



**Associated Financial Group**  
Employee Benefits. Insurance. HR Solutions.

July 11, 2016

Steve Corbielle  
City of Manitowoc  
900 Quay Street  
Manitowoc , WI 54220-4543

Dear Steve:

As you may be aware, the topic of how insurance agencies are compensated by insurance companies has been in the national media spotlight. I would like to explain to you how Associated Financial Group is compensated, as well as show you how the choices we made years ago have ensured that representing your organization's best interest is always our first priority.

It is your insurance representative's primary responsibility to properly place your organization's insurance needs with the insurance company best suited to meet those needs, regardless of how the agency is compensated. To ensure this is done, several policies and controls are in place, including but not limited to the fact that we do not share the details of these incentive programs or the incentive compensation itself with your insurance representative. That policy, along with others, eliminates the conflict of interest that otherwise could exist between placing your business with the insurance company best suited to your organization's needs and increasing our agency's revenue. And to bring additional value to our clients, we use a portion of the incentive compensation we receive to invest in services such as the Human Resources Hotline and the discounted seminars.

Enclosed is more information regarding our compensation from insurance companies. Also, if you would like to review any of the incentive compensation programs we have with our insurance companies, please call me at 800.258.3190.

As always, we appreciate your business.

Sincerely,

A handwritten signature in black ink that reads "Mickey Webb".

Mickey Webb, CEBS, REBC  
Sr. Vice President, COO

## **Compensation Q&A**

As part of our ongoing efforts to educate our clients about how Associated Financial Group is working in your best interests, we have created this Q&A on our compensation arrangements with insurance companies and how this can affect your organization. In general, we would like to point out that commission payments and incentive compensation are a legal and effective means of compensating sales professionals in every industry. Their use is widespread, with varying factors that account for profitability and productivity. From refrigerators to cars, and homes to business equipment, compensation that awards a sales force for excellence is sound business practice.

### ***How do insurance companies compensate insurance agencies?***

Insurance companies compensate Associated Financial Group and many other insurance agencies in two main ways:

1. *Direct commission*, which represents approximately 90% of Associated Financial Group's total revenue. Direct commissions are determined through your annual renewal. For more information please see details at the bottom of this document.
2. *Incentive compensation plans*, which are not offered by every insurance company. These plans are in place to offer insurance agencies an incentive to provide quality business and high volume and/or member count to the insurance company.

Keep in mind Associated Financial Group (along with most agencies) maintain relationships with numerous insurance companies, which enables us to access the broadest range of coverage options available.

### ***How is direct commission determined for employee benefit insurance policies?***

The direct commission for your medical policy may be paid to Associated Financial Group either through a percentage of premium or a flat dollar amount based on a per member per month basis. Usually both of these payment structures will range from 2% to 6% of premium. For your dental, life and short-term and long-term disability policies, the direct commission ranges from 10% to 20% of the premium.

### ***Exactly how do incentive plans work for employee benefit insurance?***

Incentive plans are legal under the insurance laws of all 50 states and the District of Columbia. The incentive compensation is based on year-end calculations. Although each insurance company's incentive plan is unique, in most cases it is based on:

1. The total number of new members enrolled with the insurance company.
2. The increase in the total number of members over the past year (new members added to current member count).

*(Associated Financial Group also receives some common business courtesies and relationship-building activities [typical to many industries], which are sponsored by insurance companies—e.g., continuing education seminars, meals, etc.)*

***May I see your compensation agreement with the insurance company that provides our employee benefits policies?***

Yes. If you would like to review any of the incentive compensation programs that we have in place with any of the insurance companies related to your business with us, please feel free to call Mickey Webb, Senior Vice President, COO at 800.258.3190.

***How can incentive compensation programs benefit my organization?***

The compensation earned provides resources for Associated Financial Group to conduct market research and product development—and thus better serve you. In addition, the incentive compensation we receive contributes to many value-added services for clients. Specifically, they allow us to provide the following programs on a low-cost or free basis to our clients:

- Free or discounted seminars on a variety of insurance-related issues.
- Free access to the Human Resources Hotline for 15 months to law degreed and senior human resource professionals, as well as a discounted renewal rate.
- Free e-mail newsletters that provide updates on human resources, employee benefits, hiring and retention, risk management, and workplace safety.
- Discounts on human resources supplies and benefits compliance/communications materials.
- Access to professional certification or designation to provide insurance expertise to clients.

***Should I be concerned when working with Associated Financial Group that incentive compensation plans may influence the insurance program that is presented to me?***

No. It is our policy that we do not share incentive revenue with our sales representatives. In fact, only a very limited group of key managers are provided with access to the details of the programs.

To further ensure that incentive compensation does not influence the insurance quotes you receive from your sales representative, Associated Financial Group has implemented a marketing process that insulates the quoting process from the decision of what insurance options are presented for your consideration. Specifically, our process is as follows:

1. Your Associated Financial Group sales representative meets with you to determine your insurance needs.
2. You and your sales representative select insurance companies from which to acquire quotes, which a marketing specialist then obtains.
3. The marketing specialist requests proposals from the insurance companies and works with the agent to present a comprehensive proposal to you.
4. The sales representative reviews the proposal and makes a recommendation to you.

Because of this process, your sales representative is not influenced in any way by incentive programs when presenting the best insurance solution for your company.