



PRIVATE SECTOR HEALTH SOLUTIONS FOR SMALL BUSINESS.

## TRANSPARENCY IN COSTS: BROKER COMPENSATION

By definition, insurance brokers work for you the client. However, when we place business with insurers, *they* pay us commissions. 'Standard' health insurance commissions on groups over 50 lives average 3 to 5% of premiums paid. For small groups (2-49 lives), commissions are based on a per member per month flat fee. The table at right is one example typical of those used by most insurers.

Assuming that for each enrolled employee health insurance will have an annual premium of +/- \$7,500, Employer A with just 3 enrolled members would pay \$22,500 of

<b>Sample 42 life group</b>		<b>Per Capita Rate</b>	<b>Commission</b>
Members 1-3	3@	\$10	\$30
Members 4-10	7@	\$38	\$266
Members 11-25	15@	\$28	\$420
Members 26-42	17@	\$10	\$170
<b>Total</b>	42		\$886

annualized premium (about \$1,875 per month); our commissions would be \$360 (\$30 per month) or about 1.6%. Employer B with 42 enrolled members would be paying about \$315,000 of annualized premium; our commissions would be \$10,632, or 3.4%.

***You should note that the commission schedules for small groups – an important focus of our Agency's work - are based on the number of enrollees not premiums. That means we are NOT rewarded for health care inflation!***

Beyond health insurance, we sell dental, life, disability income and other 'ancillary' lines of coverage for which we are usually paid commissions that average 7.5 to 10% of premiums.

Finally, there has been a great deal of public scrutiny of late over broker bonuses. On top of base commissions, insurers periodically pay out additional commissions based on a variety of factors such as overall volume or cross selling more profitable lines of coverage. This creates the potential for conflicts of interest. For example, do you have your dental coverage with your health insurer because it is the best value for the client or because it increases the broker compensation? Or, do you have a fully insured dental plan when you might do better self-funding?

Integrity and trust are vital to the relationships we enjoy with our clients so we won't be insulted if you ask for full disclosure for how we are paid.