

Study on Compensation and Incentives in the Insurance Sector

Damage Insurance

About the study

The Institut de la statistique du Québec has been mandated by the Autorité des marchés financiers to provide a statistical portrait of the compensation and incentives offered by companies in the insurance of persons and damage insurance sector under its supervision.

The objective of this study is to collect information on compensation programs, performance management targets and criteria, and other non-monetary benefits provided.

Mandatory participation

Your company has been selected to participate in this study. Given the importance of the study results, your company's participation is mandatory in accordance with the *Act respecting the Institut de la statistique du Québec* (CQLR, chapter I-13.011).

Confidentiality

You must provide your data to the Institut de la statistique du Québec (Statistique Québec) as requested in this questionnaire. Statistique Québec guarantees that the data provided by your company as part of this study will be kept confidential.

For quality and training purposes, telephone conversations with Statistique Québec agents are recorded. Any person who does not want their conversation to be recorded can notify the agent at the beginning of the call.

Assistance

If you require assistance, please contact the Direction de la gestion de la collecte by telephone at 1-800-561-0213 or by e-mail at collecte@stat.gouv.qc.ca.

Instructions

- ▶ The questions are only about individual property and auto insurance.
- ▶ All questions cover the reference period from January 1, 2021 to December 31, 2021.
- ▶ Do not return the questionnaire to us by mail or fax.
- ▶ Please complete the questionnaire within the next two weeks.
- ▶ This study focuses on the situation in the province of Québec ; please consider only the portion of your company that is located in Québec when responding.
- ▶ Answer to the best of your knowledge.
- ▶ If you do not have the exact information pertaining to certain sections of the questionnaire, please provide the best possible estimate.
- ▶ To answer all the questions, you may have to consult others working at your company.

Definitions

The definitions below refer to the terms in the questionnaire marked with an asterisk (*).

2021

From January 1, 2021 to December 31, 2021.

Agency firm

A firm that is an insurer or that is bound by an exclusive contract with a single damage insurer.

It distributes its products mainly through damage insurance agents.

Banner

A firm registered in damage insurance that acts as an intermediary between the registrants with whom it has a business relationship and the insurer. It may also offer various services to other firms, independent partnerships or independent representatives. These services may include management systems, computer tools, professional development, or documentation and underwriting support.

Bonus

A bonus is an amount of money (fixed or based on a percentage of the premium volume or commissions) paid to a representative or an intermediary as a reward or encouragement for their overall sales performance. This compensation category includes year-end bonuses granted under profit-sharing plans.

Brokerage firm

A damage insurance brokerage firm is a firm that does business through damage insurance brokers, i.e. natural persons who offer a range of damage insurance products from several insurers directly to the public, or who offer damage insurance products from one or more insurers to a firm, an independent representative or an independent partnership.

Business relationship

A business relationship is a commercial relationship established between one or more parties that comes to be through the realization of several successive operations.

Commission

Commissions are remuneration usually calculated as a percentage of the premium or amount invested. Commissions usually vary by type of insurance policy (e.g., permanent, term or universal life insurance ; critical illness insurance ; disability insurance ; personal lines and commercial lines insurance), and by coverage options.

(Sales) contests

Contests can take many forms and can be organized by the insurer, the general agent, the banner or the firm. For example, some contests may reward those who have achieved a minimum number of sales of a product or family of products during a given period. Other contests may focus on client retention, acquisition or referral goals or on technology adoption goals.

Contingent commission (profit-sharing programs)

A form of supplemental remuneration based on the profits generated by a block of business. To obtain this compensation, intermediaries must satisfy certain criteria in the distribution contract over a given period of time. The most frequent criteria include achieving a volume of new business or maintaining a customer retention rate or loss ratio according to a defined threshold. The chosen criteria differ from one insurer to another and the amount paid is based on a rate set out in the profit-sharing program or representation contract.

Damage insurance

Damage insurance is insurance that covers property (home, automobile) or liability, for example in the event of a fire or accident.

Damage insurance agent

A damage insurance agent is a natural person who, on behalf of a firm that is an insurer or that is bound by an exclusive contract with a single damage insurer, offers damage insurance products directly to the public.

Damage insurance broker

A damage insurance broker is a natural person who offers a range of damage insurance products from several insurers directly to the public, or who offers damage insurance products from one or more insurers to a firm, an independent representative or an independent partnership.

Direct distribution agreement

An agreement that enables a firm to offer insurance products without the intermediary of a general agent or wholesaler. This allows the firm to deal directly with the insurer.

Firm

A legal person offering financial products and services registered with the Autorité des marchés financiers.

Insurance firm

An agency firm that is an insurer.

Insurer

An insurer is an insurer authorized under the *Insurers Act*, other than a self-regulatory organization authorized to insure the professional liability of the persons governed by it. Insurer activities consist in undertaking to make a payment under an insurance contract if a risk covered by the insurance occurs.

Non-monetary benefits

Non-financial benefits such as various material prizes or services. Examples include show or game tickets, a gift card, a stay at an inn, participation in a convention, a trip, access to privileged circles, access to a computer platform or software, etc. Non-monetary benefits do not include non-financial benefits of a promotional nature and/or of modest value. Pencils, notebooks, calendars, t-shirts and golf balls are examples of promotional/low-value items that should not be included in the calculation of the amounts reported.

Overriding commission

An overriding commission is expressed as a percentage. It is paid on achieving a determined sales volume, in addition to the upfront commission. In certain cases, the overriding commission aims to compensate an intermediary for increasing their sales volume, particularly in a given geographic territory, or for a specific type of product or business area.

Representative attached to a firm

A representative that carries out his or her activities on behalf of a firm.

Salaries

Salaries refer to the compensation received by persons bound by an employment contract. Salaries exclude commissions, bonuses, overriding commissions and non-monetary benefits.

1 In 2021*, with the Autorité des marchés financiers (AMF), did you act as:

- An insurance firm* → Go to question 2a
- An agency firm* (agent*) → Go to question 6
- A brokerage firm* (broker*) → Go to question 14

Questions for insurance firms

Relationship with the insurer's agents*

2a In 2021*, of the total compensation you paid to your agents, what amount or percentage was associated with each of the following compensation categories?

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

Salaries*	\$ [_____]	or	[_____]	% of compensation
Commissions*	\$ [_____]	or	[_____]	% of compensation
Contingent commissions*, overriding commissions*, bonuses*	\$ [_____]	or	[_____]	% of compensation
Other (specify) [_____]	\$ [_____]	or	[_____]	% of compensation
Total	\$ [_____]	or	100	% of compensation

2b How many agents or what percentage of agents did you pay in each of the following categories?

For all the categories, please indicate either a number or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories.

Salaries	[_____]	agents	or	[_____]	% of agents
Commissions	[_____]	agents	or	[_____]	% of agents
Contingent commissions, overriding commissions, bonuses	[_____]	agents	or	[_____]	% of agents
Other (specify) [_____]	[_____]	agents	or	[_____]	% of agents

3 In 2021, did you organize any contests* for your agents to boost your firm's sales?

- Yes
- No

4 Total compensation can include non-monetary benefits* (i.e., non-financial benefits). In 2021, did you offer any non-monetary benefits to your agents?

- Yes
- No → Go to data matching consent

5a Please estimate the total value of the non-monetary benefits offered to your agents in 2021.

Estimated value

Non-monetary benefits offered \$

5b How many agents or what percentage of agents received such benefits?

agents or % of agents

Go to data matching consent

Questions for agency firms*

Relationship with the insurer*

6 In 2021*, of the total compensation you received from the insurer, what amount or percentage was associated with each of the following compensation categories?

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

Commissions*	\$ <input type="text"/>	or	<input type="text"/>	% of compensation
Contingent commissions*, overriding commissions*, bonuses*	\$ <input type="text"/>	or	<input type="text"/>	% of compensation
Other (specify) <input type="text"/>	\$ <input type="text"/>	or	<input type="text"/>	% of compensation
Total	\$ <input type="text"/>	or	100	% of compensation

7 In 2021, did the insurer with which you had a business relationship* organize contests to boost your firm's sales?

Yes

No

8 Total compensation can include non-monetary benefits* (i.e., non-financial benefits). In 2021, did you receive any non-monetary benefits from the insurer with which you had a business relationship?

Yes

No → Go to question 10a

9 Please estimate the total value of the non-monetary benefits you received in 2021 from the insurer with which you had a business relationship.

Estimated value

Non-monetary benefits received \$

Relationship with representatives attached to the firm*

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

10a In 2021, of the total compensation you paid to your representatives, what amount or percentage was associated with each of the following compensation categories?

Salaries*	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Commissions	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Contingent commissions, overriding commissions, bonuses	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Other (specify) <input type="text"/>	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Total	\$	<input type="text"/>	or	100	% of compensation

10b How many representatives or what percentage of representatives did you pay in each of the following categories?

For all the categories, please indicate either a number or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories.

Salaries	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Commissions	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Contingent commissions, overriding commissions, bonuses	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Other (specify) <input type="text"/>	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives

11 In 2021, did you organize any contests for your representatives to boost your firm's sales?

- Yes
 No

12 Total compensation can include non-monetary benefits (i.e., non-financial benefits). In 2021, did you offer any non-monetary benefits to your representatives?

- Yes
 No → Go to data matching consent

13a Please estimate the total value of the non-monetary benefits offered to your representatives in 2021.

Estimated value

Non-monetary benefits offered \$

13b How many representatives or what percentage of representatives received such benefits?

representatives or % of representatives

Go to data matching consent

Questions for brokerage firms*

The questions in this section are about your relationship with the insurers* with which you had a business relationship* in 2021*. The first part focuses on sales made through an intermediary (a banner*), and the second part focuses on sales made through a direct distribution agreement*.

Relationship with the banner*

- 14 A banner acts as an intermediary between you and the insurer. In 2021*, did you sell damage insurance* products through a banner?**

- Yes
- No → Go to question 19

- 15 In 2021, of the total compensation you received from the banner, what amount or percentage was associated with each of the following compensation categories?**

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

Commissions*	\$	_____	or	_____	% of compensation
Contingent commissions*, overriding commissions*, bonuses*	\$	_____	or	_____	% of compensation
Other (specify) _____	\$	_____	or	_____	% of compensation
Total	\$	_____	or	100	% of compensation

- 16 In 2021, did the banner with which you had a business relationship* organize any contests* to boost your firm's sales?**

- Yes
- No

- 17 Total compensation can include non-monetary benefits* (i.e., non-financial benefits). In 2021, did you receive any non-monetary benefits from the banner with which you had a business relationship?**

- Yes
- No → Go to question 19

- 18 Please estimate the total value of the non-monetary benefits you received in 2021 from the banner with which you had a business relationship.**

	Estimated value
Non-monetary benefits received	\$ _____

Relationship with insurers*

19 In 2021*, did you sell damage insurance* products through a direct distribution agreement* with insurers?

- Yes
- No → Go to question 22a

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

20a In 2021, of the total compensation you received from the insurers with which you had a direct distribution agreement, what amount or percentage was associated with each of the following compensation categories?

Commissions*	\$	_____	or	_____	% of compensation
Contingent commissions*, overriding commissions*, bonuses*	\$	_____	or	_____	% of compensation
Other (specify) _____	\$	_____	or	_____	% of compensation
Total	\$	_____	or	100 %	of compensation

20b From how many insurers did you receive compensation in each of the following categories?

	Number of insurers
Commissions	_____
Contingent commissions, overriding commissions, bonuses	_____
Other (specify) _____	_____

21 In 2021, did at least one of the insurers with which you had a direct distribution agreement organize contests* to boost your firm's sales?

- Yes
- No

Relationship with representatives attached* to the firm

For all the categories, please indicate either an amount or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories. If you choose to enter amounts, please round them to the nearest dollar.

22a In 2021, of the total compensation you paid to your representatives, what amount or percentage was associated with each of the following compensation categories?

Salaries	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Commissions	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Contingent commissions, overriding commissions, bonuses	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Other (specify) <input type="text"/>	\$	<input type="text"/>	or	<input type="text"/>	% of compensation
Total	\$	<input type="text"/>	or	100	% of compensation

For all the categories, please indicate either a number or a percentage. In other words, if you choose to enter a percentage for a given category, you must also use percentages for all the other categories.

22b How many representatives or what percentage of representatives did you pay in each of the following categories?

Salaries	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Commissions	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Contingent commissions, overriding commissions, bonuses	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives
Other (specify) <input type="text"/>	<input type="text"/>	representatives	or	<input type="text"/>	% of representatives

23 In 2021, did you organize any contests for your representatives to boost your firm's sales?

Yes
 No

24 Total compensation can include non-monetary benefits (i.e., non-financial benefits). In 2021, did you offer any non-monetary benefits to your representatives?

Yes
 No → Go to data matching consent

25a Please estimate the total value of the non-monetary benefits offered to your representatives in 2021.

	Estimated value
Non-monetary benefits offered	\$ <input type="text"/>

25b How many representatives or what percentage of representatives received such benefits?

representatives or % of representatives

Go to data matching consent

