



Have You Considered Selling Some of Your Commissions, But Not ALL?

By Phil Calhoun

A growing trend for health insurance professionals is to look at off-loading some commissions. This is when a broker looks at the value of their book of business, the time required to retain commissions, and the opportunity to sell some of their book of business but not all.

When selling some commissions, brokers desire to either spend time enjoying other pursuits in partial retirement or gain the “new” available time to build other lines of insurance business.

The cases below involve two actual situations where health insurance professionals made the move to exit the MAPD business; one where a complete exit was the final decision and the other where only MAPD/PDP was sold, and Medicare supplements were protected with a Successor agreement.

People are individuals and so are health insurance professionals.

When offered only one solution it is often not the best solution for you, shop around for more input.

Becky has Medicare only practice with a 50/50 split between MAPD and Medicare Supplement. She realized she was over the annual. The AHIP and carrier certification process required each year for being active in the MAPD business and retaining residual MAPD and PDP commissions is mandatory. Becky staying with Medicare Supplements only would provide the opportunity to avoid this certification process and win back time in the fourth quarter. With her income analysis she was able to figure an annual time savings of several weeks each year. She liked the fact that this change would open the option to travel more in the Fall. She also knew about the drug plan concern should she no longer certify annually. She began searching to find a friendly buyer for her MAPD clients who could successfully manage her Medicare Supplement client’s drug plan review process every Annual Election Period. With her focus shifting to finding a buyer, She interviewed buyers who wanted to pay her a single payment, some who wanted to be paid a split of commissions to handle her service work in exchange for a transfer of clients and commissions, and another who would purchase her commissions over several years paying her 50% annually while also agreeing to manage the annual PDP work in a friendly and helpful role for her Medicare Supplement clients, and perform the essential work to protect her Medicare Supplement clients in all life events with a formal

Commission Protection Agreement.

In her final buyer review she realized the one-time payment would be both the lowest payout amount and the most tax intensive and result in a lower after-tax amount for her.

She then studied the shared client role and realized once her commissions were transferred to a broker, the clients would be won over and her negotiating position would be weaker when she wanted to sell. She also concluded that her buyer might not positively impact her payout as the clients would be at risk without a solid retention program that was proven over time and backed by a team of experienced Medicare professionals with a proven track record to both manage the transfer of commissions from each MAPD carrier, handle the service work required to reach the highest possible retention, and agree in writing to have at least two employed Medicare specialists commit to certify with all carriers each year to cover her book of business and cross cover one another in the event anyone had a life event during her payout period.

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So, her research led her to the one buyer who could provide both the client service and support, take her MAPD referrals and pay her, commit in writing to a long payout period with multiple many times her annual MAPD total, and show her a history of success in doing just this type of work for over ten years. In the final decision, she decided the Commission Protection plan would protect her Medicare Supplement commissions while she could sell her MAPD/PDP business now. Becky realized this agreement allowed her to stay active enrolling people in Medicare Supplements and her commissions protected 100% in all life events. Becky has her Medicare Supplement commissions covered and she has the buyout deal points set should she decide to retire. Her Protection Agreement outlined how her commissions are paid with terms she agrees are favorable. With this decision Becky stays in contact with clients, enjoys enrolling referrals, but mostly she cherishes the free time in the fourth quarter to travel and relax as she no longer works in the MAPD/PDP market but refers to her “MAPD Buyer” and is paid per her agreement.

Another broker, Randy, moved into health insurance sales after a long and successful career building businesses in other industries. He was able to sell two businesses and then moved into full retirement. As a retiree, Randy turned sixty-five and enrolled in Medicare and immediately explored giving the Medicare business a try. Since he was active socially with friends and enjoyed helping solve problems for people, he was natural. Fast forward ten years and Randy’s Medicare book of business was large enough to be attractive to buyers. With plans to relocate coming soon, he decides to retire and sell all his health commissions. When he shopped around his prior experience in selling businesses led him to a desire to collaborate with a buyer who had experience and a proven track record. After finding a couple options it came down to personality and professionalism. Randy’s final decision was based on his “must have” deal points and the fact the buyer he selected had delivered on the same points as other brokers. Randy sold his Medicare business and was able to move to another state with his wife. Today they enjoy their retirement together.

Some health insurance professionals love the annual cycle of open enrollment and the annual commitment to the client management process. They like how the client’s needs require them to be available for service and support when needed.

When Medicare specialists look hard at their book and decide to explore what it would be like to have an exit plan for some or all their commissions, it pays in many ways to research the options. While many look hard at full or partial retirement, time often leads one through to eventually make a tough decision.

Many want to sell some and keep some and then add new lines of insurance.

With health insurance commissions one has the freedom to keep going for a long time or retire fully or partially.

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Best Practices in Selling Commissions to your advantage.

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