



Background on Agents and Compensation Types of Compensation Disclosures and Policies

Compensating Agents

Ensuring clear disclosure of BCBSGa's compensation practices

This document offers a brief overview of Blue Cross Blue Shield of Georgia's (BCBSGa) compensation practices. It is not intended to be a full description. For more information about these compensation programs and policies, please contact your agent or counselor.

Commonly Used Terms

Some say "broker," others say "agent."

Because terminology often varies from market to market, this brochure uses the following terms:

- **Agent:** Any person or entity licensed and appointed by an insurance carrier to represent it in the sale of a health or specialty product. This term also refers to a producer or brokerage agent.
- **Counselor/Consultant:** Any person hired by an employer group to act as an independent advisor in the decision to purchase a health or specialty product. An individual may act as an agent in some cases and a counselor/consultant in other cases.
- **Group Account:** An employer group that holds a group insurance contract or policy. May include a group or association of employers.
- **Subscriber:** An enrolled employee or an enrolled retiree of an employer or multi-employer sponsored plan. A subscriber does not include spouses or other dependents of the employee or retiree.

Background on Agents and Compensation

With so many insurance plans on the market, it can be difficult to find the right solution for your business. That's why you rely on your agent or counselor. As your personal industry expert, this individual keeps pace with the latest advancements in the insurance industry and the different options offered by various insurance carriers. This allows your agent or counselor to recommend the best, most cost-effective solutions — whether these solutions are from BCBSGa or another insurance carrier.

By utilizing the skills and services of these licensed, reputable professionals, you will have access to timely and helpful information, as well as the service you have grown to appreciate.

For these reasons, we value our relationships with agents and counselors; and we want to ensure they are always able to offer you unparalleled support. That's why we periodically provide Continuing Education classes to help agents and consultants meet the requirements of their licenses. We also conduct ongoing training sessions on our products and services. In addition, we offer market-competitive compensation to qualified agents and counselors for the invaluable services they provide.

Types of Compensation

Like other insurance carriers, BCBSGa compensates qualified agents and counselors for the exceptional services they provide. Through the following compensation programs, we hope to build long-term relationships with talented professionals who are committed to working hard for you. **Note: Not all of the following categories apply to all products or market segments.**

Commission

A commission is compensation paid to a qualifying agent or counselor for services traditionally viewed as the agent's or counselor's responsibility, such as marketing and servicing an individual or group policy. There are two types of commissions:

- **Standard commission:** A standard commission is compensation paid to a qualifying agent or counselor in connection with the sale of an individual or group policy. To be considered a standard commission, a schedule of rates must be announced to the agent community. With this type of commission:
 - The commission structure can be based on tiered levels, which means certain agents and consultants may receive higher rates of compensation.
 - Materials describing the commission structure must use standard terminology that promotes a clear understanding of the commission arrangement.
- **Non-standard commission:** A non-standard commission is a commission that is paid to an agent or consultant at a rate other than the announced standard commission. When there is no standard commission announced, or the employer negotiates the agreement with the agent and carrier, the commission is considered a non-standard commission.

Override

An override is compensation paid to an agent or counselor for managing an agency or for performing other administrative functions that would traditionally be performed by the insurance carrier. Overrides may vary from market to market and are not available on all product lines.

Bonus

A bonus is compensation paid to an agent or counselor as an additional reward in connection with the sale of an insurance carrier's products. A bonus may be offered on a periodic basis or it may be offered on certain products.

- Like a commission, a bonus may be based on tiered levels, which means certain agents and counselors may receive higher compensation rates.
- Trips and prizes, based on qualification criteria and other in-kind payments, may be provided in lieu of monetary awards and follow the same rules as cash bonuses.

Disclosures and Policies

BCBSGa is dedicated to ensuring clear disclosure of our compensation practices and policies.

Reporting and disclosures

While state laws vary, federal reporting and disclosure requirements are governed by the Employee Retirement Income Security Act of 1974, as amended, 29 USC 1002, et seq., ("ERISA"). This federal law establishes reporting and disclosure requirements for most employer-sponsored pension and health benefit plans. Under ERISA, insurance carriers, such as BCBSGa, must provide plan information to certain group accounts. This includes compensation information. In general, BCBSGa must disclose this information to group accounts with 100 or more subscribers. If your group account falls within this category, you can expect this information within 120 days of the end of your plan's year. If you do not receive this information and believe your group account has ERISA reporting obligations, you should contact your agent or BCBSGa account representative.

General policies

- BCBSGa's compensation programs may vary from market to market.
- BCBSGa has the right to amend or eliminate a compensation program at any time.
- BCBSGa has the right to exclude any case from compensation eligibility for any reason.
- BCBSGa complies with all applicable state and federal laws and regulations.
- BCBSGa will not pay any commissions or bonuses to an agent without a licensed and appointed Agent of Record assigned by the group account. As an employer, you have the right to change your Agent of Record if you feel you are not getting the service you deserve. To assign a new agent, you must forward an Agent of Record letter to BCBSGa. All Agent of Record changes must be approved by BCBSGa.
- An agent or counselor is responsible for complying with all applicable state and federal laws and regulations.
- If a counselor (as opposed to an agent) is eligible for a bonus, the counselor must certify that he or she is not a fiduciary of any group health plan before receiving the bonus.