

## Rule 408(b)(2)(B) Compensation Disclosure

Covered Service Provider (“CSP”)	[CSP NAME]
Prepared by:	[NAME]
Prepared for (“Customer”):	[CLIENT]
Plan Effective Date:	[DATE]

Following is CSP’s Compensation Disclosure set forth as required by The Employee Retirement Income Security Act of 1974 (“ERISA”), as set forth in [29 U.S. Code § 1108\(b\)\(2\)\(B\)](#). All Capitalized terms are defined in the Glossary.

### I. DESCRIPTION OF SERVICES TO BE PROVIDED

ERISA Section 408(b)(2)(B)(iii)(I) requires CSP to disclose to a Responsible Plan Fiduciary a description of the services to be provided to the Covered Plan pursuant to the contract or arrangement.

[Describe in sufficient detail said services]

### II. FIDUCIARY STATUS

ERISA Section 408(b)(2)(B)(iii)(II) requires CSP to provide a statement if the CSP, an Affiliate, or a Subcontractor will or will not provide, or reasonably expects to provide, services pursuant to the contract or arrangement directly to the Covered Plan as a fiduciary.

CSP <does OR does not> reasonably expect to provide services pursuant to the contract or arrangement with Customer directly to the covered plan as a fiduciary.

### III. Direct Compensation

Section 408(b)(2)(B)(iii)(III) requires a description of all Direct Compensation the CSP and its affiliates and/or subcontractors reasonably expect to receive in connection with the services described in Section I. Compensation may be expressed as a monetary amount, formula, or per capita charge. If the compensation cannot reasonably be expressed in such terms, the CSP is required to provide a good-faith-estimate.

CSP, its affiliates and/or subcontractors earn the following direct compensation (enter each item for which CSP or an affiliate or subcontractor receives direct compensation in a separate table, describing each instance in sufficient detail and whether the compensation is received by CSP or an Affiliate or Subcontractor. If an Affiliate or Subcontractor, provide the name of such entity):

[INSTRUCTIONS: Clear the example text, copy, paste and complete separates tables below for each payer.]

<b>Payer:</b>	Examples: <i>Carrier Corp.</i> <i>TPA Inc.</i> <i>PBM Inc.</i>
<b>Recipient:</b>	Examples: <i>Acme Corp. (Covered Service Provider)</i> <i>Acme Brokers, Inc. (Affiliate of Covered Service Provider)</i> <i>Acme Services, Inc. (Subcontractor of Covered Service Provider)</i>
<b>Compensation Description:</b>	Examples: <i>Flat fee: \$15,000 per year, or</i>

	<i>Formula: 2.5% of premiums</i> <i>Per capita charge: \$15 per enrollee per month</i> <i>Good faith estimate (if no other expression is reasonable)</i>
<b>Required Factor(s):</b>	Examples: <i>Total premium: \$1,000,000</i> <i>Total enrollees: 100</i>
<b>Total Annual Amount:</b>	Examples: <i>2.5% of premiums * \$1,000,000 premiums = \$25,000</i> <i>\$15 per enrollee per month * 12 months * 100 enrollees = \$18,000</i>
<b>Associated Services</b>	Examples: <i>Placement of medical insurance</i>

#### IV. Indirect Compensation

Section 408(b)(2)(B)(iii)(IV) requires a description of all Indirect Compensation that CSP and its Affiliates and/or Subcontractors reasonably expect to receive in connection with the services described in Section I. The description must include an explanation of the arrangement between the payer of the Indirect Compensation and CSP or its Affiliates or Subcontractors pursuant to which such Indirect Compensation is paid. This portion of the disclosure must also include an identification of services for which Indirect Compensation will be received, if applicable, and the identification of the payer of the Indirect Compensation.

CSP and/or its Affiliates and/or Subcontractors reasonably expect to receive the following Indirect Compensation in connection with the following services described in Section I:

**[INSTRUCTIONS: Clear the example text, copy, paste and complete separates tables below for each payer.]**

<b>Payer:</b>	Examples: <i>Carrier Corp.</i> <i>TPA Inc.</i> <i>PBM Inc.</i>
<b>Recipient:</b>	Examples: <i>Acme Corp. (Covered Service Provider)</i> <i>Acme Brokers, Inc. (Affiliate of Covered Service Provider)</i> <i>Acme Services, Inc. (Subcontractor of Covered Service Provider)</i>
<b>Arrangement Description:</b>	Examples: <i>Bonus of 5% of annual commissions on total book of business retained for 5 or more years.</i>
<b>Compensation Description:</b>	Examples: <i>Flat fee: \$15,000 per year, or</i> <i>Formula: 2.5% of premiums</i> <i>Per capita charge: \$15 per enrollee per month</i> <i>Good faith estimate (if no other expression is reasonable)</i>
<b>Required Factor(s):</b>	Examples: <i>Total premium: \$1,000,000</i> <i>Total enrollees: 100</i>
<b>Total Annual Amount:</b>	Examples: <i>2.5% of premiums * \$1,000,000 premiums = \$25,000</i> <i>\$15 per enrollee per month * 12 months * 100 enrollees = \$18,000</i>
<b>Associated Services</b>	Examples: <i>Placement of medical insurance</i>

#### V. Compensation Received on a Transactional Basis

Section 408(b)(2)(B)(iii)(V) requires CSP to provide a description of any compensation that will be paid among CSP and an Affiliate or Subcontractor in connection with the services described in Section I if such compensation is set on a transaction basis (such as commissions, finder's fees, or other similar incentive compensation based on business placed or retained), including identification of the services for which such compensation will be paid and identification of the payers and recipients of such compensation, regardless of whether such compensation also is disclosed pursuant to Section III and IV.

[INSTRUCTIONS: Clear the example text, copy, paste and complete separates tables below for each payer.]

<b>Payer:</b>	Examples: <i>Carrier Corp.</i> <i>TPA Inc.</i> <i>PBM Inc.</i>
<b>Recipient:</b>	Examples: <i>Acme Corp. (Covered Service Provider)</i> <i>Acme Brokers, Inc. (Affiliate of Covered Service Provider)</i> <i>Acme Services, Inc. (Subcontractor of Covered Service Provider)</i>
<b>Arrangement Description:</b>	Examples: <i>Referral fee of \$1 for each prescription filled.</i>
<b>Compensation Description:</b>	Examples: <i>Flat fee: \$15,000 per year, or</i> <i>Formula: 2.5% of premiums</i> <i>Per capita charge: \$15 per enrollee per month</i> <i>Good faith estimate (if no other expression is reasonable)</i>
<b>Required Factor(s):</b>	Examples: <i>Total premium: \$1,000,000</i> <i>Total enrollees: 100</i>
<b>Total Annual Amount:</b>	Examples: <i>2.5% of premiums * \$1,000,000 premiums = \$25,000</i> <i>\$15 per enrollee per month * 12 months * 100 enrollees = \$18,000</i>
<b>Associated Services</b>	Examples: <i>Placement of medical insurance</i>

## VI. Compensation Related to Termination

Section 408(b)(2)(B)(iii)(VI) requires CSP to provide a description of any compensation that it, or one of its affiliates or subcontractors, reasonably expects to receive in connection with termination of the contract with Customer, and how any prepaid amounts will be calculated and refunded upon such termination.

CSP's contract with Customer [does OR does not] contain a penalty provision connected to early termination of the contract without cause.

[If it does, describe fully here].

## VII. Ancillary and Elective Benefits Compensation

Below, provide a description of all Direct & Indirect Compensation the CSP and its affiliates and/or subcontractors reasonably expect to receive in connection with any ancillary and/or elective benefits programs. Compensation may be expressed as a monetary amount, formula, or per capita charge. If the compensation cannot reasonably be expressed in such terms, the CSP is required to provide a good-faith-estimate.

[INSTRUCTIONS: Clear the example text, copy, paste and complete separates tables below for each payer.]

<b>Payer:</b>	Examples: <i>Carrier Corp.</i> <i>TPA Inc.</i> <i>PBM Inc.</i>
<b>Recipient:</b>	Examples: <i>Acme Corp. (Covered Service Provider)</i> <i>Acme Brokers, Inc. (Affiliate of Covered Service Provider)</i> <i>Acme Services, Inc. (Subcontractor of Covered Service Provider)</i>
<b>Compensation Description:</b>	Examples: <i>Flat fee: \$15,000 per year, or</i> <i>Formula: 2.5% of premiums</i> <i>Per capita charge: \$15 per enrollee per month</i> <i>Good faith estimate (if no other expression is reasonable)</i>
<b>Required Factor(s):</b>	Examples: <i>Total premium: \$1,000,000</i> <i>Total enrollees: 100</i>
<b>Total Annual Amount:</b>	Examples: <i>2.5% of premiums * \$1,000,000 premiums = \$25,000</i> <i>\$15 per enrollee per month * 12 months * 100 enrollees = \$18,000</i>
<b>Associated Services</b>	Examples: <i>Placement of Supplemental Life / AD&amp;D insurance</i>

### VIII. Summary of Total Compensation

[INSTRUCTIONS: Clear the example text and populate the table below to summarize all of the compensation disclosed in sections I – VII above.]

<b>Payer</b>	<b>Payee</b>	<b>Annual Compensation (\$)</b>
Ex. <i>TPA Inc.</i>	Ex. <i>Broker Corp.</i>	Ex. <i>\$35,000</i>
Ex. <i>Carrier Inc.</i>	Ex. <i>Broker Svc. Inc.</i>	Ex. <i>\$23,000</i>
<b>Grand Total:</b>		Ex. <i>\$58,000</i>

## GLOSSARY

**Affiliate** means an entity that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with, the Covered Service Provider, or is an officer, director, or employee of, or partner in, such Covered Service Provider.

**Compensation** means anything of monetary value but does not include non-monetary compensation valued at \$250 (or such amount as the Secretary may establish in regulations to account for inflation since December 27, 2020, as appropriate) or less, in the aggregate, during the term of the contract or arrangement.

**Covered Plan** means a group health plan.

**Covered Service Provider** means a service provider that enters into a contract or arrangement with the Covered Plan and reasonably expects \$1,000 (or such amount as the Secretary may establish in regulations to account for inflation since December 27, 2020, as appropriate) or more in compensation, direct or indirect, to be received in connection with providing one or more of the Covered Services, pursuant to the contract or arrangement, regardless of whether such services will be performed, or such compensation received, by the Covered Service Provider, an Affiliate, or a Subcontractor.

**Covered Services** include:

- Brokerage services provided to a covered plan with respect to selection of insurance products (including vision and dental), recordkeeping services, medical management vendor, benefits administration (including vision and dental), stop-loss insurance, pharmacy benefit management services, wellness services, transparency tools and vendors, group purchasing organization preferred vendor panels, disease management vendors and products, compliance services, employee assistance programs, or third party administration services; and
- Consulting services related to the development or implementation of plan design, insurance or insurance product selection (including vision and dental), recordkeeping, medical management, benefits administration selection (including vision and dental), stop-loss insurance, pharmacy benefit management services, wellness design and management services, transparency tools, group purchasing organization agreements and services, participation in and services from preferred vendor panels, disease management, compliance services, employee assistance programs, or third party administration services.

**Direct Compensation** means compensation received directly from a Covered Plan.

**Indirect Compensation** means compensation received from any source other than the Covered Plan, the plan sponsor, the Covered Service Provider, or an Affiliate. Compensation received from a Subcontractor is also indirect compensation, unless it is received in connection with services performed under a contract or arrangement with a Subcontractor.

**Responsible Plan Fiduciary** means a fiduciary with authority to cause the Covered Plan to enter into, or extend or renew, the contract or arrangement.

**Subcontractor** means any person or entity (or an affiliate of such person or entity) that is not an Affiliate of the Covered Service Provider and that, pursuant to a contract or arrangement with the Covered Service Provider or an Affiliate, reasonably expects to receive \$1,000 (or such amount as the Secretary may establish in regulations to account for inflation since December 27, 2020, as appropriate) or more in compensation for performing one or more Consulting services set forth in Covered Services.



### **Disclaimer and Reservation of Rights**

This disclosure applies for the duration of the contract period. Some of the compensation arrangements described herein may be subject to change during the applicability period. This document includes all the disclosures Covered Service Provider is required and able to make under ERISA Section 408(b)(2)(B) as a covered service provider. Any other plan service provider subject to the same disclosure requirements is required to make its own independent 408(b)(2) disclosure. **Covered Service Provider is not responsible for the failure of any other service provider to make its required disclosure of direct and indirect compensation.**

Covered Service Provider has made a good faith effort to complete this disclosure in accordance with 29 U.S. Code § 1108 (b)(2)(B) (i) – (vi). Pursuant to 29 U.S. Code § 1108 (b)(2)(B)(vii), if Covered Service Provider, who has made this disclosure in good faith and with reasonable diligence, made an error or omission in disclosing the information required or needs to make a change to this Disclosure, it shall have thirty (30) days from discovery of an error or change to disclose the correct information to the responsible plan fiduciary.

Covered Service Provider reserves the right to issue amendments and modifications to this disclosure and such modification may be done formally, through issuance of another disclosure form, or within the body of emails throughout the plan year. Individual modifications or updates to compensation disclosures do not invalidate or replace the entirety of this disclosure, only the provisions that are being modified.

### **Attestation**

The above information is accurate to the best of my knowledge as of the date this disclosure.

Date: \_\_\_\_\_

Covered Service Provider: \_\_\_\_\_

## **Disclaimer**

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