mobile device, and include role-based security. Performance management reporting is also widely available.



Payment options play an important role beyond commissions in terms of business placement.

Life insurance commission structures are not just about how much agents get paid, but also how and when they're paid. Payment rules can vary by distributor or by product feature.

Common Payment Features in Life Insurance Commissions

Advances: A life insurer pays part (or all) of the first-year commission upfront before the policyholder has actually paid a full year of premiums. This helps new agents manage cash flow since life insurance commissions are heavily weighted to the first year, but there is a risk if the policy lapses early, the agent may have to repay unearned commissions (a "chargeback").

Draws Against Commission: A regular cash advance that functions like a "guaranteed paycheck," but is reconciled against future earned commissions. Draws can be recoverable where the agent repays the draw if they don't earn enough commissions or non-recoverable, which functions like a base salary; the agent keeps it even if they don't earn enough to cover it.

Flexible Payment Frequencies (e.g., level payment plans): Instead of paying a big first-year commission and smaller renewals, commissions can be "smoothed" and paid evenly across several years. This reduces lapse-driven chargebacks and gives agents more predictable income.

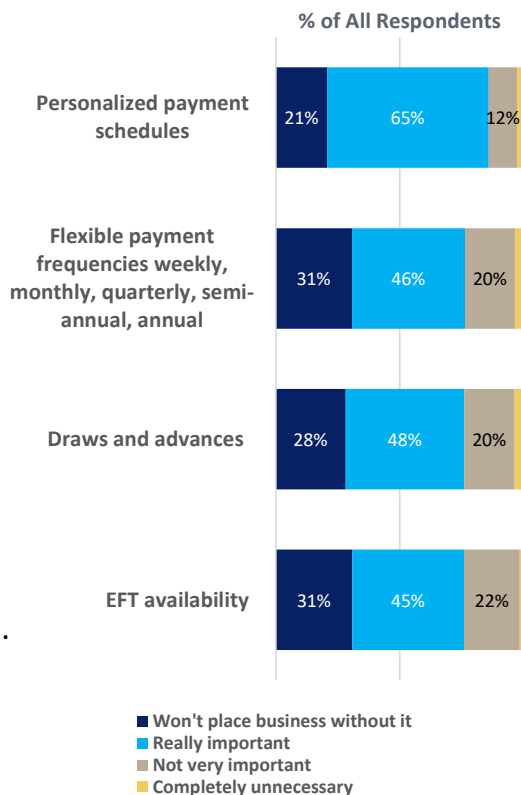
Personalized Payment Schedules: Some carriers/agencies tailor commission timing to agent needs. Options include weekly, biweekly, or monthly payouts.

Electronic Funds Transfer (EFT) Payments: EFTs are the electronic transfer of money between people, banks, and companies. This payment technology is used to pay bills, send money to friends and family and compensate workers (commissions, bonuses, payouts, etc.).



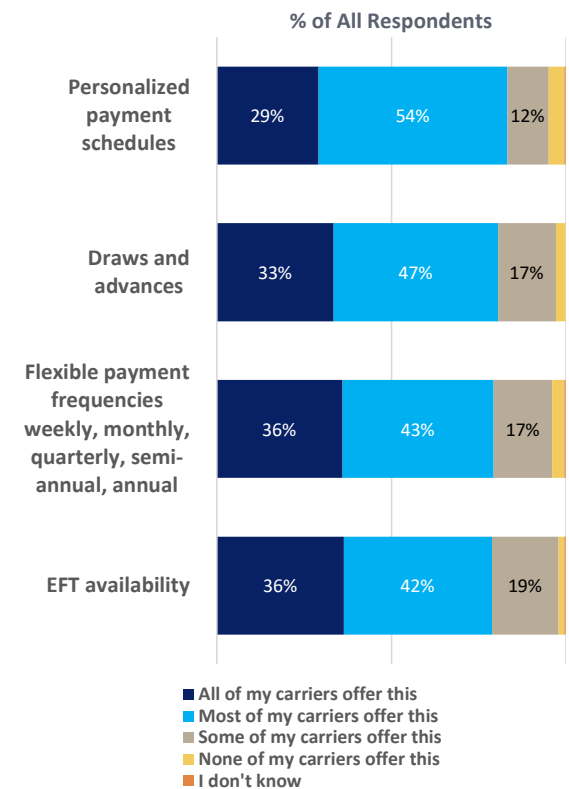
Personalized and flexible payment options are highly valued by agents, showing strong adoption and opportunities for insurers to differentiate with innovative features.

Payment Features Level of Importance



- Respondents who decide where business is placed says personalized payment schedules stand out as the most valued, with 86% rating them as either “won’t place business without it” (21%) or “really important” (65%).
- Flexible payment frequencies (77%), draws and advances (76%), and EFT availability (76%) follow closely, highlighting the demand for adaptable and efficient payment methods.
- Respondents say that all or most of their life insurers offer these key payment features.
- Personalized payment schedules are the most commonly available (83%), while draws and advances and flexible payment frequencies are slightly less prevalent (80%) but still offered by the majority.
- Only a small minority report not having these features at all, showing strong industry adoption with minimal gaps.
- Additional payment features highlighted by respondents include payment channel security, multichannel payment support, direct debit, commission-based loyalty rewards, and even options like Venmo, suggesting that insurers could further differentiate by offering innovative and convenient payment options.

Payment Features Availability



Personalization and flexibility are important payment features and could be differentiators in placement decisions.

Findings

- **Agents value *how* they are paid as much as *what* they are paid.**
 - Top-rated features include:
 - **Personalized payment schedules** (86% say essential/very important)
 - **Flexible payment frequencies** (level payments vs. large upfront commissions)
 - **Draws & advances** (help stabilize early cash flow)
 - **EFT payments** (fast, reliable transfers)
- **Market alignment is strong:** Most carriers (80%+) already offer these features, though demand for more **personalization** is growing
- Emerging agent preferences include secure payment channels, multichannel options, loyalty rewards, and platforms like Venmo
- Payment flexibility is a key factor in **where agents choose to place business**
- Agents want compensation that reduces risk (e.g., chargebacks) and provides predictable, stable income

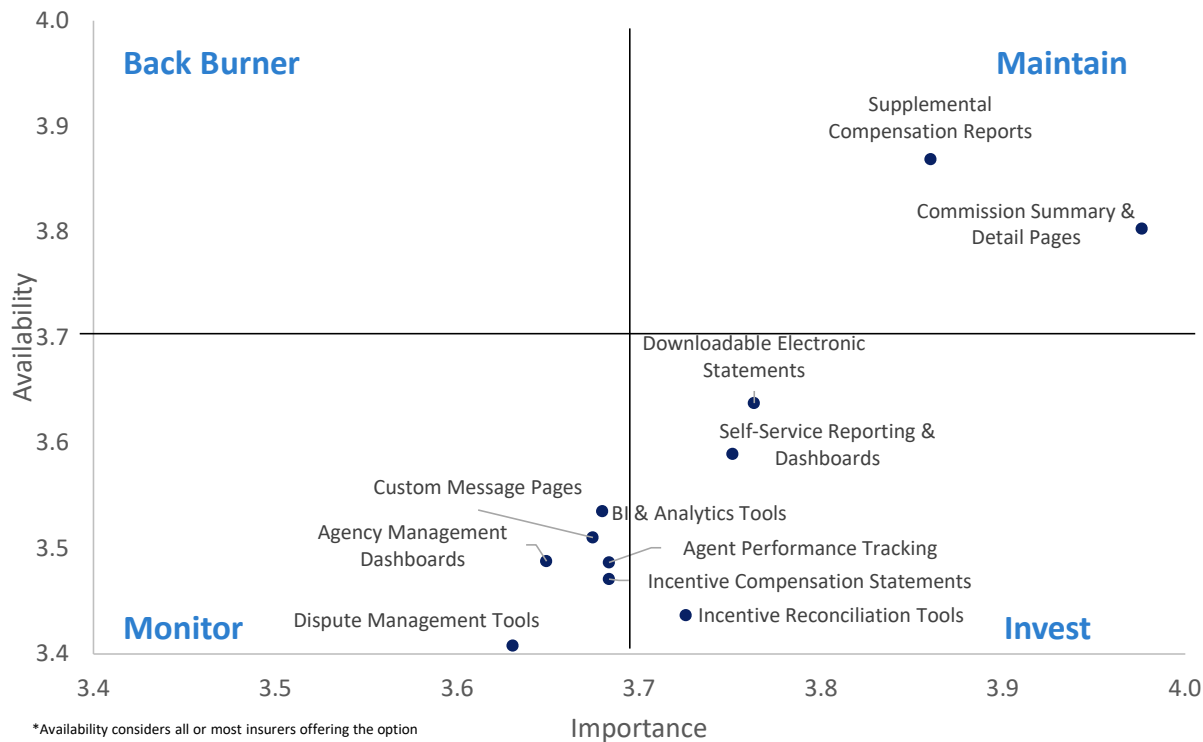
Recommendations for Insurers

- **Expand Personalization**
 - Move beyond standard schedules and offer **customized payment timelines** to match agent needs
- **Provide Flexible Frequencies**
 - Allow agents to choose between **upfront-heavy vs. smoothed commission models**, appealing to both new and experienced producers
- **Support Cash Flow Stability**
 - Broaden access to **draws and advances**, especially for new agents building their book of business
- **Optimize Payment Technology**
 - Ensure **fast, reliable EFT**, and explore **newer channels** (mobile wallets, loyalty tie-ins) to appeal to younger agents
- **Use Payment Flexibility as a Differentiator**
 - Highlight flexible payment features in **recruitment and retention messaging**, as they directly influence placement decisions

“Multiple insurance companies have started adopting digital payment systems, allowing agents to view commission payments in real-time through mobile applications or online platforms,” noted one respondent.

Investing in scarce digital compensation tools offers insurers a way to differentiate, boost satisfaction, and strengthen placement decisions.

Compensation statement features importance vs. availability



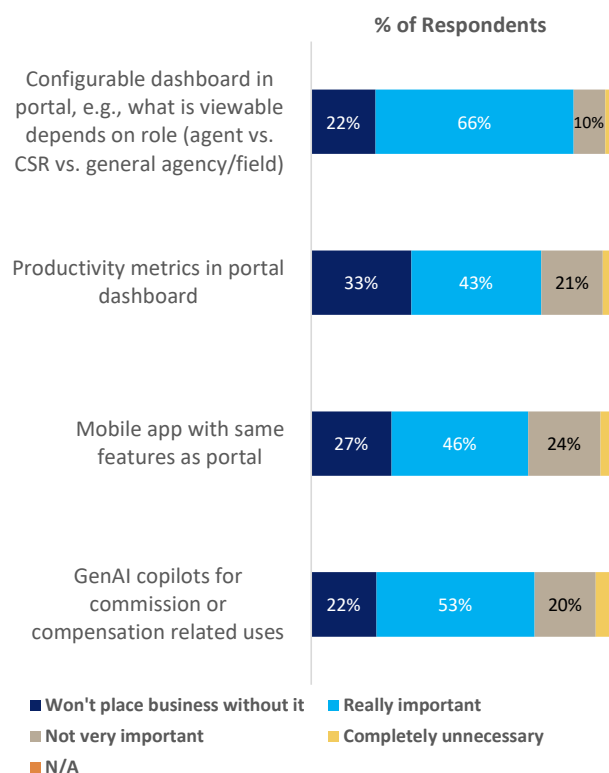
*Availability considers all or most insurers offering the option

Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

- **Commission summary & detail pages** and **supplemental compensation reports** fall into the high-importance, high-availability quadrant, reflecting strong market alignment between agent priorities and current market offerings.
- **Downloadable electronic statements** and **self-service reporting & dashboards** are also important, but they are less available in the market. Both are digital capabilities, and insurers should consider investing in them.
- Similarly, **incentive reconciliation tools** are desired by producers but not broadly provided.
- Additional features highlighted by respondents include user-friendly compensation management reports, which could be integrated into broader **agency management dashboards** to streamline access and usability.
- **Implications for insurers:** Expanding access to these underprovided but highly valued digital tools presents an opportunity to differentiate, improve agent satisfaction, and enhance transparency in compensation management, ultimately supporting retention and stronger placement decisions.

Compensation related technology and tools are valued by nearly 80% of respondents and availability is fairly high, but there is room for improvement.

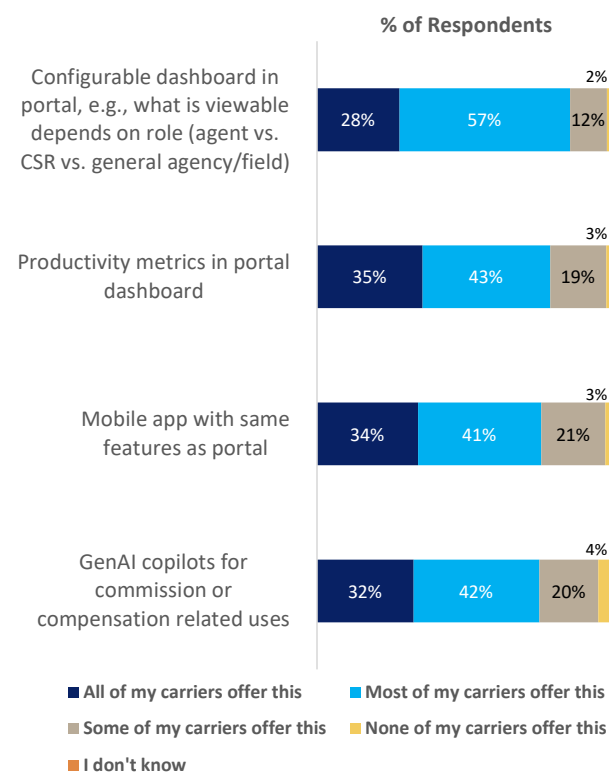
Technologies/Tools - Level of Importance



- Most respondents indicate that a **configurable dashboard** in the portal is highly important, with 88% rating it as essential or very important.
- Other key technologies—**productivity metrics within the portal**, a **mobile app offering the same features as the portal**, and **Gen AI copilots**—are also highly valued, each by over 75%.
- This reflects a strong focus on role-specific dashboards, productivity-enhancing tools, and AI capabilities to support agents and agencies in managing compensation effectively.
- On the availability of these technologies, 85% report that a configurable dashboard in the portal is widely available. Productivity metrics in the portal, mobile apps with equivalent features, and GenAI copilots follow closely, available from all or most carriers for 78%, 75%, and 75%, respectively.
- Respondents also highlighted some innovative technology features, including **blockchain-based smart contracts** for automatic commission splitting and real-time audit tracking, **instant notification alerts** for threshold breaches, and **real-time commission tracking and alerts**, underscoring opportunities for insurers to further differentiate through advanced digital capabilities.

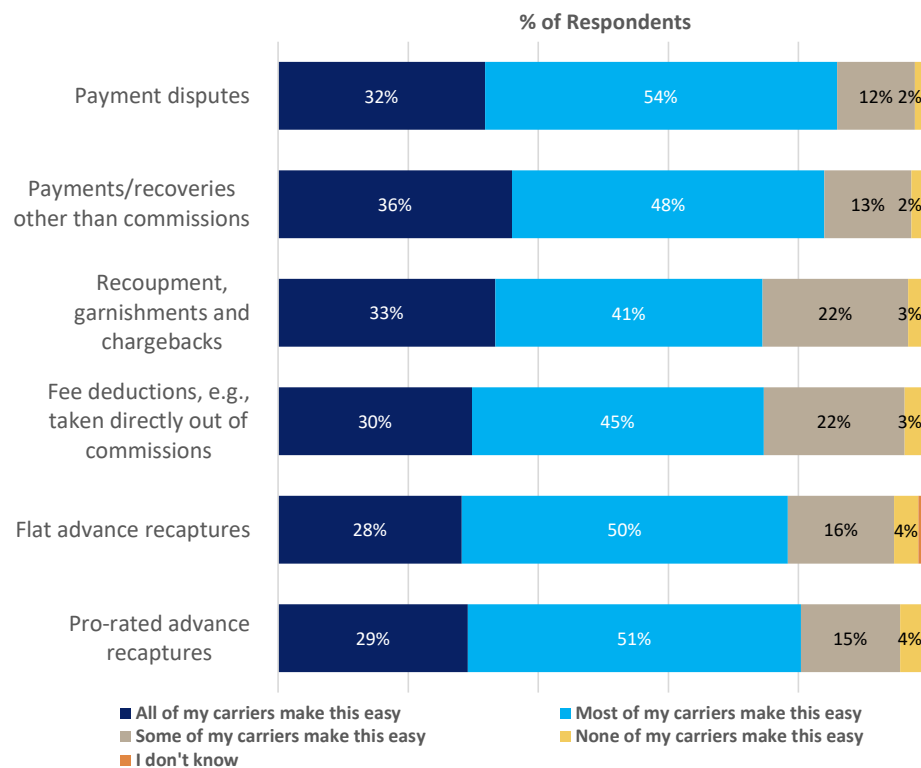
Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

Technologies/Tools Features Availability



Simplifying, increasing transparency, and automating complex payment processes can boost agent satisfaction, and loyalty.

Ease in Resolving Compensation Issues/Deductions



Note: This analysis focuses only on respondents who indicated, "I usually make the decision about where to place the business." Findings reflect the perspectives of this decision-making group

- Most respondents find payment disputes the easiest to resolve, with 86% saying all or most of their carriers handle them well.
- Payments or recoveries other than commissions follow at 81%.
- For more complex items such as recoupment, garnishments, and chargebacks, 74% report all or most carriers make it easy, though 22% say only some carriers do so, showing inconsistency in handling.
- Fee deductions, flat advance recaptures, and pro-rated advance recaptures show slightly lower ease levels, indicating opportunities for streamlining and improving these processes.
- Earlier responses also indicate that an automated and easy dispute process is highly important, with 79% rating it as either mandatory or very important. This underscores the strong need for transparency, convenience, and reliability in resolving payment issues.
- Implications for insurers: Streamlining and standardizing the handling of complex payment issues, implementing automated dispute resolution tools, and improving transparency can enhance agent satisfaction, reduce operational friction, and strengthen trust, ultimately supporting retention and loyalty.
- "One of the biggest changes I've seen is an increasing focus on transparency in commission structures. More insurers are now providing detailed breakdowns of commission structures and clearly outlining how commissions are calculated. This helps agents and brokers better understand their earnings and incentives.

There is no single best compensation technology solution for all insurers. There are good choices for insurers with almost any set of requirements.

An insurer seeking compensation and commission technology should begin the process by looking both inward and outward. Every insurer has its own unique mix of channels, compensation programs, lines of business, geography, staff capabilities, business objectives, and financial resources. **When evaluating potential vendors, insurers should consider survey insights alongside their own strategic priorities and risk appetite to ensure the selected technology aligns with organizational needs.**

Technology Related Findings

- **High-Value Features**
 - **Commission summary & detail pages** and **supplemental compensation reports** are both highly important and widely available, providing agents with confidence and clarity on their earnings.
- **Features with Gaps**
 - **Downloadable electronic statements** and **self-service dashboards** are highly valued but **less available** in the market.
 - **Incentive reconciliation tools** are also underprovided relative to demand.
- **Agent Expectations**
 - Agents increasingly expect **easy-to-use digital dashboards** with integrated compensation tracking.
 - Several noted interest in **compensation management tools** built into agency management systems.

Recommendations for Insurers

- **Strengthen Digital Transparency**
 - Provide **detailed, downloadable compensation statements** to build trust and reduce disputes.
- **Invest in Self-Service Tools**
 - Expand **dashboards and portals** where agents can track commissions, bonuses, and reconciliations in real time.
- **Bridge Availability Gaps**
 - Prioritize adding **electronic statements** and **incentive reconciliation features**, which agents rate as important but underprovided.
- **Enhance Agent Portals**
 - Integrate compensation reporting with **productivity metrics and agency management dashboards** for a unified experience.
- **Use Technology as a Differentiator**
 - Position advanced reporting, transparency, and digital capabilities as a **competitive advantage** to attract and retain agents who value clarity, efficiency, and control over their compensation.

Final Thoughts

Compensation, flexibility, and digital tools drive placement decisions, with technology and innovation key to engaging Millennial and Gen Z agents.

Final Insights

- Compensation continues to be the primary driver of placement decisions, with commissions, bonuses, contests, and payment flexibility at the forefront.
- Millennials and Gen Z agents are reshaping expectations, demanding greater digital tools, flexibility, and more frequent rewards.
- Insurers must balance short-term incentives with long-term persistency rewards to remain competitive.
- Technology-enabled transparency—through dashboards, AI, and automation—will be essential for maintaining agent trust and loyalty.

Recommendations for Insurers

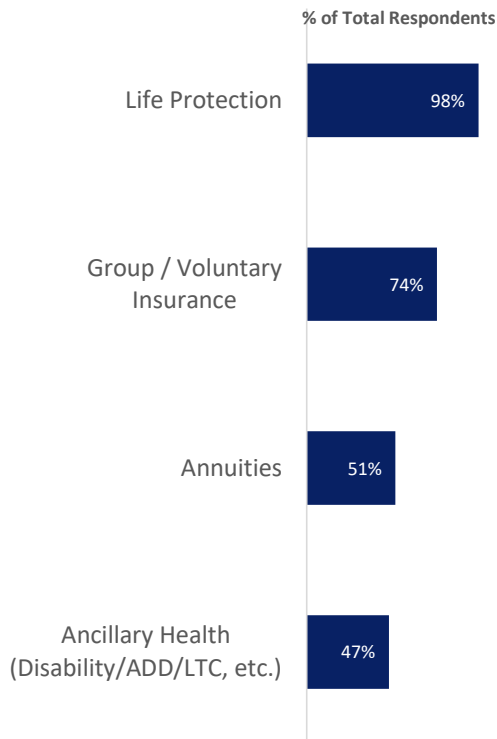
- Expand flexible payment options: Offer customizable schedules and flexible frequencies to stabilize agent income and reduce chargebacks.
- Invest in digital compensation tools: Prioritize self-service dashboards, mobile parity, and AI-enabled assistants to improve agent experience.
- Automate dispute resolution: Implement transparent, efficient processes for handling chargebacks, recoupments, and deductions, reducing friction and building trust.
- Differentiate with innovation: Explore blockchain-based commission tracking and real-time alerts and other advanced technologies to improve accuracy, transparency, and operational efficiency.
- Engage the Millennial/Gen Z workforce: Increase use of contests, frequent rewards, and mobile-first platforms to meet expectations of the emerging dominant sales force.



Appendix A: Demographics

Life insurance is the predominant line of business sold by survey respondents, with investment linked products at the top of the products sold and supported.

Line of Business Sold

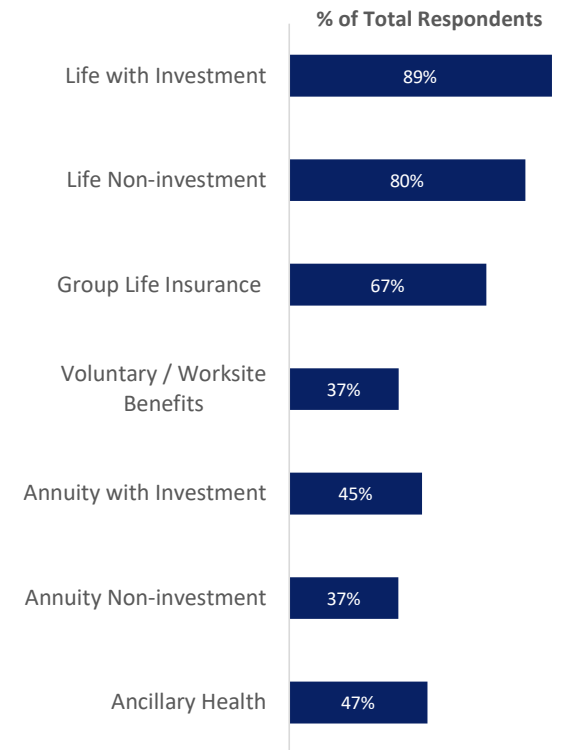


98% percent of respondents sell life protection products and 82% have life protection products making up over 50% of their book. Group/voluntary insurance follows with 74% selling, indicating solid adoption in the employee benefits space. Annuities are sold by 54% of the respondents, reflecting lower market focus. Ancillary health products like disability insurance, accident (ADD), or LTC are sold by less than half the respondents. There's a clear preference for life-related products, while annuities appear to be less prioritized.

Breaking down the type of products sold, life with investment (89%) and life non-investment (80%) are the most favored lines of business. Group life insurance is moderately supported at 67% while voluntary/worksites benefits are only sold by 37% of respondents. ancillary health products are sold by nearly half of the respondents. Annuity with investment (45%) and annuity non-investment (37%) see lower adoption. this suggests the market leans more toward life-related offerings, while annuity products remain less prioritized within this cohort.

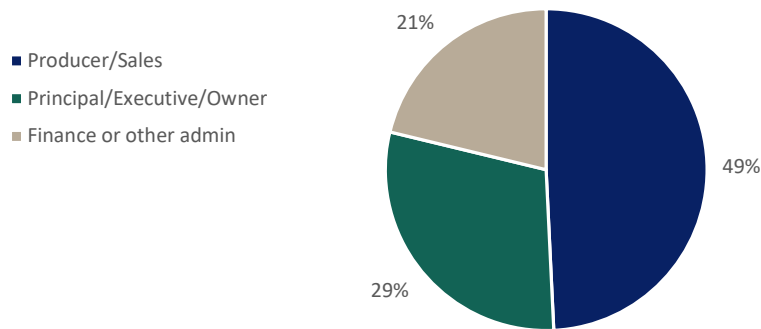
Celent is aware that individual annuities grew at double digit rates in 2023 and 2024. We believe this result is due to a low number of financial planners, who are more apt to sell annuities, in the respondents.

Type of Insurance Breakdown



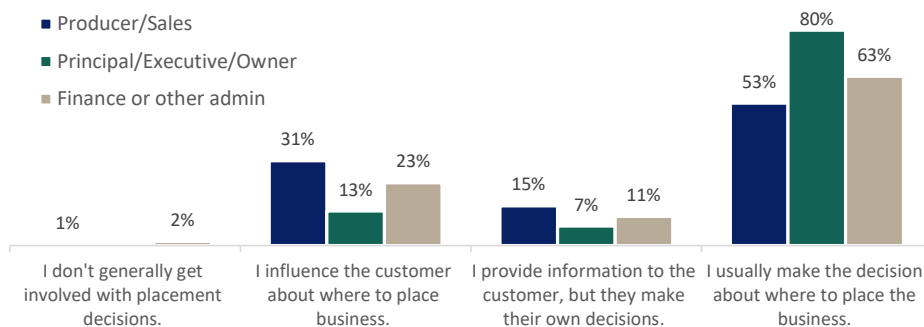
Nearly half the respondents are selling agents, but it's primarily the principals/executives/owners who make the decision on where to place business.

Role within agency



Most respondents, 49% work in producer/sales (“agents”) roles, indicating a strong sales-oriented workforce. Principal/executive/owners represent 29%, while finance or other admin roles account for 21%. The data suggests a structure that is sales-heavy, with adequate but smaller representation from leadership and support roles. This reflects the revenue-driven nature of insurance agencies.

Role when it comes to choosing with which insurer to place business

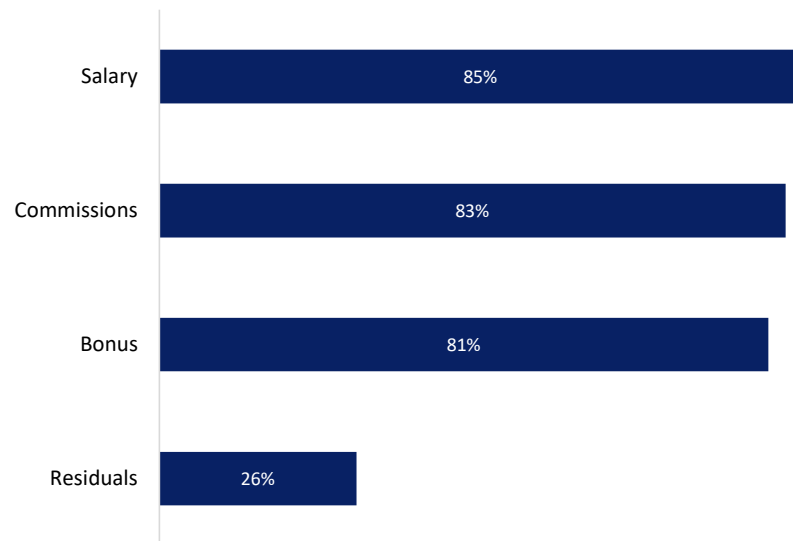


Principals/executive/owners have the most influence over where business is placed with 80% making the decision. Just over half of the producers/sales make the decision on where to place business while nearly two-thirds of the finance or other admin staff are decision makers. Agents are more likely to influence the customer than the others (31%).

Most life insurance agents are paid primarily on commission, though new agents, principals, and other agency staff can receive a salary.

Compensation make up

% of Total Respondents, multiple responses were possible



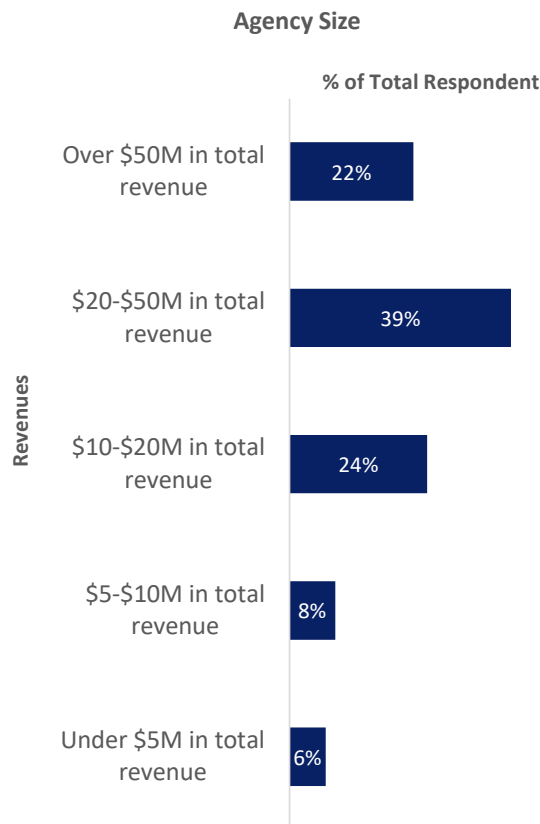
85% of respondents **earn a salary**, followed closely by **83%** who **earn commission** and **81%** who **receive bonuses**. A smaller group, **26%**, **receive residuals**.

How are life insurance agents paid?

Life insurance agents can be paid in a few different ways:

- **Commissions are most common.** Agents earn a percentage of the premiums on policies they sell. This is primarily based on first-year commission which can range from 40% to over 100% of the first year's premium, depending on the insurer and product. Renewal or residual commissions are smaller ongoing payments, often 2-5% of annual premium, usually for a fixed time frame on a policy.
- **Salary + commission/bonuses** provide new agents with a base salary, training allowance, or stipend during the first few years. Once agents are established, most of their earnings come from commissions and performance-based bonuses. This model is often used to reduce the risk for new agents while they build a client base. Captive agents are often salaried as well.
- A large percentage of agents in this survey (80%) report that they get some combination of salaries, commissions, and bonuses, and 90% of agency owners/principals report getting some level of salary in combination with commissions and bonuses.
- Some 76% of principals/executives/owners report receiving bonuses, compared with 81% of producers/sales. This suggests that bonuses are equally important to the two cohorts.

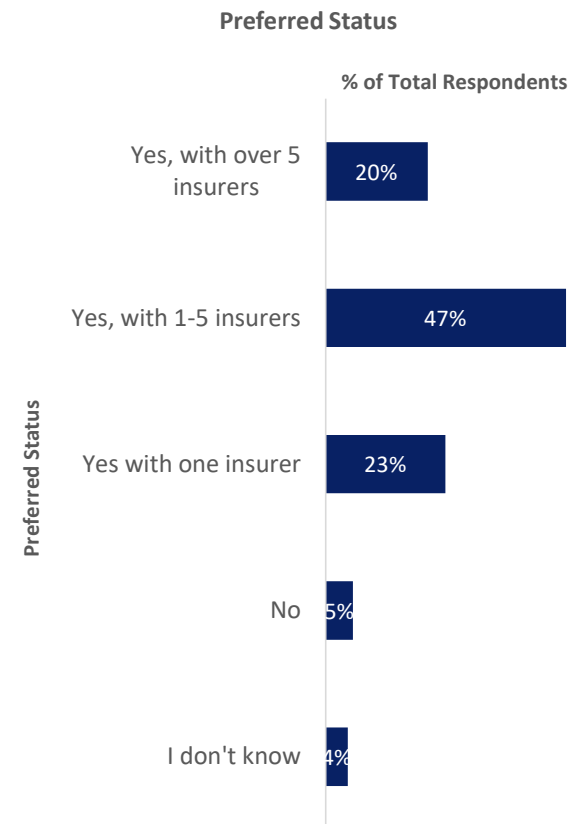
Larger agencies dominate the responses, with over half selling over \$20 million in revenues; most hold preferred status with one or more insurers.



Most respondents belong to agencies generating \$20-\$50 million in revenue (39%), followed by \$10-\$20 million agencies (24%) and those over \$50 million (22%). Smaller agencies between \$5-\$10 million and under \$5 million make up a much smaller share at 8% and 6%, respectively.

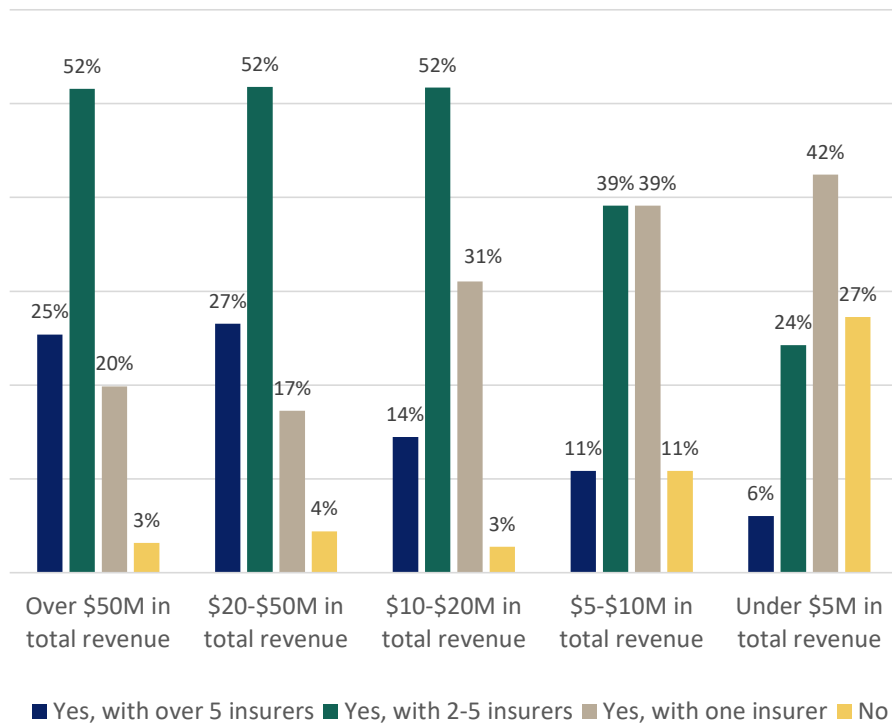
Nearly 47% reported that their agency holds preferred status with one to five insurers, indicating that preferred status designations are common. Another 23% have status designations with only one insurer, while 20% hold preferred status with more than five. A small share, 5%, reported having no such status designations with any insurers, and 4% were unsure.

Discussed further on the next page, preferred status designations are a widespread practice in the life insurance industry.



Preferred status designations are more common in larger agencies with most agencies having a designation with more than one insurer.

Preferred status by size of agency



In life insurance sales, carriers often recognize their top-performing agents with a “preferred status” or elite tier designation. This status is typically earned based on a combination of sales volume, persistency (how long policies remain in force), client quality, and compliance standards. Agents may need to achieve a set amount of annualized premium, a minimum number of policies sold, and/or meet high policy retention and customer satisfaction scores.

Preferred status is often branded (e.g., President’s Club, Million Dollar Round Table [MDRT], Chairman’s Council, Elite Producer, etc.). These levels highlight the agent as a top producer both inside the company and sometimes in the wider industry. With this status, agents may receive:

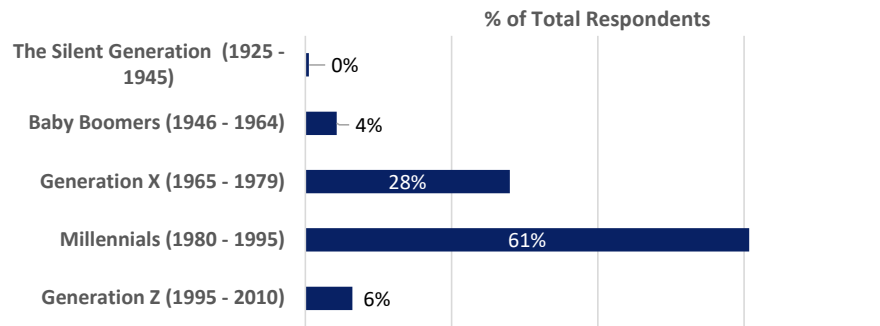
- Higher commission payouts or bonuses
- Exclusive leads or referrals from the carrier
- Invitations to conferences, training, and networking events
- Enhanced marketing support and co-branding opportunities
- Priority access to underwriters or case managers for faster policy processing
- Prestige and credibility that attract more clients

Preferred status serves both as a reward for agents and as a signal of quality and trustworthiness to prospective policyholders.

Agencies with over \$20 million in sales are more apt to have preferred status with more than one insurer. Over three-quarters of larger agencies have preferred status with more than one insurer compared to smaller insurers where 27% have no preferred status relationships at all.

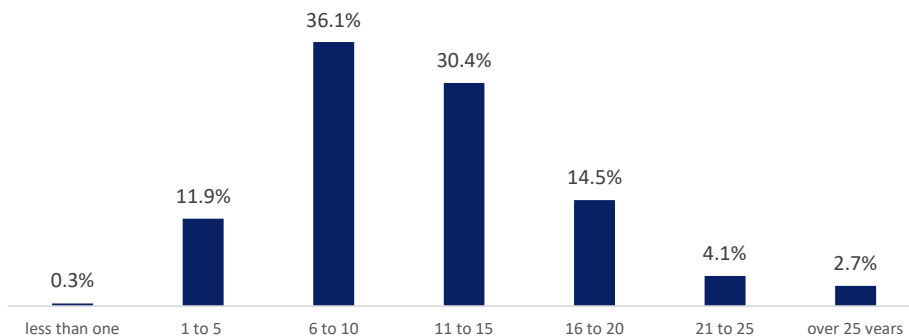
Almost two-thirds of the respondents are Millennials (ages 30-45) and another 28% are 45-60; 89% have 20 years or less of experience.

Generation



Most participants (61%) identify as Millennials (1980–1995), making this the most dominant generation in the sample. Generation X (1965–1979) follows with 28%, while Generation Z (1995–2010) accounts for a smaller portion at 6%. Baby Boomers (1946–1964) represent just 4%, and there was no representation from the Silent Generation (1925–1945).

Years worked in life insurance



Two-thirds of respondents have worked in the insurance industry between six and 15 years. 12% have been in the industry for five years or less, while 1.3% have been selling or administering life insurance for over 40 years! It is important for insurers to keep Millennial life insurance agents and staff happy because they are the long-term industry sales force.

Related Celent Research



Related Celent Research

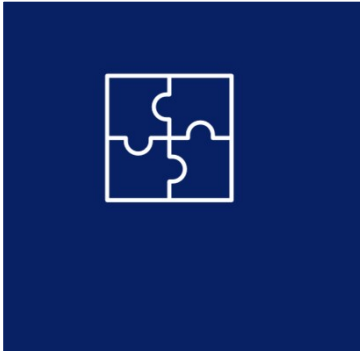


Top Tech Trends
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2024 Insurance
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So You Want to Buy a
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