PREMERA | BLUE CROSS

Small Group Underwriting Assumptions

1. This proposal is valid only for the effective date indicated on the rate exhibit.

2. The rate table used to calculate the medical premium is guaranteed for a 12-month period.

3. This proposal assumes the employer meets the definition of a Washington Small Group employer who employed an average of at least 1 but not more than 50 common law employees during the preceding calendar year and who employs at least 1 common law employee enrolled on the health plan on the first day of the current plan year. "Employee" includes full-time, part-time, seasonal and union employees that work inside or outside of the State of Washington and employees worldwide from any affiliated company. In the case the employer was not in existence the previous calendar year, the determination of eligibility shall be based on the average number of employees that are reasonably expected to be employed on the business days in the current calendar year.
Based on applicable federal law, sole proprietors with no common-law employees and self-employed individuals are not eligible to purchase or renew small-group coverage. Documentation of the groups eligibility as a small group employer may be required at the time of enrollment or at renewal.

4. Proposed rates and benefits are based on the information received at the time of proposal. Final rates and benefits for new groups are based on actual enrollment. For renewing groups proposed rates and benefits will be final except for substantial changes in group structure and/or composition.

5. Plan changes must occur on the anniversary/effective date.

6. Per Premera Blue Cross Policy, to be eligible for coverage:
   - Employees must be actively employed, working a minimum of 20 hours per week on the contract effective date unless they are on a COBRA extension or Continuation of Coverage
   - Employees must be reported on the group's payroll system, appearing on the employer quarterly report of wages filed with the Washington State Employment Security Department
   - Employees must be covered by Worker's Compensation subject to verification, as required by law
   - Part -time employees, independent contractors (1099), temporary employees, seasonal employees that worked at least 120 days, contracted employees, commission-only employees, and consultants if such person is included as an 'eligible employee' under the employer's health benefit plan and they meet the requirements noted above
   - Elected and/or appointed officials of political subdivisions provided the political subdivision contributes to the coverage.

7. We will contract with one legal entity in which a true employer/employee relationship exists with all eligible employees. Documentation substantiating this relationship may be requested.

8. The group must select a probationary period no greater than first of the month following 60 days.

9. Proposed rates and benefits assume common Medical/Vision/Dental enrollment for groups of 2-4 and uncommon enrollment for groups of 5+. Common enrollment of members 19 and older is required for medical, and adult vision due to embedded pediatric dental and vision on metallic plans.

10. Medical Plans: When an employee enrolls four or more dependent children, ages 0-20, on a family plan the three oldest dependents only will be rated.

11. Adult Vision and Adult Dental (with or without Ortho) plans: All members aged 19+ are rated.

12. When both spouses/partners of the same family are employed by the same employer and are eligible for coverage, one spouse/partner may waive coverage by completing a waiver card and have coverage as the

Eligible Dependent. Should the primary member/insured terminate employment, the remaining spouse/partner may enroll as the primary member/insured by requesting a change in status.

13. The following contribution and participation requirements apply to new and renewing groups:
    - For groups with 1-4 employees, the employer's minimum contribution is 100% towards the employee cost. 100% of all eligible employees must participate. There is no dependent participation requirement, however, if dependent coverage is elected, the employer must contribute a minimum of 50% of the cost for dependent coverage.
    - For groups with 5-50 employees, the employer's minimum contribution is 50% towards the employee cost. There is no dependent contribution requirement. 75% of all eligible employees must participate. There is no dependent participation requirement.
    - Employees or dependents with other verifiable group medical coverage, Medicare or Medicaid coverage are considered eligible participation exclusions and do not count against a group's participation requirement.

14. Minimum participation and contribution requirements do not apply for new groups enrolling during the open enrollment period (November 15th – December 15th for a January effective date).

15. Groups with 6 to 50 enrolled employees may purchase up to two Premera medical plans. A minimum of 3 employees must enroll on each plan offered. Groups cannot mix medical only plans with medical plans that include embedded family dental. All plans in a multiple choice scenario must be offered to all eligible employees.

16. Groups with 10 to 50 enrolled employees may purchase up to three Premera medical plans. A minimum of 3 employees must enroll on each plan offered. Groups cannot mix medical only plans with medical plans that include embedded family dental. All plans in a multiple choice scenario must be offered to all eligible employees.

17. Dependent coverage is available for children through the end of the month of their 26th birthday.

18. Recertification is required on any disabled or handicapped dependent child over the limiting age.

19. Coverage for retirees is not available.

20. Work-related illness and injuries are not covered except for owners, partners and executive officers. Work-related illness and injury is coordinated with the Worker's Compensation coverage. The contract is not in lieu of and does not affect any requirement for coverage by Worker's Compensation insurance for members who are not exempt.

21. For certain plans, employers are required to comply with restrictions on employer contributions to employee HSA accounts.

22. Our standard benefit and contract provisions apply.

23. For groups with fewer than 20 employees, this Plan is secondary to Medicare for enrollees 65 years of age or older. For groups with 20 or more employees, this Plan is primary to Medicare for enrollees 65 years of age or older.

24. Dual or Triple Choice is not available on dental products.

25. Adult dental proposals assume the following:
    Non-Voluntary Dental for groups with 2-50 employees:
    - Employer must contribute a minimum of 50% toward the employee premium or rate
    - Groups of 2-4 must have common enrollment with the Medical plan
    - The greater of 2 employees or 50% of the eligible employees must enroll
    - Freestanding dental can be offered to groups with the greater of 5 employees or 50% of the eligible employees enrolled
    - Dental plans with embedded Orthodontia are available for groups with 26 or more enrolled employees
    - For groups of 5-50 employees: all rates assume uncommon enrollment

    Voluntary Dental for groups with 5-50 employees:
    - The greater of 5 employees or 30% of the eligible employees must enroll
    - Freestanding dental can be offered to groups with the greater of 5 employees or 30% of the eligible employees enrolled
    - All rates assume uncommon enrollment

26. No more than 3 billing locations or subdivisions will be established for each group. Additional locations require prior approval.

27. New group enrollment guidelines. Completed enrollment materials need to be received in our office by the 10th of the month prior to the effective date. If materials are not received by the 10th, the group will need to sign a Late Acknowledgment form indicating they understand that enrollment activities will not be completed by the first of the month. If the completed materials are not received prior to the 20th of the month prior to the effective date, the effective date will be delayed until the 1st of the following month. Completed enrollment materials are defined as follows:
    - Completed Group Mater Application & Benefit Selection Worksheet
    - Quoted rates and quoted census accepted by the group
    - Member enrollment applications or the enrollment spreadsheet
    - Personal Funding Account Materials (if applicable)
    - Late Enrollment Acknowledgement Form (if applicable)

28. All employees waiving coverage may need to include a signed Waiver form at enrollment. If waiving due to other coverage, a copy of their current carrier ID card needs to be included.

29. All groups requesting to waive the probationary period on key employees will need to certify that the employee is in fact a key employee by signing a Key Employee Verification Form.

30. We reserve the right to re-rate or rescind this proposal if any of the assumptions prove false or contradictory.

31. All rates assume that none of the deductible, coinsurance, or copayments are self-insured by the group.

32. This proposal assumes we are the sole health plan for the group's health care benefits. No other health plans may be offered.

33. Enrollment of a group that does not comply with one or more requirements in this document shall not be construed as a waiver of our rights under the remaining requirements listed in this document.

34. This proposal is an illustration, not a contract. If coverage is applied for and accepted, actual rates may vary depending on exact enrollment, final plan benefits, locations, effective date and other possible adjustments. When coverage is approved, complete details of the plan will be provided in the benefits plan booklet.

For More Information

Premera Blue Cross is required to provide the following information to prospective and renewing purchasers for review by interested employees. Please share the information included with this proposal with any interested employees:

Covered Benefits

The proposal shows which benefits are included on the quoted plan(s), including prescription drug benefits. The summary of benefits shows applicable benefit limitations and includes information about additional benefits, including prescription drug benefits.

Member Costs

It is the responsibility of the employer to share with their employees any premium cost sharing requirements.

The proposal shows applicable deductible, coinsurance and copays for the quoted plan(s). A summary of benefits will provide more detail about deductibles, coinsurance and copays, for specific benefits, as applicable.

Additional information about our health plans and company procedures is available:

- our product offerings
- benefit exclusions
- our prescription drug plans - the preferred drug list
- our provider directories
- how we pay providers
- referral information
- prior authorization procedures
- documents referenced in member contract
- annual accounting
- our confidentiality policies
- our grievance process
- our accreditation status and performance

To receive this information on behalf of your employees, please contact your Premera Blue Cross General Agent.

Many of these items, as well as summaries of benefits for many Premera Blue Cross plans, are also available at our website. Please visit www.premera.com.