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OFFICE OF FINANCIAL AND INSURANCE SERVICES  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
DAVID C. HOLLISTER, DIRECTOR

LINDA A. WATTERS  
COMMISSIONER

**DATE:** January 5, 2005

**TO:** Domestic Insurers Who Were Sent the Commissioner Inquiry on Producer Compensation Arrangements

**FROM:** Frances K. Wallace, Chief Deputy Commissioner  
Office of Policy, Conduct and Consumer Assistance

**SUBJECT:** Clarification

Several questions have arisen as a result of the Commissioner inquiry into broker activities that the Office of Financial and Insurance Services (OFIS) sent to you dated December 17, 2004. The purpose of this memorandum is to provide a uniform response to all insurers.

1. To the extent OFIS seeks information concerning "producers" acting as "brokers," most insurers that market through independent agents do not maintain broker relationships. Does OFIS wish to receive compensation information concerning non-broker independent agents?

Answer

*OFIS is seeking compensation information concerning an insurer's arrangements with all producers, whether or not those producers characterize themselves as brokers. Our investigation is focusing on producers acting as brokers, but we need information about all compensation arrangements so we can better identify situations where producers may be acting as brokers even if they don't identify themselves as brokers.*

2. Question number 2 of the inquiry asks insurers to identify the producers that were paid compensation over the past 12 months, per the compensation arrangements identified in question number 1 of the inquiry. Does question number 2 ask just for the identity of the producer, or is it also seeking the amount of compensation for each producer, under each compensation arrangement?

Answer

*This question only asks for the identity of the producers to whom the company has paid compensation under each type of compensation arrangement. It does not ask for the amount of compensation. OFIS has requested the information in the form of an Excel spreadsheet - the type of compensation arrangement in one column and the identifying information for each producer compensated using that arrangement in one or more other columns.*

3. Will the responses from the insurers be subject to the Freedom of Information Act and made available to the public?

Answer

*No. Under MCL 500.1246, the information from this investigation is confidential and is not subject to disclosure under the Freedom of Information Act.*

4. Question #3 refers to the relationship between an insurer and "any related entity". What is the percent of ownership required to constitute a "related entity" for this purpose?

Answer

*The term related entity is not limited to ownership relationships but includes any business relationships relating to the payment or receipt of compensation provided by the insurer, including the business relationships specified in the question.*

If you have additional questions regarding this Commissioner inquiry, please contact Sherry Bass-Pohl toll free at 1-877-999-6442, or send your questions by email to [sjbass@michigan.gov](mailto:sjbass@michigan.gov). Thank you and we look forward to receiving your responses by January 17, 2005.