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Aetna lowers commissions for brokers who sell fewer policies

Insurer implementing new rules

Sacramento Business Journal - by [Kathy Robertson](#) Staff writer

Changes in the way **Aetna** pays brokers for selling individual insurance plans have angered at least one local agent.

Others worry this is a preview of more cuts ahead for the folks who pocket a portion of the health care dollar when they process new applications or renew policies.

Brokers work hard for their money -- more so today than ever, they say. But the expense is under new scrutiny because the health care reform bill awaiting action in Sacramento requires all individuals to have insurance and limits how much insurers can spend on administration.

Aetna's new commission structure for 2008 pays brokers who sell a lot of individual policies the same 20 percent commission on new business as it did before, but the Hartford, Conn.-based insurer cut fees for others by as much as 5 percent.

The company also announced two weeks ago that it will pay commissions on the base rate quoted to the customer, not the often-pricier subsequent premium after health conditions are evaluated

In an effort to boost sales, Aetna is opening the individual market in California to general agents. This allows larger firms that act as distribution channels for health insurers to process the policies.

"They're claiming costs are high, dealing with people like me," said Al Canton, who describes himself as "a tiny agent" in Fair Oaks who sells health and life insurance. "I think it's greed ... and I don't see any reason to write their policies for less money."

The goal is to standardize commissions, control administrative costs and boost sales, said David Koren, Aetna's national sales chief for individual products.

Aetna returned to the Sacramento market in March after a five-year hiatus. The company has 35,300 total members in the region and is trying to increase sales to all sectors of the market, including individuals.

Brokers in California, Texas and New York earned 20 percent commission on new accounts, while brokers in the 26 other states where Aetna sells individual insurance earned 15 percent commission.

Under the new structure, brokers nationwide who sell more than 10 policies a year get a 20 percent commission on new accounts, while those who sell six to 10 new policies get 18 percent, and those who process up to five applications get 15 percent.

The new approach is expected to make the business easier to manage, Koren said.

"It has absolutely nothing to do with the legislative proposals in California and other states, but is a means for better positioning ourselves nationally," he said.

"These changes are not about 'greed,' " he added, but about customer service in a market where 80 percent of the brokers account for less than 20 percent of the company's total sales volume.

"Brokers who don't write a lot of business with us call us the most," Koren said. "We don't pay them as much because (we) really don't want business from the guy who sells one or two and who may not fill it out right or bother to get training."

"It's a tempest in a teapot," said Dale Waters, president of **Benefit Insurance Services**. "It takes away part of their commissions, but I don't think that's unusual. It's a preview of coming attractions."

Brokers are worried about legislation that limits the amount an insurance company can spend on administrative costs, said Lee Ann Trumbull, a Sacramento insurance agent and legislative chair for the **Sacramento Association of Health Underwriters**.

More insurance carriers will take a good look at commissions on individual policies if there is a mandate that everybody get insurance and insurers are forced to stay within the "85 cent rule," which requires 85 cents of every health care dollar to be spent on claims and leaves the 15 cents left over for everything else, she said.

Others agree.

"It's amazing we are not fine-tuned so far as administration now," said Aron Brock, president of **Assured Health Insurance Services Inc.** in Citrus Heights. "I do believe there will be changes. I'm trying to position myself to weather the storm."

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