

Broker Compensation Disclosure Requirements

Section 202 of the Consolidated Appropriations Act, 2021 (“CAA”), requires entities providing brokerage and consulting services (referred to collectively as “covered service providers”), including their affiliates and subcontractors, who expect to receive \$1,000 or more in direct or indirect compensation, to provide plan fiduciaries with a written disclosure “reasonably in advance of” when the contract is entered, extended, or renewed. The effective date of the requirement is December 27, 2021 and applies to contracts executed on or after December 27, 2021.

Disclosures are required to include:

- A description of the services to be provided to the covered plan pursuant to the contract.
- Where applicable, a statement that the covered service provider (or their affiliate or subcontractor) will provide or reasonably expects to provide services directly to the covered plan as a fiduciary.
- A description of all direct compensation, either in the aggregate or by service, the covered service provider (or their affiliate or subcontractor) reasonably expects to receive from the covered plan in connection with services provided under the contract.
- A description of all indirect compensation, including compensation from a vendor to a brokerage firm based on a structure of incentives not solely related to the contract with the covered plan that the covered service provider reasonably expects to receive in connection with services provided under the contract. Indirect compensation excludes any compensation received by an employee from an employer. Further compensation from the covered service provider (or their affiliate), the covered plan, or the plan sponsor is not indirect compensation.

In addition to the above, for any indirect compensation, the disclosure must also include:

- A description of the arrangement between the payer and covered service provider (or their affiliate or subcontractor) pursuant to which indirect compensation is paid;
- Identification of the services for which the indirect compensation will be received, if applicable; and
- Identification of the payer of indirect compensation.
- A description of any compensation provided on a transaction basis (such as commissions, finder’s fees, or other similar incentive compensation based on business placed or retained) that will be paid among the covered service provider (or their affiliate or subcontractor) in connection with the services provided under the contract. This should include an identification of the services for which such compensation will be paid and identification of the payers and recipients of such compensation as well as the status of a payer or recipient as an affiliate or a subcontractor, regardless of whether such compensation also is disclosed pursuant to any other provision.
- A description of any compensation that the covered service provider (or their affiliate or subcontractor) reasonably expects to receive in connection with termination of the contract or arrangement, and how any prepaid amounts will be calculated and refunded upon such termination.
- A description of the manner in which such direct or indirect compensation will be received.

Compensation may be expressed in a monetary amount, formula, or per capita charge based on enrollment counts, or another reasonable method if it cannot reasonably be expressed in one of the other manners. If additional compensation can be earned, but it is not calculable at the time of the contract, then the disclosure must include a description of the circumstances under which the additional compensation may be earned and a reasonable, good faith estimate if the covered service provider cannot readily describe compensation or cost and explains the methodology or assumptions used to prepare their estimate.

In addition to the above, the covered service provider must update its disclosures:

- Within 60 days of being informed of a change to the information already disclosed (or as soon as practicable if disclosure is precluded due to circumstances beyond the covered service provider's control)
- To correct any inadvertent errors or omissions within 30 days of discovering the error or omission

Further, covered service providers must provide its disclosure within 90 days of a written request by the plan fiduciary.

[AGENCY LOGO]

BROKER COMPENSATION DISCLOSURE FORM

The following constitutes AGENCY NAME's (the "Company") disclosure of direct and indirect compensation the Company will receive or reasonably expects to receive for the period of _____, 2022 through _____ 2022 in connection with the below referenced services it provides to CLIENT'S NAME (the "Client" or "you"):

- [Insert a description of the services you provide to your clients. This should align with any services agreement you may have with the client]

The Company [does not provide] [provides] the above-referenced services to Client in the capacity of a plan fiduciary.

The Company reasonably expects to receive direct compensation for the placement of the below lines of coverage in the form of either a per employee per month ("PEPM") fee or a commission paid by the carrier or vendor, in the amount indicated below:

Coverage Line	Carrier/Vendor	PEPM, Standard Commission, Commission Schedule, or Compensation Calculation
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____

		Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____
		PEPM: \$____ Commission: \$____

Indirect Compensation

In addition to the above, the Company reasonable expects to receive the following indirect compensation:

Description of Indirect Compensation	Amount of, or Description of Calculation for, Indirect Compensation	Services for Which Indirect Compensation Will be Received	Payer of Indirect Compensation
	\$		
	\$		
	\$		
	\$		
	\$		

Other Compensation

The Company may earn additional compensation from any of the above referenced insurers, vendors, or other third parties that cannot be calculated as of the time this disclosure is made to you, or prior to the date the Company’s executed, extended, or renewed contract with you is effective. For example, the Company may receive additional compensation contingent upon certain conditions being met, including, but not limited to, profitability, growth, churn/retention, or the volume of services provided. Compensation may be in the form of additional commissions, bonuses or benefits (“compensation”). Furthermore, we may receive corporate sponsorships for webinars, training or other programming we provide for you and other clients, or for our own internal trainings. Whether we receive any of the

above referenced compensation, or how much that compensation may be, cannot be discerned at this time.

Should you have any questions about any of the above information or require additional information, please don't hesitate to contact [designate an agency contact person – this could be the producer or account manager or another member of the agency] at [email and phone].

The above information is accurate to the best of my knowledge as of the date this disclosure is executed above.

[Agency Representative Name]

Date: _____, 202_

I acknowledge that I received the above referenced Broker Disclosure form from AGENCY NAME, and that I have read and understand the disclosures made. I understand that I can ask questions regarding the information included in this disclosure form at any time. Further, I understand that if I do not sign this acknowledgement within 15 business days from receipt, it will be deemed to be acknowledged and accepted by me.

Name
Title
[Client Name]

Date: _____, 202_