

## Broker Relationship Update

February 11, 2013

The guiding principles of the Exchange state that brokers will be compensated comparably for policies sold inside and outside of the Exchange. The essential question is whether the commissions on products sold through the Exchange should flow through the Exchange or should be paid directly by carriers to brokers

COHBE's recommendation is that broker commissions do not flow through the Exchange, but are paid directly to brokers by carriers. This is a position that has been discussed with Advisory Groups, as well as Consumer and Business Groups.

COHBE will develop contractual agreement with carriers to ensure broker compensation is comparable inside and outside the Exchange.

### Goals/Objectives of COHBE:

- Establish a structure that encourages broker participation in both the SHOP and Individual Exchanges
- Adhere to COHBE's Guiding Principle of creating a level playing field
- Leverage existing distribution channels to assist people with health coverage decisions through the Exchange
- Broker and agent compensation should be comparable inside and outside of the Exchange.

### Background:

COHBE staff worked together with the SHOP and Individual Experience Advisory Groups to develop guiding principles for COHBE's relationship with brokers doing business in the Exchange. These guiding principles were approved by the Board on August 27, 2012 with the understanding COHBE would continue to work on details specific to the payment of commissions to brokers providing services within the Exchange.

### Applicable law:

#### **Colorado**

*Regulation 1-2-10 Concerning the Regulation of Insurance Producers by the Colorado Division of Insurance: Colorado Producer Licensing Model Act*

#### **Federal**

*45 CFR §155.240 – Lays out the ability of brokers and agents to assist consumers access the Exchange*

*45 CFR §155.240(d)(1) requires agents and brokers to have an agreement with the Exchange prior to selling through the Exchange*

*45 CFR §155.240(d)(2) requires agents and brokers to receive training on QHPs available through the Exchange.*