

COMPENSATION DISCLOSURE

Olson & Olson Insurance Services Inc. is an independent insurance agency. As an independent agency, its licensed employees have access to many insurance companies which allows them to find the best coverage, premium and service for its customers. Many insurance companies appoint Olson & Olson under contract to sell its products. As the insurance company's sales agent, compensation is paid to Olson & Olson by the insurance company when a policy is sold. There are a number of ways that the agency receives compensation and the insurance companies provide written documentation defining the compensation structure that will be used over a period of time, usually once a year.

- 1. Regular or Base Commissions:** Regular or base commissions are paid by the insurance company when policies are placed by Olson & Olson. Commissions are calculated as a percentage of each policy's premium based on the size of the premium, the type of product/coverage and the insurance company. Commissions for life policies are a high percentage of the annual premium in the first year and then reduce significantly in subsequent years. Commissions for health policies may be a percentage of the premium or a flat amount per policy or per policyholder within a group depending on the size of the group, type of product/coverage and the insurance company. Commissions for surety bonds are a percentage of the premium depending on the size of premium, type of bond and Surety Company. Olson & Olson's average commission on all policies is approximately 10%.
- 2. Contingency Commissions:** In addition to regular or base commissions, some insurance companies provide incentive programs referred to as contingency or profit sharing. This incentive commission is not tied to any specific policy, but rather it is determined by calculating the annual premium volume of a group of accounts which may include measurements for retention and new business and the profitability of the group of business. Contingency commissions are typically calculated on an annual basis and if a grouping of accounts has earned contingency commission, it is paid to the agency once a year. This type of commission is not guaranteed and the agency must maintain its business base by providing its customers with first-class service while adding new business through accurate and truthful application submissions. Some health companies may also provide incentives in the form of annual or quarterly bonuses based on retention or new business.
- 3. Incentive Based Contests and Awards:** As is typical with many sales organizations in other industries, the agency and its licensed agents may participate in any number of sales contests and awards based on parameters determined by the insurance companies and/or the agency in order to meet its sales goals during the year. These incentives could be in the form of cash, leads, other goods or services, or trips for the top performers.
- 4. Fee Income:** Occasionally the agency may negotiate and enter into a written contract with its larger or more complex to place customers to receive a fee paid by the customer in lieu of receiving insurance company regular or base commissions. In addition to either a fee-based arrangement with the customer or insurance company paid commissions, fees may be charged directly to the customer for value-added services such as certificate of insurance volume programs, risk management and loss control services, contract reviews, etc. These fees will be clearly documented in writing to the customer.
- 5. Premium Financing:** The agency may receive an administrative fee from the premium finance company for assisting the client in obtaining financing for their premiums. The fees paid to the agency are based on the size of the premium and the interest rate of the transaction.

Olson & Olson believes the above information is beneficial in assisting its customers make the best decision possible in selecting an insurance program and agent. Olson & Olson is committed to delivering tailored insurance programs with thoughtful strategic planning, valuable professional services and technology-based solutions. As an independent insurance agency, Olson & Olson has access to an extensive insurance marketplace and its goal is to find the most comprehensive carrier solution that will provide excellent coverage, claims service and value for its customers.

Please feel free to ask any questions about the agency's compensation at any time by calling your agent or account service representative directly, or by calling 303-867-2055.