



# Bulletin

Bulletin No.: CML-11-2130  
Date: February 11, 2011  
To: Final Expense  
General Agents & Agents  
(NY)

## New York State Producer Compensation Disclosure

As we recently informed you, New York State Insurance Department Regulation 194 establishes disclosure requirements regarding compensation paid to insurance producers. At that time, we provided you with a Producer Compensation Disclosure Statement, Form No. 2518, to help you comply with the **Step One Disclosure** requirements.

### Step Two Disclosure

If the purchaser requests more information about your compensation prior to or within 30 days after issuance of a new contract or within 30 days before or after renewal of a contract, you must provide written disclosure of the average compensation you may expect to receive over the life of the contract. This information will be based, in part, on the number of years you might expect to receive commissions for the contract. We have calculated that the average duration for a Final Expense policy, or average number of years for which we anticipate paying commissions, is **seven years**.

To calculate the average compensation you may expect to receive over the life of a contract, you must take into consideration your commission percentages, the average duration for the product, and whether you expect to qualify for conference. Because the average duration for a Final Expense policy is 7 years, you would add together your first-year commission percentage plus the total percentage for renewals (your year 2 – 5 renewal commission percentage times 4 years *plus* your year 6 – 10 renewal commission percentage times 2 years). If you anticipate qualifying for conference, you would add another 3%. Once you have this total, you would divide by 7 (the average duration for the policy). For example:

$$\begin{array}{l}
\text{_____} \% \text{ Your First-Year Commission Percentage} \\
\text{plus } \text{_____} \% \text{ Year 2 – 5 Renewals (4 times your year 2 - 5 percentage)} \\
\text{plus } \text{_____} \% \text{ Year 6 – 7 Renewals (2 times your year 6 – 10 percentage)} \\
\text{plus } \text{_____} 3\% \text{ Sales Conference Factor (3\% of first-year premium)} \\
\text{equals } \text{_____} \% \text{ Total Percentage} \\
\text{divided by 7 (average duration for Final Expense) = } \mathbf{XX\%}
\end{array}$$

You would disclose to the purchaser that the average compensation you may expect to receive over the life of the contract is **XX% of the premiums paid on the contract**.

### Producer Responsibility

*The Regulation applies only to New York applications. It is your responsibility to comply.* You are required to retain copies of the written disclosures provided to purchasers for three years after the date of disclosure. Do not submit copies of your written disclosures to Columbian.

For your convenience, this bulletin and the previous bulletin regarding New York State Compensation Disclosure may also be found at [www.cfglife.com](http://www.cfglife.com).