

# EMPIRE LIFE INFORMATION CIRCULAR

**DATE:** October 21, 2013  
**CATEGORY:** INSURANCE  
**TO:** Managing General Agents, Associate General Agents, General Agents  
**SUBJECT:** **Large Case Compensation Rule**

---

**Nº. 2013-24**

*This Information Circular replaces HOC 2003-02 Large Case Rule*

It has been many years since we last updated our rules on how we pay compensation on large cases. While the rule itself has not changed, we made a few minor updates.

Empire Life compensates advisors for premiums that are received with an approved case (earned compensation). The company will usually advance the unearned compensation at the same time. However, when that unearned compensation is \$15,000 or more, we feel it is in the best interest of all those involved to limit the amount of unearned compensation paid out. Any debts arising from business going out of force, regardless of whether the large case rule was applied, will be treated in accordance with the MGA (or other applicable) Agreement.

**The rule** The large case compensation rule limits the amount of unearned compensation that will be extended to a maximum of \$15,000 in commissions, plus applicable bonus to a maximum total unearned compensation of \$45,000. Compensation advances apply to both a single case and a related group of policies\*. Any compensation remaining after the earned and advanced compensation are deducted will be paid as earned.

- MGA requests**
- If an MGA is concerned that the release of the unearned portion based on these rules is still too high, they can ask to lower the advance when they submit the application.
  - If an MGA wants to have the compensation paid as earned on a monthly basis, they can also request this option.
  - If an MGA wants to have the entire compensation released to the advisor, they can submit the request with an explanation to their Regional Vice President, Insurance. .

See the following page for examples of compensation payout under the rule in both a monthly and annual premium situation.

If you have any questions, please contact your Regional Vice President, Insurance.

**Reference** **Daniel Dessureault**, Vice President, Insurance Distribution

\* A related group of policies includes applications received during the preceding 60 days, where the insureds are in the same family or applications with a common owner or payor. It also includes conversions made in the first year.

**Example 1 Case submitted for \$40,000 total annualized premium, paid monthly**

First Year Commission @ 60%	= \$24,000
Bonus @ 200%	= \$48,000
Total Compensation	= \$72,000
Earned Compensation	= \$72,000/24 = \$3,000
Advance Commission	= \$15,000
Advance Bonus	= \$15,000 x 200% = \$30,000
Total Initial Payout	= \$3,000 + \$15,000 + \$30,000 = \$48,000
Unpaid balance	= \$72,000 - \$48,000 = \$24,000

The unpaid balance will be paid out at a rate of \$24,000/23 remaining months (\$1,043.48 per month) as long as premiums are paid.

**Example 2 Case submitted for \$80,000 premium, paid annually**

First Year Commission @ 60%	= \$48,000
Bonus @ 200%	= \$96,000
Total Compensation	= \$144,000
Earned Compensation	= \$144,000/2 = \$72,000
Advance Commissions	= \$15,000
Advance Bonus	= \$15,000 x 200% = \$30,000
Total Initial Payout	= \$72,000 + \$15,000 + \$30,000 = \$117,000
Unpaid balance	= \$144,000 - \$117,000 = \$27,000

The unpaid balance will be paid once the second year premium is received.

**Example 3 Case submitted for \$60,000 total annualized premium, paid monthly**

First Year Commission @ 60%	= \$36,000
Bonus @ 200%	= \$72,000
Total Compensation	= \$108,000
Earned Compensation	= \$108,000/12 = \$9,000

Commissions and bonus are paid out each month as the premium is paid.

**Example 4 Case submitted for \$60,000 total annual premium.**

First Year Commission @ 60%	= \$36,000
Bonus @ 200%	= \$72,000
Total Compensation	= \$108,000
Earned Compensation	= \$108,000/2 = \$54,000

Commissions and bonus are paid out each year as the premium is paid.