

## COMPENSATION FOR LIFE AND HEALTH BENEFIT SERVICES

Segal Consulting (“Segal”) provides life and health benefits consulting services on behalf of our group clients to assist them with the design, management and service of employee benefit programs. Our basic services include:

- Innovative Plan Design Strategy and Analysis
- Budgeting/Financials
- Claim and Eligibility Audits
- Cost Modeling
- Data Mining and Benchmarking
- Wellness/Individual Health Management
- Total Health Management
- Health Plan Compliance
- Network Analysis
- Prescription Drug Benefits
- Vendor Competitive Bidding and Renewal Negotiations
- Funding Arrangements
- Employee Contribution
- Employee Communications and Plan Enrollment
- Retiree Health and Retiree Health VEBAs

While the above-mentioned services will typically be charged on a fee-for-service basis\*, there are three areas that may result in additional compensation, in the form of commissions:

1. The placement of Life, Accident and Health benefits for which we accept commissions, where insurers will not remove them from premiums or where required by public procurement rules
2. The placement of medical stop loss coverage for which we provide the option to conduct competitive bids and services on a commission basis
3. Revenue sharing fees for project management services related to Segal’s arrangement with third party technical sub-contractors
4. Voluntary Benefits design and placements.

\* Presently, fee for service business accounts for over 96% of total Segal revenue.

### Scope of Practice

The Segal Health Practice provides life and health benefits consulting services to collectively bargained multiemployer plan sponsors, public sector plan sponsors, and employers that provide health and welfare benefits to their workers and eligible dependents. We work with plan sponsors to provide them with health services related to benefit plan design, purchasing and negotiating, cost management, data mining and analysis and communications.

## How We Are Paid

The Segal Health Practice's primary method of compensation for our services, including the placement of insurance coverage, is on a fee-for-service basis. Where we take standard commissions, we must have a written agreement setting forth the compensation arrangement. In addition, our policy is to fully disclose to our clients the amount and basis for the standard commissions. Finally, we will not return ("rebate") any commissions, excess or otherwise, to any client.

## Commission or Fee Income

Commissions are paid on a formula that is set by each insurance company and filed with the state insurance regulators. Generally, commissions are set as a percent of the premiums paid for the insurance policy. In some cases, commissions set by insurers are a fixed, per member per month amount. The range of commissions can vary based upon a number of factors, such as the type of insurance, number and type of product lines sold, and volume. Commissions paid by insurance carriers to Segal are pre-set, meaning they will not be increased because of binding coverage with a particular insurer. In addition, the pre-set commissions are not dependent upon a minimum volume of business or profitability of the business placed.

In addition to standard commissions, we may accept life and health insurance carrier supplemental payments. Segal will accept supplemental payments to be used to finance national investment in research, technology, databases and client education, in order to improve client support services.

We disclose to each client, in writing, the amount of standard commissions we received during the prior year for that client. In some cases, an insurer will allocate supplemental payments by client and that information can be reported to clients. However, where supplemental payments are based on book of business results and not on individual client premiums, or where the insurer does not break down the allocation of supplemental payments by client, we are not able to report case specific accounting of supplemental payments.

## Indirect Compensation

It is important to note that what we report to clients is the sum total of compensation that the Segal receives from a carrier based on individual client premiums. Although, as noted above, we will accept supplemental payments, we:

- **DO NOT** accept compensation or reimbursement from any carrier for any marketing expenses.
- **DO NOT** accept free entertainment, such as golf or sports tickets, or expenses associated with a carrier-sponsored conference. Segal Health Practice's staff may periodically participate in a carrier sponsored educational seminars, industry events and/or underwriting meetings, but will generally reimburse the carrier for expenses that exceed a specific de minimis dollar threshold.

## **No Influence on Decision Making**

*The approach our staff takes in analyzing insurance proposals and making recommendations regarding types and levels of coverage is objective and is free from any influence by commissions or supplemental payments. Objective analysis and neutrality are core values of Segal, and the insurance industry recognizes it. We base our recommendations solely on client requirements and objectives.*

## **Related Party Transactions**

Segal does not directly or indirectly own any insurance carrier used to provide insurance coverage to any Segal Health Practice client. Neither the Segal Health Practice nor Segal operates as a managing general agency, managing general underwriter, or wholesaler.

Any questions concerning commissions on life and health benefits consulting services, including requests for precise commission amounts and information about any alternative quotes obtained, should be directed to Edward Kaplan, Senior Vice President and National Health Practice Leader, at 212-251-5212 or [ekaplan@segalco.com](mailto:ekaplan@segalco.com).