The Quiet Ethical Tension in Insurance

There's an inherent structural flaw in the insurance industry that we rarely examine openly:
Most agents are compensated by commission.

The advisor is paid more when premiums are higher, policies are larger, or certain carriers are selected. To be clear, most agents I know are ethical, hardworking professionals. I was one of them for nearly two decades.
But incentive structures matter. When compensation is tied directly to premium volume, a subtle tension exists:

What is best for the client is not always what is best for the business.

Sometimes the right recommendation means:
– Remarketing an account to reduce premium
– Rewriting coverage internally to correct structural issues
– Lowering limits that were unnecessarily inflated
– Moving a client to a carrier that pays less commission
– Advising against a policy altogether

In many of those scenarios, the agency earns less. In fact, insurance may be one of the only industries where you can work extensively on an account and actually reduce your own revenue by doing what is objectively better for the client. 🤯

That creates an unusual dynamic. Even without bad intent, humans respond to incentives. Behavioral economics has demonstrated this repeatedly. We are influenced by compensation models, production thresholds, retention bonuses, and carrier relationships.

The conflict is rarely blatant. It's quieter than that. It shows up in hesitation.
In rationalization. In delay. In subtle framing of options. And sometimes in human error.

Attorneys are familiar with conflicts of interest and fiduciary standards. In law, compensation structures are scrutinized because we recognize that incentives shape behavior.

Insurance largely avoids that same examination.

I am not suggesting commission-based models are unethical. I am suggesting they create a built-in ethical tension that deserves honest discussion. If the industry were designed today from scratch, would we structure compensation this way? Would advisory and placement roles be separated?

Would flat-fee compliance reviews coexist alongside placement services?
Would compensation transparency become standard?

Since transitioning into an independent consulting model, I've seen firsthand how removing commission changes the advisory dynamic. The recommendations become cleaner. Simpler. Less conflicted.
Not easier, but clearer.

I don't claim to have the solution.
But I do believe the question is overdue:

How do we design incentive systems in insurance that better align advisor compensation with client protection?

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