



Q & A

Preparing for Compensation Disclosure

1) What about product lines such as: life, disability, long-term care. Are disclosures required on those?

A: No, we are just looking at ERISA Health, Dental and Vision plans

2) With the start date beginning on December 27th, do we need to have the form for renewals that are effective on January 1, new business, Broker of Record or just going forward.

A: This is just going forward. If you have a client that you are meeting with on December 27th or after you will need to disclose your compensation to them. Any meetings prior to the deadline do not fall under this law.

3) Can brokers carve out the carrier's compensation out of the premiums and move to a fee-based model?

A: This is not always a possibility; we have asterisk in our forms to indicate when you can change or remove commission. Also, we suggest that you find out your state's rules regarding consultant agreements.

4) No carrier's produce this information, correct?

A: Some have given guidance and references to their agent compensation to make finding it easier. Others have put the commission directly onto their proposals, but it is not standard across the board.

5) Most agents in the self-funded arena do not accept commissions and charge the group a fee. Therefore, is that considered disclosing and how will this affect the Agent?

A: In self-funded arena, especially large group, you may already be using a form 5500 which is disclosing compensation. However, this is a little different because the 5500 discloses your compensation **after** the sale of the plan, at year end. This law is intended to help in the decision-making process, so this has to be disclosed **before** the sale of the plan and is still required.



6) Is the disclosure form needed for each employee or the group?

A: Just the group, it is the fiduciary's responsibility to keep this with their records.

7) How will this be audited? By whom?

A: Currently, it is an Employer/Fiduciary's responsibility to ask for this. If you are not transparent, this could result in the group deciding to no longer do business with you. Likely, agents will ultimately hold other agents accountable to this law during the sales process. For example, you may be aware of a bonus opportunity that is being given by a carrier and disclose that to the Fiduciary, while another Agent did not disclose this information to the same Fiduciary.

8) How will full compensation, such as overrides, be disclosed?

A: This will be considered indirect compensation, for example, if you get a standard commission such as you always get an additional \$2 PPM. This is how you would disclose your fee. If it is more difficult to figure, you can use the formula on our template as a standard.

9) How will brokers take advantage of this opportunity to generate new business?

A: Brokers, especially in small group, normally have not taken the opportunity to express their value proposition to their group clients. Agents that get good at this will be able to win new business regardless of the rates. On our Menu of Agent Services Reference Guide, we help you get started with a list of services you can pull over to your disclosure form. Your OCI Account Executive will gladly help assist with that information on the form to tailor it to your agency.

10) How does the client sign the disclosure statement?

A: You can add a signature line, it is not required at this time.

11) Does Broker of Record Change require Broker Disclosure for the new Broker?

A: Yes, you are now taking over the client's policy and you are expected to share with the new client. In practice, the client would want to see your compensation disclosure **before** signing over agent of record to you.



12) Will you have the presentation available after the Virtual event?

A: Yes, we will have the presentation saved on the landing page for you to view and the Virtual event will be posted on OCI's YouTube page as well as OCI's Webinar page.

13) Where can we access the forms & resources?

A: We have created a webpage devoted to supporting you with information about the law, and access to forms and resource guides:

<https://www.ociservices.com/compensation-disclosure/>

14) Will there need to be disclosure of OCI compensation to the Group?

A: This is a gray area in the law and our interpretation is that any compensation OCI receives **does not need to be disclosed** to your clients. This is based on NAHU's conversations with the regulators on what they interpret as the spirit of the law.

15) Who will be heading up this project for us to ask questions?

A: Any additional questions can be directed to Paul Scholz, you can contact him at pscholz@ociservices.com

Disclaimer: This is not a legal opinion or to be taken as advice regarding agent compensation disclosure, it is just our interpretation. That interpretation has been influenced by conversations between the NAHU legislative staff and the regulators at the Department of Labor (DOL). There are many questions that the DOL hasn't provided written clarification to, but they did share what they felt the spirit of the law to be. They felt the law's intent is to provide transparency for the plan fiduciary during the decision-making process. They also shared that overly complex compensation schedules, pages and pages of info, or links to websites would be in contrast to providing clarity during the decision-making process. Our interpretation is that simplicity is best for an employer/fiduciary to use this new compensation information effectively in the decision-making process. It is our opinion that providing compensation information upfront, in its simplest format, may be best and provide additional details upon request.