

BULLETIN NO. 08-16

TO: ALL NEW JERSEY LICENSED INSURERS TRANSACTING HEALTH INSURANCE BUSINESS; HOSPITAL, MEDICAL HEALTH AND DENTAL SERVICE CORPORATIONS; DENTAL PLAN ORGANIZATIONS, PREPAID PRESCRIPTION PLANS AND HEALTH MAINTENANCE ORGANIZATIONS; ALL NEW JERSEY LICENSED HEALTH INSURANCE PRODUCERS

FROM: STEVEN M. GOLDMAN, COMMISSIONER

RE: PRODUCER COMPENSATION DISCLOSURES

P.L. 2008, c. 38 (the Act), was approved on July 8, 2008 and becomes effective on January 5, 2009. Among other things, section 25 of the Act amends the New Jersey Producer Licensing Act of 2001 (codified at N.J.S.A. 17:22A-26 et seq.) by requiring licensed insurance producers to disclose to health insurance purchasers any compensation received from the sale of such policies or contracts. Section 25 of the Act states:

a. An insurance producer licensed pursuant to P.L. 2001, c. 210 (C. 17:22A-26 et seq.) who sells, solicits, or negotiates health insurance policies or contracts to residents of this State shall notify the purchaser of the insurance, in writing, of the amount of any commission, service fee, brokerage, or other valuable consideration that the producer will receive as a result of the sale, solicitation or negotiation of the health insurance policy or contract. If the commission, fee, brokerage, or other valuable consideration is based on a percentage of premium, the insurance producer shall include that information in the notification to the purchaser.

b. The commissioner may specify, by regulation, the information that shall be provided by an insurance producer in the notification to a purchaser of health insurance and the procedure for providing the notification.

N.J.S.A. 17:22A-28 defines an "insurance producer" as a person required to be licensed under the laws of this State to sell, solicit or negotiate insurance. The term includes insurance brokers, agents and consultants, and general agents.

The purpose of this Bulletin is to notify producers, and carriers who compensate producers, of the requirements of Section 25 of the Act and to clarify the Department's position concerning implementation of this section pending the Department's proposal of regulations.

- **Scope of Disclosure:** Disclosure is required for any insurance contract that meets the definition of "health insurance" at N.J.S.A. 17B:17-4 and for any contract sold by non-insurance health carriers, such as hospital, medical, health and dental service corporations; dental plan organizations, prepaid prescription plans and health maintenance organizations. Disclosure is not required for health coverage that is an incidental part of a life or annuity contract.

- **What must be Disclosed:** Any valuable consideration, including but not limited to commissions or service fees, must be disclosed. Consideration must be disclosed even if its amount cannot be calculated or estimated. However, the precise nature of the compensation (e.g., commission vs. service fee) does not need to be disclosed. In the case of standard

commission rates, the commission percentage or the per employee amount of commission in connection with a rate proposal, binder or bill may be disclosed.

- **Who Provides Disclosure:** The Act requires that the producer provide the disclosure to the insurance purchaser, however in many cases it may be more efficient for the carrier to provide the disclosure.

- **Timing of Disclosure:** The Act does not imply that disclosure must be made at the time of proposal or prior to a contract becoming effective. Disclosure should be made no later than the effective date of the contract.

- **Form of Disclosure:** Attached is a suggested form that may be used for compliance with the Act's compensation disclosure requirements. Use of an alternate form is acceptable so long as the Act's written compensation disclosure requirements are met.

10/01/08
Date

/s/ Steven M. Goldman, Commissioner
Steven M. Goldman, Commissioner

Inoord/bbProducerComp

**DISCLOSURE OF A FINANCIAL INTEREST
IN THE SALE OF HEALTH INSURANCE POLICIES**

New Jersey law (N.J.S.A. 17:22A-41.1) requires disclosure of the compensation a licensed agent or broker (producer) receives from your purchase or renewal of health coverage. Compensation may be in the form of a commission, fee(s), or possibly other valuable consideration, or a combination of all three.

The per employee dollar amount(s) or percentage(s) of premium are in the table below. All amounts and/or percentages are additive. If something does not apply, it is marked "None" or "NA". If there is compensation, whether or not in addition to the compensation shown, whose amount cannot be determined, enter "CBD" (cannot be determined) on the appropriate line. Use the "Other" line for all other compensation, whether or not the amount is determinable.

	Agent/Producer	
	Percentage (%)	Amount in Dollars (\$) (per employee basis)
Commission of Issuing Agent		
Commission of General Agent		
Consultant Fee		
Brokerage Fee		
Other:		

PRODUCER INFORMATION

Agent Name: _____

General Agent Name: _____

CARRIER INFORMATION

Company Name: _____

Date

[_____
Agent/Producer Signature]¹

¹Carriers: omit this signature block if sending the disclosure form directly to the purchaser.