American SENIOR BENEFITS
Putting people back into the people business

American Senior Benefits Medicare Supplement Replacement Rules

The most important rule we insist on here at ASB is one of mutual respect for all company agents. To that end, we feel it necessary to communicate the below replacement rules for instances that occur where a current ASB agent writes a Medicare Supplement policy that replaces a Medicare Supplement policy written by another current or former ASB Agent. We wanted to clarify with you what our procedure is going to be in these instances.

1. If an ASB agent replaces a Medicare Supplement policy written by another ASB agent and the original policy is still in its first year, then all commissions for the new policy will be paid to the original writing agent and the original writing agent's hierarchy. No commission will be paid to the new writing agent.
2. If an ASB agent replaces a Medicare Supplement policy written by another ASB agent, and the original policy is in year 2-5 and
    a. The original writing agent is active, the new case will be split 50/50 between the original writing agent and the new writing agent.
    b. The original writing agent is termed non-vested, the new case will be split 50/50 between ASB and the new writing agent. Any active portion of the original writing agent's hierarchy will also continue to receive overrides based upon the original writing agent's 50% of the premium.
    c. The original writing agent is termed vested, the new case will be split 50/50 between ASB and the new writing agent. The vested agent's portion of the commission will revert to ASB through the non-vested renewal process. Any active portion of the original writing agent's hierarchy will also continue to receive overrides based upon the original writing agent's 50% of the premium.
3. However, if both agents are still active and are under the same RSM, we will allow the RSM to dictate how commissions will be paid. In this case, our commissions team will contact the RSM for instruction on how the commissions should be paid between the original writing agent and the new writing agent.
4. As previously communicated, no allowances will be paid to either RSM when an ASB agent writes a Medicare Supplement policy that replaces a Medicare Supplement policy written by another ASB agent except as detailed in rule #5 below.
5. If a particular client has been continuously covered by a Medicare Supplement policy that is under American Senior Benefits' hierarchy AND administered in GBS, our commission system, and a new Medicare Supplement policy has been issued, we will consider this to be a new piece of business (not replacement) if we have NOT paid allowances to any RSM within the last 5 years. If this condition is met, we will pay allowances again, and we will NOT split commissions if the writing agent on the new policy is different than the writing agent on the old policy.
6. If a policy on a particular client is lapsed for less than 90 days and a new policy is then written, we will count as a replacement and split comp. No allowances will be paid, and no production or convention credit will be counted.

7. If a policy on a particular client is lapsed for more than 90 days and a new policy is then written, we will NOT split comp. We will also NOT pay allowances and will not give production or convention credit for the new policy.

Rule #5 is the most confusing, so I want to take some time to give some examples so our intention is clear. First, we will only look at policies that are in GBS when determining whether the 5-year rule has been met. So if the client previously had policies with a carrier where the agent was paid commissions directly by the carrier, those direct pay policies will NOT be considered toward meeting the 5-year requirement. ONLY those policies that exist in the one-check system will count. Second, the client can have more than one policy to meet the 5-year requirement. For example, if agent Smith wrote client Jones a Sentinel policy in January 2010, then agent Brown replaced the Sentinel policy with Forethought in January 2012, and now agent White in July 2016 is replacing the Forethought policy with a Manhattan Life policy, then the Manhattan Life policy will NOT be considered a replacement. Agent White will get 100% of the commission (unless a manual split was requested), and agent White's RSM will receive the RSM allowances because it has been at least 5 years since we have paid any RSM allowances for a Medicare Supplement policy on client Jones. Agent White will also receive convention credits for this new Medicare Supplement policy on client Jones.

When determining whether to pay allowances on a new case, we will always use the LAST time we paid allowances to determine whether the 5 years has elapsed, even if the client has been continuously covered by a Medicare Supplement policy under ASB's hierarchy for more than 5 years.

Once we pay allowances again on a Medicare Supplement policy for a particular client, the status of that client is "reset", and we will treat the new policy like it is a brand new policy for adherence to the replacement rules in the future. In other words, if we paid allowances on a Med Supp policy on a particular client in January 2010 and then again in January 2016, if the 2016 policy is then replaced again in June 2017, we will consider that policy written in January 2016 to be 1.5 years old, and the replacement written in June 2017 will be subject to our replacement rule #2 above, and commissions will be split. Allowances would NOT be paid on the case written in June 2017.

We hope you all find that these additional rules will have great value to your offices. We've had a number of you ask recently about how long a policy has to be inforce before we pay allowances again, so we wanted to get something in writing out to all of you.

Also, just for informational purposes, we thought we would share with you the replacement rules from two partner carriers that we just received. Just so that you can see the rules vary widely.

Mutual of Omaha: Company will calculate commission when a new Medicare Supplement policy replaces an existing Medicare Supplement policy issued by an affiliate company, and the producer of record does not change. Company will calculate the commission on the new OIC replacement policy starting over at policy year 1. Commission will not be calculated or paid when the original producer of record changes.

CIGNA: If an existing policy is replaced by a policy with an affiliated CIGNA company, only the original agent is eligible to be paid commissions. If a different agent replaces the policy, then the replacing agent will be listed as the servicing agent, but the original agent will be paid. The original agent will be paid using their current commission rate on the new policy but based on the original policy premium and duration. In other words, if the replaced policy is in year 3, then the commission on the new policy will begin paying commissions as if it is in year 3.