



**PREFERRED RISK  
ADMINISTRATORS**  

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**YOUR COMPANY - AMPLIFIED**

# **Preferred Risk Administrators**

## **Producers' Guide**

For Self-Funded Plans



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# About This Producers' Guide

This guide contains important information you will need to market, sell, and provide Preferred Risk Administrators' (PRA) services. Please read it thoroughly and use it as a working reference in answering questions and servicing your small group. If you need additional information or the guide does not address an issue, please contact us at **1-855-772-7782** for further direction. This guide is subject to change without notice. A complete and updated copy of the current PRA Producer Guide is available and can be downloaded from [www.preferredriskadmin.com](http://www.preferredriskadmin.com).

## Important Notices

Stop Loss insurance is provided by various Excess Loss carriers. No Stop Loss coverage is in effect until written approval is received from Preferred Risk Administrators and the respective Stop Loss carrier. Existing coverage should not be cancelled until approval and Plan effective date are confirmed by Preferred Risk Administrators (PRA).

This guide includes summary information about Stop Loss coverage. It is not intended as a complete or detailed disclosure of that coverage, its benefits, exclusions or limitations. Refer to the respective Stop Loss contract, Plan Document and Summary Plan Description for complete details.

This material is intended for agent use only and should not be distributed to employers or the general public.

# About Self-Funding Groups

## What is Self-Funding?

Under a self-funded health care benefits plan, an employer establishes an account that is used to pay claims for the costs of health care received by employees and dependents covered under the Plan. Such programs typically involve three parties:

- An insurance company to provide Stop Loss coverage that limits the employer's financial risk under the Plan;
- An administrator to pay claims and provide other administrative services;
- A bank to provide banking services.

For many years, large groups have used self-funding to save on the costs of providing health care benefits to their employees.

## Should "Small" Groups Also Consider Self-Funding?

For some groups (25 – 250 employees) self-funding represents an opportunity to save money.

- The Patient Protection and Affordable Care Act (PPACA) will prompt employers to look for alternatives to the higher costs of traditional fully-insured plans.
- Employers with good health experience see an opportunity to better manage their health care expenses.
- Employer is not required to provide "essential health benefits".
- Gender rating is permitted.
- No 3:1 rating requirements.
- Specific and Aggregate Stop Loss coverage provide the employer with protections that can be scaled to fit the employer's tolerance for risk.

You may have clients that just received their renewal notices with yet another double digit rate increase. You may have had clients that dropped health coverage because it had become too expensive. Or you may come across new prospects that fall into either of those categories and fit the profile.

## How Could Self-Funding Cut Costs?

Employer groups that have self-funded plans are exempt from state regulation in administering their health plans. Federal ERISA laws were intended to free employers from the burdens and added costs of state regulation.

The Patient Protection and Affordable Care Act (PPACA) regulations for fully-insured small group health insurance are of benefit to many small groups, particularly those whose health costs are higher than the norm. However, small groups with health care expenses less than the norm will be paying higher premiums to subsidize groups with health problems. PRA will carefully underwrite and select groups to determine which could save money by self-funding. By self-funding, these groups can enjoy benefit costs that more directly reflect the lower costs of medical services their employees and dependents are receiving.

## Is Self-Funding the Best Choice for Everyone?

No. Self-funding may not be the best choice for groups with employees or dependents who have or develop serious health conditions.

## What's My Role?

Self-funding is a relatively new concept in the small group market. Some employers may find it confusing and intimidating. The best thing you can do for your clients is to give them all the information they need to make an informed decision.

# SERVICES

While we are interested in working with all size employer groups, this is a program of services for self-funding employers down to as few as 25 employees, developed and marketed by Preferred Risk Administrators (PRA). Services are provided by three leading partners:

- Stop Loss insurance underwritten by rated Excess Loss carriers.
- Plan administration performed by PRA, a licensed third party administrator.
- Banking services provided by reputable financial institutions.

A company's Plan is governed principally by the federal Employee Retirement Income Security Act (ERISA).

The determination of all claims for benefits under your client's self-funded Plan will be determined based on a well constructed, detailed Plan Document and Summary Plan Description. When and if a Plan benefit interpretation issue arises, PRA will help and guide the Plan Sponsor (employer) through their fiduciary responsibility in this regard. PRA is not considered a fiduciary with respect to the self-funded Plan.

This guide provides a general outline of the benefits available under most Stop Loss coverage. **For complete details of benefits, limitations, and exclusions please see the respective Stop Loss quote or Policy.**

## The Role of Stop Loss Insurance

### The Plan

Employers must establish an employer health Plan that complies with relevant federal law. The Plan sets the rules for employee and dependent participation in health coverage and defines the benefit plan (or plans) offered to the group. The employer can choose from a broad portfolio of benefit plans available from PRA.

PRA will provide the employer with a Plan Document and Summary Plan Description (SPD) that details the Plan benefit information. The employer must give each participating employee a copy of the SPD.

### Stop Loss

In a self-funded arrangement, the employer assumes direct financial responsibility for the cost of the benefits described in the Plan Document and SPD. Particularly with small groups, these costs can fluctuate widely from group to group and from month to month. The Stop Loss insurance provided by our Stop Loss partners protects the employer against these fluctuations. PRA arranges for two forms of Stop Loss insurance:

- Specific - Employees and dependents with serious health conditions could incur large medical bills that could become an unsupportable burden for a small employer if it had to bear the full costs. Specific Stop Loss reimburses the employer's Plan for medical benefits on an individual that exceed the Plan Year Specific Stop Loss Deductible.
- Aggregate - Even with the protection of Specific Stop Loss, medical claims could be much higher than expected. Assuming the employer keeps the Plan in force and complies with program requirements, Aggregate Stop Loss ensures that the employer's liability for medical claims has a pre-defined limit.

# Employer Costs

## Monthly Bill

Timely and regular payment of the monthly bill will cover all of the employer's financial responsibilities under the Plan. There will be three components:

- Stop Loss Premium - The charge for Stop Loss insurance coverage, retained by Stop Loss carrier.
- Administrative and Sales Costs - The charge for all services provided by PRA.
- Claims Pre-Funding - Amounts deposited into a segregated bank account established in the employer's name to pay claims under the Plan based on expected claim levels set by PRA and the Stop Loss carrier. Claims Pre-Funding includes both the Expected Claims and the Aggregate Stop Loss Threshold. Another name for this is "Integrated Aggregate" or "Monthly Accommodation". These funds, and any interest earned on them, remain the property of the Plan.

## What If Claims Exceed the Pre-Funding

Month-to-month claims fluctuations are inevitable. A group may not have enough money in its Claims Accounts to pay all claims that come due. If the Stop Loss coverage includes Monthly Accommodation and the Plan has made all of its monthly payments on a timely and regular basis, the Stop Loss carrier may provide an advance against future Aggregate Stop Loss reimbursements in an amount necessary to meet current Plan claims obligations.

These Monthly Accommodation advances will constitute a loan by the Stop Loss carrier to the employer. Any excess in future claims pre-funding will be used to pay down the loan. At the end of the Plan Year, the Aggregate Stop Loss reimbursement will be used to pay off any outstanding loan balance.

If a group terminates the self-funded program or stops making the monthly payments before the end of the Plan Year, any outstanding loan balance will become immediately due and payable in full.

## What If There's Money Left Over?

Funds in the Claims Account at the end of the Plan Year will be retained for 6 months to cover claims runoff for that Plan Year. At the end of 6 months, the employer will have the option to withdraw any remaining excess or apply it to the subsequent Plan Year.

## How Can All This Save My Clients Money?

Being able to identify and select groups with better than average health through the underwriting process allows PRA to offer self-insured programs with maximum costs below those of comparable fully-insured plans. Many groups will be likely to close out each Plan Year with excess funds in their Claims Accounts.

## What Are the Guarantees?

Specific Stop Loss deductibles are locked in and won't change for at least one year at a time. The exception to this is if census changes cause the per employee expected claims costs to increase by 10% or more. At this point Stop Loss premium and/or Claims Pre-Funding levels will need to be adjusted. Additional employer protection is available with a Terminal Liability Option, which enables the Stop Loss Carrier to cover claims beyond the Plan Year.



# Products and Services

Preferred Risk Administrators (PRA) combines products and services from three leading companies: Stop Loss carriers; PRA, and banking services.

## Stop Loss Carriers

- Specific and Aggregate Stop Loss coverage
- Terminal Liability coverage
- Monthly Accommodation or Integrated Aggregate

## Preferred Risk Administrators

- Benefits plan design
- Solicit Stop Loss insurance quotes
- Marketing and sales support
- Risk management and actuarial services
- Access to substantial health care discounts and medical management through contracted medical and pharmacy benefit managers
- Summary of Benefits and Coverage (SBC)
- ERISA plan documentation for employer plans: Plan Document for the employer; Summary Plan Descriptions and ID cards for covered employees
- Monthly billing
- Financial information to participating employers to assess their Plan's performance and evaluate options
- Claims pre-funding account setup and accounting
- Benefit plan claims adjudication and payment
- Stop Loss accounting, claims payments and funds transfers
- COBRA, COB, Subrogation, and HIPAA administration
- Customer service for employers, employees, medical providers, and Producers

## Banking Services

- Claims pre-funding accounts
- HSA accounts

## Claim Payments

The Plan itself bears the risk, so it is ultimately responsible for all claims decisions. Through a Services Agreement with PRA, the Plan delegates the authority to PRA to adjudicate and pay claims according to the terms of the Plan Document and SPD. In most, if not all instances, these terms will make the determination of the appropriate benefits amount clear-cut. In instances when it is not, PRA will contact the Plan for decisions.

Because it is the Plan's money, neither the Stop Loss carrier nor PRA will interfere with the Plan's decisions. However, the employer must understand the potential consequences for overriding a claim denial:

- The decision could create a precedent that becomes binding on future similar claims.
- Stop Loss carrier will exclude such payments from coverage under the Stop Loss contract.
- Such payments will be considered taxable income to the employee and must be added to W-2 "bonus" wages.

None of the above parties acts in the capacity of an ERISA fiduciary. Employers may seek or establish independent business relationships with any of these companies independent of PRA, or with any other company for services related to their health plans, including employee benefit consultants.

# Selling

## Who Are the Best Prospects?

Not all Group employers are candidates for self-funded plans. Those who are tend to:

- Be currently self-funded plans;
- Be established, viable businesses with 25 or more employees in an eligible industry;
- Have few, if any, serious health conditions;
- Be employers with a stable history and a payroll-deduction system for employee contributions;
- Have an interest in HSA's and other cost-managing concepts;
- Be willing to ask employees to complete confidential health questionnaires if claim experience is not available.

We will supply you with point-of-sale material to help explain self-funding to an audience for which it may be a new and intimidating concept.

## How Do I Obtain a Proposal?

Work with the prospect to complete the Request for Proposal (RFP), which you can do by either:

- Filling out and submitting the form (see Exhibit 1) online, with the required attachments listed on the form, at [www.preferredriskadmin.com](http://www.preferredriskadmin.com)
- Filling out a hardcopy version of the form and required attachments, and emailing or faxing it to the address or number shown on the form. You can download the form at [www.preferredriskadmin.com](http://www.preferredriskadmin.com).
- Copies of the Employer and Employee Health Questionnaires are available online at <http://www.preferredriskadmin.com/solutions.aspx>. Groups of 25-50 employees and virgin groups are required to complete a long-form health questionnaire. Groups above 50 employees with detailed claims experience are required to complete a short-form health questionnaire.

This package contains all the information required to prepare a non-binding proposal. If the proposal is of interest to the employer, a full application must be completed and the underwriting process is begun. Underwriting requires a large commitment of everyone's valuable time – yours, ours, the employer's and the employees'.

An employer may have limited knowledge of employee and dependent health conditions. The person completing this form should do the best he or she can. If he or she has any doubt about a condition or its severity, it is better to err on the side of disclosure vs. non-disclosure. As group size increases, so does PRA's leeway and flexibility to make competitive offers to groups with some impairments. **If anyone in the group has an uninsurable condition, we may not be able to make an offer to the group.** If you are not sure about the condition's impact, call **1-855-772-7782** for assistance.

If you have any questions, particularly as you are becoming familiar with our underwriting standards, please call PRA's Small Group Self-Funded Underwriting at **1-855-772-7782** before submitting a Request for Proposal (RFP).

## Determining Stop Loss Premiums and Limits, Administrative Costs, and Claims Pre-Funding Levels

The starting point for each component is the Plan's Expected Claims costs, as projected by the Stop Loss Carrier's financial model. For proposals, the model will project Expected Claims that are representative of an average self-funded group with the same demographics and benefit plans. For the final offer, the Expected Claims will take into consideration the findings of the medical underwriting of each person (if applicable) who would be covered.

Stop Loss Premiums and Limits - As you would expect, these depend on group size, the larger the group, the higher the limits and the lower the costs of Stop Loss insurance. In most states, the minimum Specific limit allowed by regulation is \$15,000 and the minimum Aggregate Threshold is 120% of Expected claims.

Administrative Costs - These depend on both group size and complexity of the program chosen.

Claims Pre-Funding - This is simply the Aggregate Stop Loss Threshold, which will be 120% to 130% of Expected Claims. The Employer's monthly payment will include all fixed costs plus 1/12 of the pre-funding amount.

## Presenting the Proposal

The proposal will outline the financial implications of self-funded coverage. Again, the best thing you can do for your clients is to give them all the information they need to make an informed decision.

- For healthy groups, self-funding can represent an opportunity to provide health benefits to employees at a lower cost than fully-insured plans.
- Employers will choose Plan benefits that best fit the needs of their company.
- Barring significant changes in group make-up, the employer can be confident that maximum costs are locked in for the Plan Year, just as they would for a fully-insured plan.

In a small group, losing one or two young employees can increase the average-per-employee expected costs dramatically.

- For composite-rated plans, PRA and the Stop Loss carrier reserve the right to change prices before the end of a Plan Year if the expected claims costs increase by more than 10% because of census changes.
- Prices for step-rated plans will be locked in until the end of the Plan period.

If someone in the group develops a serious health condition during the Plan Year, the cost of coverage will increase, possibly becoming greater than equivalent fully-insured costs. If that happens, the client does have the flexibility to switch back to a fully-insured group plan.

## Submitting a Case

When your client decides to go to the next step, it's time to complete the application and enrollment package, which consists of:

- The Employer Application signed by the employer and you.
- The Employee Enrollment and Health Questionnaire (available online at <http://www.preferredriskadmin.com/solutions.aspx>) for all employees requesting coverage. Emphasize the importance of having all employees answer all the health-related questions thoroughly and honestly. Failure to do so will slow down the underwriting process and may delay the Effective Date. **Failure to disclose or a misrepresentation could also cause retroactive cost increases or rescission of Stop Loss coverage.**
- The proposal signed and dated by the employer.
- Agreements signed and dated by the employer:
  - Risk Management Services, between the employer and PRA.
  - Administrative Services between the employer and PRA.
- The full employee census on the PRA form.
- Signed waivers for each eligible employee planning to waive coverage.
- Copies of the employer's:
  - Renewal premium notice and last bill from the current carrier, if applicable;
  - Last State Quarterly Unemployment withholding form;
  - Most recent Federal tax return;
  - Experience reports from the employer's current Plan, if applicable.
- The full first month's maximum cost payable to PRA.

**Employers must not cancel their current coverage until they receive written notice of acceptance and the effective date from PRA.**

## Effective Dates

All group effective dates must be on the first day of a calendar month. To allow sufficient time to complete the underwriting process, all application/enrollment material must be in PRA's hands at least 30 days before the requested effective date. Employee Enrollment Forms and Health Questionnaires:

- must be postmarked prior to the requested effective date in order for the employee to receive consideration for enrollment on the group's effective date;
- cannot be dated more than 60 days prior to the employee's effective date.

# Eligibility

## Group Eligibility

To be eligible for coverage, a group must have:

- at least twenty-five (25) eligible employees living and working in state
- been in existence long enough to have filed at least one Federal tax return.
- PRA establish a segregated bank account for receiving and disbursing company funds.
- no more than 20% of its employees on COBRA or other continuation at the time of application.

For purposes of determining the number of eligible employees, affiliated companies that are eligible to file a consolidated tax return will be treated as one employer.

The following kinds of groups may not be eligible:

- Groups formed primarily for the purpose of purchasing insurance.
- Seasonal businesses operating less than six months of every calendar year.
- Scattered groups where the principle business location is in areas where, or there are employees living in areas where, PRA has not established provider network relationships.
- Professional Employee Organizations (PEO's)
- Membership organizations
- Association Groups

Groups that no longer meet the eligibility requirements for any reason will be terminated.

## Occupational/Industry Eligibility

Certain occupations and industries may not be eligible. If you have any questions about whether a group might not be eligible based on its occupational/industry classification or SIC, call PRA Underwriting at **1-855-772-7782**. Ineligible industries include the following:

Asbestos Workers  
Bail Bondsmen  
Bands, Musicians and Entertainers  
Clubs, Bars and Saloons  
Chemical Dependency Counselors  
Chimney Sweeps  
Collection Agencies (other than telephone collections)  
Commercial Fishing  
Crop Dusting  
Direct Home Sales  
Explosives or Fireworks Manufacturers and Handlers  
Foundries  
Garbage Collectors, Landfills and Dumps, Junk Dealers, and Scavengers  
Investigative and Security Agencies  
Logging and Sawmills  
Marine Salvage and Diving  
Mines and Quarries  
Motorcycle, Snow Mobile and All Terrain Vehicle Dealers  
Municipalities with over 50% police, fire or trash pickup employees

Non-Profit Agencies (will consider specific risk if non-government funded)  
Oil and Gas Extraction  
Parking Lot Attendants  
Professional Sports  
Repossession Firms  
Subpoena and Process Servers  
Taxi Companies  
Used Auto Part Dealers  
Window Cleaners

## Employee Eligibility

Permanent full-time employees, including owners, officers, and partners, who work at least 30 hours per week for the employer on a regular basis and have satisfied the waiting period are eligible.

Permanent part-time employees may be eligible if:

- Employer requests at the time of application.
- Employer makes coverage available to all similarly situated employees under the same terms offered to full-time employees.
- Employee works at least 20 hours per week on a regular basis.

To be eligible an employee must be at least 18 years old and either a U.S. citizen or a legal alien residing in the U.S. with a green card and a Social Security number.

The following are not eligible:

- Temporary or seasonal workers
- Part-time employees working less than 20 hours per week
- Straight commission employees
- 1099 contractors

## Dependent Eligibility

The employee's spouse, domestic partner, and unmarried, dependent children under age 26 are eligible.

Unmarried, dependent children who are incapable of self-support because of physical or mental handicap may be eligible with written proof of incapacity from a licensed physician, provided that the disability began before age 26.

Husbands and wives (or domestic partners) working for the same company must enroll separately as employees. Dependent children can be covered under the enrollment of either spouse, but not both.

## Adopted Dependents

Adopted children are eligible dependents when the participating employee provides legal documentation of an agreement to assume total or partial responsibility for the support of a child in anticipation of adoption or legal physical placement in the home.

# New Case Underwriting

## Whole Group Coverage

All eligible employees not waiving coverage must be covered by the employer under one of the optional benefit plans offered by the Plan.

## Employer Contributions

The employer must contribute at least \$100 per employee per month or 50% of the employee-only cost, whichever is less.

## Participation Requirements

For contributory plans, 75% of eligible employees, rounded to the next highest number.

Non-contributory plans must have 100% participation.

Employees with qualified group coverage or comprehensive individual coverage waiving Plan coverage are not included in the counts of eligible employees for the purposes of measuring participation.

Participation requirements must be met at all times. PRA may periodically ask employers to verify participation and eligibility information. Failure to supply the requested information or to maintain the required minimum participation may prompt termination of the program.

## Carve Outs

Carve outs are allowed only for union employees who are under a current labor agreement prescribing other coverage. The non-union portion of the group must total 25 to 50 eligible employees. The group must provide a letter stating that it is under a current labor agreement with the union and identify its local number and name of its trust fund.

## Waiting Periods

At the time of application, the employer may choose a waiting period of 0 to 6 months. All eligible employees must have the same waiting period.

The employer may choose to waive the waiting period and enroll all eligible employees on the initial effective date.

Subsequently, the waiting period may not be waived for any employee. The effective date for eligible new employees electing coverage will be the first day of the month following the end of the waiting period.

Late enrollees will not be eligible to enroll in the Plan until the next Open Enrollment.

## Employer Financial Underwriting

PRA will review the employer's tax return and bank statement to determine whether it has the financial means to support a self-funded program. In certain situations, it may require additional financial information.

## Employee and Dependent Medical Underwriting

A careful evaluation of the health of each person who would be covered under the Plan is an integral part of controlling the costs of the Plan.

The primary sources of information for this review will be the Employee Enrollment and Health Questionnaire, telephone interviews (TI's), and prescription drug histories.

PRA will conduct TI's and obtain prescription drug histories on:

- All employees in groups with less than 50 employees
- For groups with at least 50 employees:
  - All employees age 50 or older
  - Any employee whose Questionnaire indicates a possible substandard rating
  - 10% of everyone else, selected randomly

The TI will verify answers on the Questionnaire and drill down on any issues that require clarification.

In rare situations, PRA may need to obtain additional information to determine whether it can accept a case or to rate it properly. This information could include, but is not limited to, Attending Physician's Statements (APS's), paramedical exams, and blood, urine, or saliva profiles.

PRA will **not** condition the acceptance of a group based on excluding a participant or coverage for a specific condition.

***It is essential that all employees answer all the health-related questions thoroughly and honestly. Failure to do so will slow down the underwriting process, potentially delaying the Effective Date. Failure to disclose, or misrepresentation, could cause retroactive cost increases or rescission of Stop Loss coverage.***

## Coverage

### Benefit Options

Employers can choose from a wide range of HSA-qualified High Deductible Health Plans (HDHP's) and non-qualified PPO's, with individual calendar year deductibles ranging from \$500 to \$10,000.

Groups can choose one HSA-qualified HDHP and one PPO plan.

### Provider Networks

All PRA plans access Preferred Provider Networks and Transplant Networks.

### Deductibles, Coinsurance, and Out of Pocket (OOP) Limits

There are separate deductibles, employee coinsurances, and Out of Pocket (OOP) limits for services rendered in and out of network. To provide an incentive to use in-network providers and to offset the higher cost of out-of-network services to the Plan, the employee's share of out-of-network costs is higher than it would have been in network.

Each Plan has deductibles and OOP limits for Single and Family coverage, with the Family deductible and limits always being twice the Single deductible and limits.

The way the Family deductible is applied differs for HSA HDHP's and non-HSA PPO's.

- For HSA HDHP Family coverage, the entire Family deductible must be satisfied before benefits are payable.
- For non-HSA PPO plan Family coverage, benefits for an individual become payable either when that individual has satisfied the Single deductible or the entire family has satisfied the Family deductible.

The way the Family OOP limit is applied differs for HSA HDHP's and non-HSA PPO's.

- For HSA HDHP plan Family coverage, the entire Family OOP Limit must be reached before benefits are payable at 100%.
- For non-HSA PPO plan Family coverage, benefits for an individual become payable at 100% either when that individual has reached the Single OOP limit or the entire family has reached the Family OOP limit.

## Mandated Benefits

PRA plans comply with all Federal mandates, including, but not limited to, the respective state of the Plan's domicile, Illinois, TEFRA, and minimum maternity stays.

Although self-funded plans are not required to provide coverage mandated by state law, PRA's plans can include many of the mandated benefits with the Plan Sponsor's (employer's) approval.

## Health Savings Accounts (HSA's)

HSA's are tax-advantaged accounts that can help reduce the cost of health insurance to the employer and employee. Some of the most important features of HSA's are:

- Can only be used in conjunction with high deductible health plans (HDHP's) that meet specific Federal requirements.
- Money moving into an HSA is not taxable to the employee until withdrawn.
- Can be funded entirely by employees or the employer can contribute.
  - Employer contributions deductible to the employer.
  - Employee contributions treated as non-taxable salary reductions.
- Accounts are portable and owned by employees. Once money goes into their accounts, it belongs to them. No "use it or lose it."
- Total annual contributions from all sources are limited by a Federal statutory maximum that is indexed to inflation. In 2013, that limit will be \$3,250 for Single individuals and \$6,450 for Families.
- 10% tax penalty on top of normal income tax on withdrawals before age 65 used for non-qualified expenses.

Employers can choose from a broad portfolio of PRA HDHP's.

## Health Reimbursement Accounts (HRA's)

Determined by the respective Plan Sponsor or employer.

# Essential Health Benefits - Optional

## Maternity Benefits

Costs of a normal pregnancy treated as a covered charge.

## Mental Health/Substance Abuse Coverage

Determined by the respective Plan Sponsor or employer.

## Pharmacy Benefits

Determined by the respective Plan Sponsor or employer.



## Pre-Existing Conditions Exclusion

Charges for pre-existing conditions are not covered during the Exclusion Period, regardless of whether the condition was disclosed in an Enrollment Form or Health Questionnaire.

A pre-existing condition is any illness or injury for which the covered person received a diagnosis; obtained medical advice or treatment; taken any prescribed drug; or experienced distinct symptoms during the twelve (12) months immediately preceding the effective date of their coverage under the Plan.

Coverage for pre-existing conditions is excluded for twelve (12) months following the enrollment date, except for late enrollees, whose Exclusion Period is eighteen (18) months.

The Pre-existing Conditions Exclusion does not apply to pregnancy, new born, or newly adopted dependent children.

**The Pre-existing Exclusion Period can be credited for time a participant had “creditable” coverage, if that coverage was continuous and there was no more than a 63-day gap between coverage, excluding the waiting period.**

The following must be submitted with the Enrollment Form to be considered for creditable coverage:

- Certification of Prior Creditable Coverage Form.

## Workers' Compensation

For most employees, charges for treatment of work-related injury or illness are not covered.

## Medicare

The rules for whether the employer's plan or Medicare is primary for plan participants 65 or over are based on the number of employees.

- For employers with less than 20 full or-part-time employees, Medicare is primary.
- For employers with at least 20 full or-part-time employees, the employer's plan is primary.

# EXHIBIT 1



## PREFERRED RISK ADMINISTRATORS REQUEST FOR PROPOSAL

1. Full legal name of Plan Sponsor (Employer): \_\_\_\_\_

Principal Address: \_\_\_\_\_  
(Street # and name) (City) (State) (Zip)

Business SIC: \_\_\_\_\_ Subsidiaries/Affiliated Companies covered under Plan:

\_\_\_\_\_  
\_\_\_\_\_

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*In order to obtain the most competitive quote possible, we need copies of the following:*

- A clean/accurate census to include single/family (Spouse + number of dependents), sex, age, etc., indication of full-time or part-time & latest payroll record
- Copy of current Plan Document or policy (if currently fully insured)
- Current Loss Runs (incumbent TPA/Carrier) – current year plus three prior years, identifying carrier (by year)
- 50% of the specific deductible notices for Current Year potential claimants
- Case Management notes for Current Year claimants
- Current Premium Statement plus 3 years prior year statements
- Ancillary Benefit Plans requested
- Current renewal rates and any competitive quotes available

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Current PPO Network: \_\_\_\_\_

Specific Deductible Requested: \_\_\_\_\_

Aggregate % Requested: \_\_\_\_\_

Run-In period requested: \_\_\_\_\_ Run-Out period requested: \_\_\_\_\_

Will Plan Sponsor consider lasers on high risk claimants? \_\_\_\_\_

Commission Basis requested: PEPM \_\_\_\_\_ PMPM \_\_\_\_\_ % of Excess Loss Premium \_\_\_\_\_

% of equivalent premium \_\_\_\_\_ Broker Fee \_\_\_\_\_ Net of Commission \_\_\_\_\_

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