

# Broker Compensation



## PROPOSED BROKER COMPENSATION – BUSINESS INSURANCE (PROPERTY & CASUALTY) ONLY

### Option I

We are proposing the following annual compensation model for Property & Casualty consulting:

- + **Property & Casualty:** 7%\* of Gross Written Premiums as either a fee or capped commission or a combination thereof.

Additionally, much of the work involved in transitioning brokerage firms is done within the first 12-month period, there is opportunity for reducing the fee in subsequent renewal years. In addition, much of the risk control efforts will require an extended period to implement and prove results and improve risk performance. As such, if Jack Henry is interested in a longer-term commitment, the fee can be reduced over time. The framework would be as follows:

1<sup>st</sup> 12-month service period:  
7% fee

2<sup>nd</sup> 12 months service period:  
6.5% fee

3<sup>rd</sup> 12 months service period:  
6% fee

For *Property & Casualty*, the average commission rate for all lines is 12.5%. A program with premiums of \$1,000,000 would result in a net broker compensation of roughly \$125,000. Upon being hired by Jack Henry and when we are in receipt of your current policies, we will provide you with a complete breakdown of premiums per policy and the applicable compensation being received by your current broker.

Selecting the proper Business Insurance (P & C) broker compensation model is an important, yet often vague, process. On many commercial insurance programs, commission paid by the carrier to your broker (included within your premiums) is the default option. This is standard and removes certain issues that can arise in fee-based compensation approaches, such as financing issues when premiums and fees require separate invoices. However, with large premium programs, it is common to move to a fee-based approach to lower the total out-of-pocket spend for the insured.

*\* See note on fee-at-risk and performance guarantee*

An advantage of IMA's private employee ownership structure is that it allows us complete flexibility in designing a compensation package that is fair to our client and adequately compensates us for our work to ensure resources are fully available and deployed. Our goal is to see that our clients have full access to the complete range of services and resources we offer and engage in open communication without concerns that the meter is running.

IMA is flexible as to the method of compensation for our services. Our compensation may be derived from a flat fee billed to Jack Henry or from insurance company commissions, or a combination of these sources. The choice is made by each client based on philosophical and financial considerations. IMA does not have a preference; we service clients utilizing both methods of compensation and keep each of the items below always front of mind:

- + **Transparency** – We believe it is important for our clients to understand and see the compensation we are making on behalf of the work we do. Traditionally, these amounts are buried in premiums charged to the insured. Breaking these out of the premiums provide transparency to the client and we feel you won't ever wonder why we promoted one insurance carrier over another – our interests will fully align.
- + **Preventing Increased Commission** – In the event of a premium increase due to high claims or exposure increases that do not impact our service levels, we do not believe we should be making more income despite our workload not changing.
- + **Evaluation** – Typically we evaluate our fees on an annual basis; this puts increased focus on making sure our team is engaged and committed the entire year. Additionally, it provides an avenue and opportunity to discuss the work done over the past year.

IMA's philosophy is to have our fee be comprehensive. We will not charge Jack Henry additional fees throughout the policy period unless they are clearly outside of the mutually agreed upon scope of services or pass through costs such as printing/shipping, etc.

This amount is negotiable and we would welcome further discussion. Not having worked with Jack Henry previously, we can only estimate the workload. After the first year of partnership, we would be in a better position to gauge the appropriateness of the fee.

#### **PROPOSED BROKER COMPENSATION – BUNDLED BUSINESS INSURANCE (PROPERTY & CASUALTY) AND EMPLOYEE BENEFITS**

In proposing a fee, we use the annualized premiums for a reference point. As noted, the annual commissions built-into insurance premiums average 12.5% and 7.5%, for Property & Casualty and Employee Benefits respectively. Our goal is to drive down Jack Henry's total cost of risk by giving you the best value for the overall spend, while still earning fair compensation for servicing, access to resources and tools, and risk management guidance.

#### **Option II**

Should IMA be selected to manage Jack Henry's entire portfolio of commercial insurance, consideration can be granted to the overall compensation due to the economies of scale in having one brokerage/consulting relationship. This model has been successfully implemented with IMA's clients over the years and can be an attractive method for reducing the overall cost of risk for Jack Henry.

The revised compensation structure for awarding IMA both Property & Casualty and Employee Benefits programs is as follows:

- + **Property & Casualty:** 6%\* of Gross Written Premiums as either fee or capped commission or combination thereof
- + **Employee Benefits:** 3.75%\* of Gross Written Premiums as either fee or capped commission or combination thereof

*\* See "Performance Guarantee + Fee at Risk" section of the individual Employee Benefits and Property and Casualty pricing documents for complete details of the proposed fee-at-risk and performance guarantees*

## PERFORMANCE GUARANTEE + FEE AT RISK

### PERFORMANCE GUARANTEE

We are so confident in our ability to drive meaningful results for Jack Henry that we are going to put 25% of our Fee for Service at risk.

### HOW DOES IT WORK?

We will meet with Jack Henry to outline our mutual objectives for your P&C and/or EB programs, which will include 5 major categories. Each category will have a 20% (5% of total compensation) penalty if IMA does not meet any of our mutually agreed upon objectives for that particular category. IMA will meet quarterly with Jack Henry to go over these objectives, and Jack Henry can "claim the penalty" and receive the credit if we are not meeting our mutually agreed upon objectives.

### HOW IS IT TRACKED?

Utilization of IMA's automated Client Service Plan (CSP), which will be mutually agreed upon at the outset of the relationship.

### WHAT ARE THE CATEGORIES? (SAMPLE)

- + Program Placement Results
- + Claims Handling
- + Policy Services
- + Risk Control
- + TBD Category of Jack Henry's Choice

## POLICY SERVICES

IMA will proactively assist Jack Henry throughout every stage of the insurance procurement cycle to craft a program that is right for you. The available services that are included in IMA's Fee for Service are:

1. Prepare detailed submission to insurance carriers for each line of coverage.
2. Present your account to selected markets.
3. Negotiate with insurance carriers to secure the best coverage at the lowest cost.
4. Prepare and present detailed insurance proposals by line of coverage.
5. Develop finance and payment options.
6. Bind coverage with successful market/s.
7. Prepare binders and auto ID cards.
8. Issue Certificates of Insurance.
9. Prepare billing and invoice policies.
10. Secure policies from insurance carriers and review for accuracy.
11. Deliver policies.
12. Manage all coverage changes and endorsements throughout policy term.
13. Meet 120 days in advance of Jack Henry's 2024 renewal to determine a "game plan."
14. Begin renewal process.
15. Insurance carrier premium audit reviews.

### **In addition to the services noted above, IMA will:**

- + Audit your existing program to determine gaps in coverage and make recommendations on risk transfer mechanisms to protect your critical assets. Ultimately, it is Jack Henry's decision on the placement of coverage and choice of carriers, but it is IMA's job to bring you alternatives with detailed explanations to facilitate your decision.
- + Prepare in-depth coverage analysis and comparisons to assist you with coverage selection, and enhance your understanding of the complexities of various coverages and to outline the salient differences in policy language.

## CLAIMS MANAGEMENT SERVICES

Prompt reporting, early intervention, aggressive investigation, timely settlements and excellent communication are the foundation of IMA's Claims Management philosophy, which helps to ensure the fair and timely resolution of claims.

The available services that are included in IMA's Fee for Service are:

1. Establishing 24-hour claim reporting and emergency services.
2. Ongoing review of large and litigated claims, including detailed status reports. The frequency of these status reports is at Jack Henry's discretion.
3. Monitoring claims for appropriate subrogation and indemnification potential.
4. Assisting with the selection and coordination of a Third-Party Claims Administrator, if necessary.
5. Co-develop Claim Reporting Procedures.
6. Assist in implementation and training of Claim Reporting Procedures with the appropriate Jack Henry staff.
7. Work with NCCI to ensure that the data used to calculate your Experience Modification Factor is correct.
8. Work with Jack Henry and the carriers to develop Claim Handling Procedures to be followed by the carrier.
9. Assist in the development, training and implementation of a Return to Work Program.
10. Serve as a resource for on-going claims management issues.
11. Assist in the development of location code structure.
12. Coordinate & Attend insurance carrier Claim Reviews, if desired.
13. Provide advice/technical expertise on:

<b>Reserve amounts</b>	<b>Damages</b>
<b>Settlement amounts</b>	Coverage Review and Analysis
<b>Liability</b>	Assist with reporting and resolution of EPL claims
<b>Compensability</b>	Provide advice and guidance on D&O/E&O claims

14. Advocate Jack Henry's position for the best possible outcome.
15. Obtain access to Carrier on-line systems for IMA and Jack Henry.
16. Act as a liaison between Jack Henry and your insurance carriers.
17. Work with IMA Loss Control to review existing claims management techniques and identify opportunities for improvement.
18. Provide supervisor training for claims management techniques.
19. Assist with the selection of Designated Medical Providers.
20. Development and use of data import templates from insurance carriers and third-party administrators if needed.

## CLAIM DENIAL

In the event Jack Henry receives a claim denial or reservation of rights letter, IMA will:

- + Thoroughly review the letter to determine which, if any, of the insurer's coverage position statements are reasonable.
- + Discuss our findings with you to determine the best course of action.
- + Engage the assigned insurance carrier claims adjuster to understand their position and ensure they are fully aware of all pertinent facts surrounding the claim.
- + Communicate with Jack Henry all potential options and develop a go-forward strategy.
- + Continue to guide Jack Henry through the claim adjustment process, troubleshoot coverage issues and protect your rights under your insurance policies.
- + If necessary, leverage IMA's prominent position as a leading broker in the industry and reach out to executive-level contacts to bolster an insured-friendly interpretation of any ambiguities regarding coverage.

## RISK CONTROL SERVICES

The IMA Risk Control group is a team of technical professionals who identify, develop and deliver customized Risk Control strategies for our clients. We have a strong team of Engineers and Safety Professionals at your disposal.

A Client Service Plan allows you, as the client, to select the services which fit your needs. For over 30 years, IMA has been providing Safety and Loss Prevention guidance to various industries, including a focus on manufacturing. IMA is one of the few brokers with Industrial Engineers and Ergonomists on staff.

Our clients have access to Advisors who have worked in the industry and who have advanced degrees and safety certifications.

## A HOLISTIC SOLUTION TO MANAGE RISK, CONTROL LOSS AND IMPROVE COMPLIANCE



**Online Training Library**  
Multitude of bilingual PowerPoints, Policies and Training Shorts



**Certificate of Insurance (COI) Management**  
Manage your COIs to control liability & risk



**HR & Benefits Database**  
Resources and handbooks for all 50 states



**Behavior Based Safety Programs**  
Build behavior-based safety programs with job hazard analyses



**Incident Tracking & Trending**  
Trend incidents, maintain and print OSHA logs



**Job Description Tracking**  
Access a pre-loaded library of comprehensive job descriptions



**Safety Data Sheet Management**  
Be compliant with OSHA hazardous material standards and the new globally harmonized system



**Employee Training Management**  
Automate scheduling and reporting using our online training

IMA Risk Control will work with Jack Henry to develop a customized Risk Control plan that includes the complementary services listed above. In addition to these services and resources, IMA Risk Control offers on-site trainings and program administration for an additional fee. The available services that are included in IMA's Fee for Service are:

## **LIVE TRAININGS**

- + Instructor-led Safety Training/Webinars
- + Office/Job-Site Ergonomics Training
- + Back Injury Prevention
- + Supervisor Training – Safety Training
- + Medic First Aid/CPR/AED Training
- + Forklift Training/Certification
- + Defensive Driver Education
- + Base Regulatory Training
- + OSHA 10 In-Person Training
- + OSHA 10-hour Online Training
- + Train-the-Trainer OSHA Compliance Training

## **CUSTOMIZED PROGRAMS, AUDITS + ASSESSMENTS**

### **1. Risk Assessments**

- Review written safety program
- Review training
- Culture assessment
- OSHA log review
- Loss analysis
- Orientation review

### **2. Audit and Training Services**

- Quarterly compliance audits
- Compliance training
- Quarterly exhibit on losses
- Revise/upgrade safety program
- Revise/upgrade orientation
- Evaluate OSHA recordkeeping

### **3. Location Specific**

- Review of machinery safeguards
- MSDS management evaluation
- PPE assessment
- Machine servicing and
- Maintenance assessment

### **4. Program Implementation: Provide periodic Loss Prevention newsletters to Jack Henry to be used for internal educational purposes, assist in performing hazard assessments, as well as focus your efforts on contingency planning. Attendance at IMA University events.**

## CONTRACT ADMINISTRATION SERVICES

### CONTRACT REVIEW

IMA's in-house Contractual Risk Team can evaluate any contract as it pertains to indemnification or insurance requirements. This evaluation includes:

- + Advising Jack Henry regarding consistency requirements with industry norms.
- + Ensuring Jack Henry's compliance with all insurance requirements.
- + Ensuring coverage of indemnity obligations to the maximum extent possible.

### INDEMNITY PROVISIONS

- + Carve-outs of the indemnities, especially "Specific Events" and "Catastrophic Loss."
- + Interaction of a particular contract's indemnity provisions with your other contracts.
- + Pass through of contractual indemnity.
- + Contract warranties.
- + Indemnity and insurance obligations should be separate and distinct, as well as independently enforceable.

### INSURANCE PROVISIONS

- + Ensure that Jack Henry's program meets all coverage, limit and deductible requirements.
- + Insurance protection requirements – what do you owe versus the other party.
- + Insurance protections include: Additional Insured status, Primary/Non-Contributory wording, Waiver of Subrogation, Notice of Cancellation or Non-Renewal.
- + Define in the contract the Additional Insured status owed to you.
- + Identify the insurance protections you owe to the "risks and liabilities assumed" under the contract.

The Contractual Risk Advisor will return this analysis to Jack Henry within 72 hours of receiving the request unless otherwise agreed. All other legal questions should be addressed by Jack Henry's counsel.