FRIENDSWOOD EMPLOYEE BENEFIT TRUST
REGULAR MEETING
MONDAY, AUGUST 1, 2022 – 6:00 P.M.
COUNCIL CHAMBERS, CITY HALL
910 S. FRIENDSWOOD DRIVE
FRIENDSWOOD, TEXAS 77546

AGENDA

1. CALL TO ORDER

2. BUSINESS ITEMS

A. Consider authorizing the City Manager to negotiate agreements for (i) employee medical, dental, and pharmacy insurance; (ii) employee life and accidental death and dismemberment insurance; (iii) employee vision insurance; (iv) employee long-term disability insurance; and (v) ancillary products for employees.

3. ADJOURNMENT

PUBLIC NOTICE IS GIVEN THAT IN ADDITION TO ANY EXECUTIVE SESSION LISTED ABOVE, THE FRIENDSWOOD EMPLOYEE BENEFIT TRUST RESERVES THE RIGHT TO ADJOURN INTO EXECUTIVE SESSION AT ANY TIME AS AUTHORIZED BY THE TEXAS GOVERNMENT CODE SECTIONS 551.071 - 551.090 TO DISCUSS ANY MATTERS LISTED ABOVE.

THE CITY OF FRIENDSWOOD IS COMMITTED TO COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT. REASONABLE ACCOMMODATIONS AND EQUAL ACCESS TO COMMUNICATIONS WILL BE PROVIDED UPON REQUEST. PLEASE CONTACT THE CITY SECRETARY'S OFFICE BY PHONE AT (281) 996-3270, FAX (281) 482-1634, OR CONTACT (281) 996-3270 VIA RELAY TEXAS AT 711 OR 1-800-735-2988 FOR TYY SERVICES. FOR MORE INFORMATION CONCERNING RELAY TEXAS, PLEASE VISIT: HTTP://RELAYTEXAS.COM.

Posted in compliance with the Open Meetings Act on this 29th day of July, 2022, at 5:30 P.M. by Leticia Brysch, City Secretary.

FRIENDSWOOD AGENDA ITEM FORM

MEETING DATE: August 1, 2022 **Agenda Number:** 2.A.

Prepared for:

Responsible Department: City Attorney

Prepared by: Karen Horner, City Attorney

Subject: Consider authorizing the City Manager to negotiate agreements for (i) employee medical, dental, and pharmacy insurance; (ii) employee life and accidental death and dismemberment insurance; (iii) employee vision insurance; (iv) employee long-term disability insurance; and (v) ancillary products for employees.

AGENDA ITEM

SUMMARY OF ITEM

The City engaged in a comprehensive request for proposal ("RFP") process for insurance coverages for its employees. Based upon the RFP's received, this agenda item allows the City Manager to negotiate the resulting agreements to provide the best value to the City. The following details the current providers and the apparent successful provider:

Coverages	Current Provider	Apparent Successful Provider
Medical & Pharmacy	Blue Cross/Blue Shield	Blue Cross/Blue Shield
Dental	Guardian	Blue Cross/Blue Shield
Life & AD&D	Guardian	Guardian
Vision	VSP	VSP
Long-Term Disability	Lincoln Financial	Lincoln Financial
Ancillary Products	Guardian	Guardian

RECOMMENDATION

Staff recommends approval.

FISCAL IMPACT

Fiscal Year: **Source of Funds: (Operating/Capital/Bonds):**
Funds Budgeted Y/N: No **Account Code:** **Amount Needed:**
Fiscal Impact (Additional Information):

ATTACHMENTS

1. City of Friendswood BAFO Presentation

THE CITY OF FRIENDSWOOD

ITB MEDICAL / RX STRATEGY

ANCILLARY BENEFITS

Bob Treacy, LHIC | July 20, 2022

Gallagher

Insurance | Risk Management | Consulting

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Plan Year 2022/2023 ITB Memorandum Overview

The City engaged a comprehensive RFP process for Group 1) Medical/RX, 2) Dental, 3) Life/ADD and 4) Long Term Disability (LTD) coverages

RFP SUMMARY

The City received MEDICAL/RX proposals from the two (2) premier carriers in the BCBSTX and UHC. Aetna and Cigna are challenged by medium size comprehensive marketplace strategies and declined to issue bid responses; Declined To Quote (DTQ)

The City received multiple Carrier ANCILLARY line proposals for the Dental, Life/ADD, and Disability coverages. The City prefers a strategy of “bundling” these coverages with a (1) specific carrier for negotiating/leveraging enhanced premium and benefit coverages while increasing efficient plan administration/quality assurance across all coverages.

CONSIDERATIONS

The City had one (1) strategic bundled package targeted for consideration after analysis

1. BCBSTX offered all RFP lines of coverages under their renewal consideration. BCBSTX/Fort Dearborn Life (FDL)

2. Best in class package attained via BCBSTX/FDL; cost/benefits

3. It is important to bundle the ancillary lines when available. A 2-3% discount with ancillary line can (save) the City ($60,000 - $70,000) annually off of the Medical/Rx premium rate

CONCLUSION

1. The BCBSTX package offered coverages noted previously for a final BAFO NET increase of **3%** on the medical plan from the initial 9% increase
2. All of the Ancillary coverages will “bundle” with BCBSTX/FDL to reduce the medical/Rx premium rates (-2-3%)
3. BCBSTX has been the City medical carrier for several years providing cost effective premium rates, benefits, and healthcare provider networks. This carrier has shown their commitment to the City in stabilizing premium costs through renewal negotiations each and every year. The City have only averaged a 1.5% increase over the past (5) plan years while retaining a GOLD standard ACA value plan for the employees

The conclusion is to renew current Medical, and “bundled” ancillary coverages with BCBSTX/FDL. The current Vision (VSP) will remain under another premium rate guarantee.

RFP #2022-11 ANALYSIS

I. RFP #2022-11 Overview

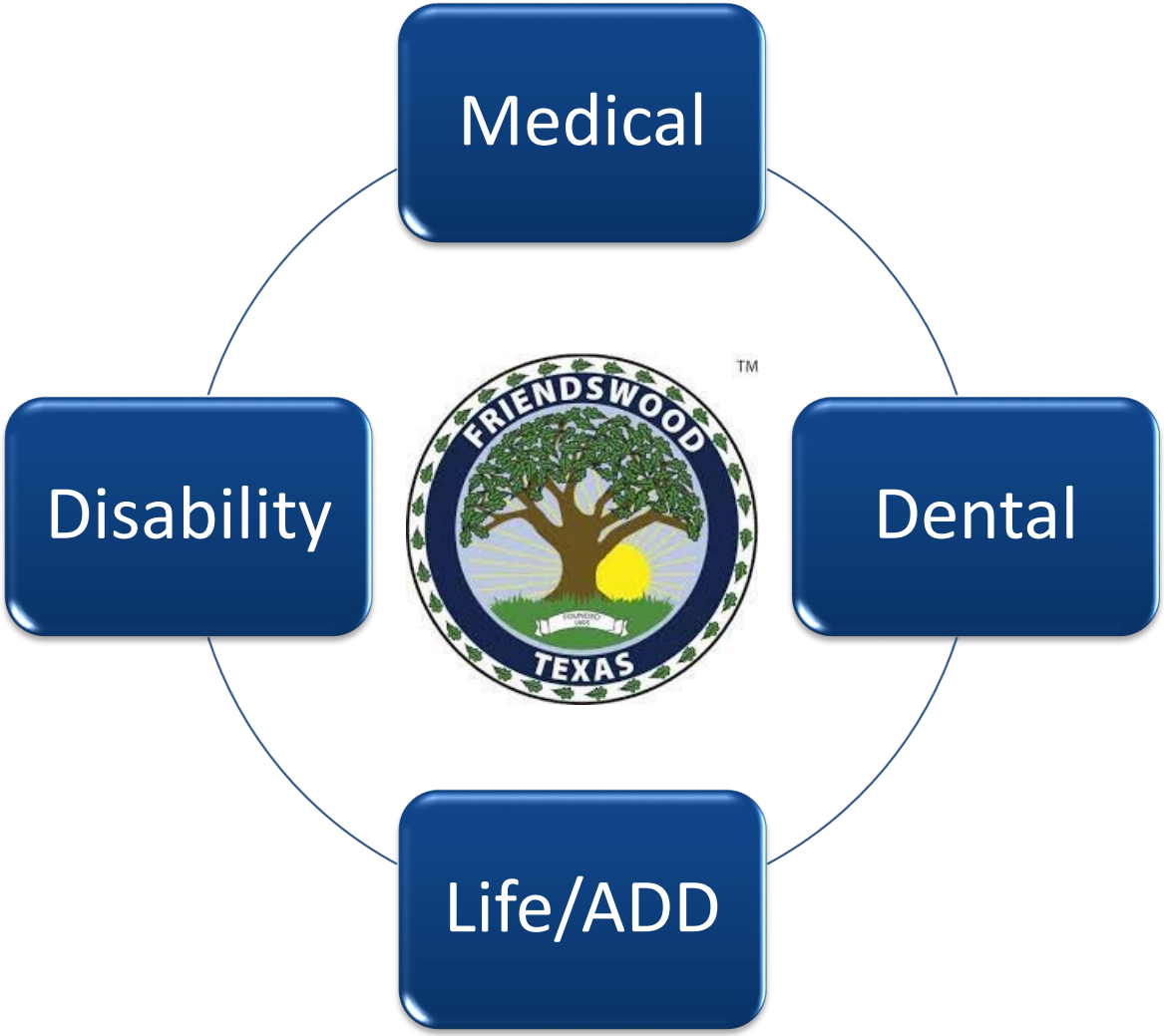
II. Applied Benefits Coverages
   A. Medical / RX
   B. Dental
   C. Life / ADD (City paid and Voluntary)
   D. LTD

IV. Disclosures and Disclaimers

ITB PROCESS

- Scope of Work
- Overview
- Market Responses

SCOPE OF WORK



OVERVIEW

- Carriers Responding: (9)
- Lines of Coverage: (4)
- Product Responses: (21)
- Lines of Coverage out to bid:
  - Medical
  - Dental
  - Life/ADD
  - Disability

MARKET SURVEY

Carrier	Line of Coverage Quoted	RFP Requirements Met	AM Best Rating
Aflac	Dental	All RFP Requirements Met	A-/XV
BCBSTX	Medical, Dental, Life/ADD & LTD	All RFP Requirements Met	A+/XV
Delta Dental	Dental	All RFP Requirements Met	A/XV
Hartford	Life/ADD & LTD	All RFP Requirements Met	A+/XV
Lincoln Financial Group	Dental, Life/ADD & LTD	All RFP Requirements Met	A+/XV
Ochs, Inc.	Life/ADD & LTD	All RFP Requirements Met	NR
Symetra	Life/ADD & LTD	All RFP Requirements Met	A/XV
United HealthCare	Medical, Dental, Life/ADD & LTD	All RFP Requirements Met	A+/XV
UNUM	Life/ADD & LTD	All RFP Requirements Met	A/XV

MARKET SURVEY

Level	Category	Level	Category
A++, A+	Superior	C, C-	Weak
A, A-	Excellent	D	Poor
B++, B+	Good	E	Under Regulatory / Supervision
B, B-	Fair	F	In Liquidation
C++, C+	Marginal	S	Rating Suspended

Financial Size Categories			
FSC I	Up to 1,000	FSC IX	250,000 to 500,000
FSC II	1,000 to 2,000	FSC X	500,000 to 750,000
FSC III	2,000 to 5,000	FSC XI	750,000 to 1,000,000
FSC IV	5,000 to 10,000	FSC XII	1,000,000 to 1,250,000
FSC V	10,000 to 25,000	FSC XIII	1,250,000 to 1,500,000
FSC VI	25,000 to 50,000	FSC XIV	1,500,000 to 2,000,000
FSC VI	50,000 to 100,000	FSC XV	2,000,000 or more
FSC VIII	100,000 to 250,000		

While Gallagher does not guarantee the financial viability of any health insurance carrier or market, it is an area we recommend that clients closely scrutinize when selecting a health insurance carrier. There are a number of rating agencies that can be referred to including, A.M. Best, Fitch, Moody's, Standard & Poor's, and Weiss Ratings (The Street.com). Generally, agencies that provide ratings of Health Insurers, including traditional insurance companies and other managed care organizations, reflect their opinion based on a comprehensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile. However, these ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations.

COST STRATEGY IMPACT AREAS

THE THREE PILLARS

- Medical Rx – BCBSTX & UHC
- Ancillary Lines: Life/ADD, Dental, Disability

BUNDLING (PACKAGE EFFICACY)

- Bundling Ancillary Coverage with Medical / Rx (2-3%) reduction off Medical / Rx
- Integrated Administration for billing and eligibility
- Expense Credits for client plan administrative services

MEDICAL/RX ANALYSIS

MEDICAL / RX – BCBSTX

Current Plan Year 2021-2022

Carrier				BCBSTX	BCBSTX	BCBSTX
Plan Name				**Current – 1500 PPO**	**Current – 2500 PPO**	**Current - 2500 HMO**
Individual Annual Deductible				$1,500	$2,500	$2,500
Family Annual Deductible				$4,500	$7,500	$7,500
Co-insurance				80%	80%	80%
Individual Out of Pocket Maximum				$4,500	$5,500	$5,500
Family Out of Pocket Maximum				$10,200	$10,200	$10,200
PCP Visit Copay				$30	$25	$25
Specialist Visit Copay				$30	$25	$50
TeleHealth Copay				$30	$25	$25
Routine Lab/Imaging				Covered at 100%	Covered at 100%	Covered at 100%
Hospital Inpatient				20% after Deductible	20% after Deductible	20% after Deductible
Hospital Outpatient				20% after Deductible	20% after Deductible	20% after Deductible
Major Diagnostics				20% after Deductible	20% after Deductible	20% after Deductible
Emergency Room				$100, then 20% after ded	$100, then 20% after ded	$100, then 20% after ded
Urgent Care				$55	$50	$50
Rx Out of Pocket Max Ind/Fam				$1,000/$3,000	$1,000/$3,000	$1,000/$3,000
RX Card Copays				$20/$35/$50	$10/$40/$60	$10/$40/$60
Mail Order Rx Card Copays				$60/$105/$150	$30/$120/$180	$30/$120/$180
Rates	**1500**	**2500**	**HMO**	**Current**	**Current**	**Current**
Employee	99	5	0	**$677.63**	**$640.13**	**$583.17**
Employee + Spouse	13	1	0	**$1,499.45**	**$1,416.45**	**$1,290.42**
Employee + Child(ren)	37	2	0	**$1,248.53**	**$1,179.45**	**$1,074.50**
Employee + Family	41	4	1	**$2,169.41**	**$2,049.32**	**$1,866.98**
Monthly Cost				**$221,720**	**$15,173**	**$1,867**
Annual Cost				**$2,660,636**	**$182,079**	**$22,404**
Combined Annual Cost					**$2,865,119**	

MEDICAL/RX – BCBSTX Best and Final Offer (BAFO)

Initial renewal (+9%) reduced for BAFO at (+3%)

Carrier				BCBSTX	BCBSTX	BCBSTX
Plan Name				**Current – 1500 PPO**	**Current – 2500 PPO**	**Current - 2500 HMO**
Individual Annual Deductible				$1,500	$2,500	$2,500
Family Annual Deductible				$4,500	$7,500	$7,500
Co-insurance				80%	80%	80%
Individual Out of Pocket Maximum				$4,500	$5,500	$5,500
Family Out of Pocket Maximum				$10,200	$10,200	$10,200
PCP Visit Copay				$30	$25	$25
Specialist Visit Copay				$30	$25	$50
TeleHealth Copay				$30	$25	$25
Routine Lab/Imaging				Covered at 100%	Covered at 100%	Covered at 100%
Hospital Inpatient				20% after Deductible	20% after Deductible	20% after Deductible
Hospital Outpatient				20% after Deductible	20% after Deductible	20% after Deductible
Major Diagnostics				20% after Deductible	20% after Deductible	20% after Deductible
Emergency Room				$100, then 20% after ded	$100, then 20% after ded	$100, then 20% after ded
Urgent Care				$55	$50	$50
Rx Out of Pocket Max Ind/Fam				$1,000/$3,000	$1,000/$3,000	$1,000/$3,000
RX Card Copays				$20/$35/$50	$10/$40/$60	$10/$40/$60
Mail Order Rx Card Copays				$60/$105/$150	$30/$120/$180	$30/$120/$180
Rates	**1500**	**2500**	**HMO**	**BAFO**	**BAFO**	**BAFO**
Employee	99	5	0	**$697.96**	**$659.33**	**$600.67**
Employee + Spouse	13	1	0	**$1,544.43**	**$1,458.94**	**$1,329.13**
Employee + Child(ren)	37	2	0	**$1,285.99**	**$1,214.83**	**$1,106.74**
Employee + Family	41	4	1	**$2,234.49**	**$2,110.80**	**$1,922.99**
Monthly Cost				**$228,371**	**$15,628**	**$1,923**
Annual Cost				**$2,740,455**	**$187,542**	**$23,076**
Combined Total Annual Cost					**$2,951,072**	
% Change from Current					**3%**	

Medical/Rx Plan has enjoyed a (1.5%) average increase over the recent 5 renewal periods.

MEDICAL / RX - UHC

Carrier				UHC	UHC	UHC
Plan Name				**Current – 1500 PPO**	**Current – 2500 EPO**	**Current - 2500 HMO**
Individual Annual Deductible				$1,500	$2,500	$2,500
Family Annual Deductible				$4,500	$7,500	$7,500
Co-insurance				80%	80%	80%
Individual Out of Pocket Maximum				$4,500	$5,500	$5,500
Family Out of Pocket Maximum				$10,200	$10,200	$10,200
PCP Visit Copay				$30	$25	$25
Specialist Visit Copay				$30	$25	$50
TeleHealth Copay				$30	$25	$25
Routine Lab/Imaging				Covered at 100%	Covered at 100%	Covered at 100%
Hospital Inpatient				20% after Deductible	20% after Deductible	20% after Deductible
Hospital Outpatient				20% after Deductible	20% after Deductible	20% after Deductible
Major Diagnostics				20% after Deductible	20% after Deductible	20% after Deductible
Emergency Room				$100, then 20% after ded	$100, then 20% after ded	$100, then 20% after ded
Urgent Care				$55	$50	$50
Rx Out of Pocket Max Ind/Fam				$1,000/$3,000	$1,000/$3,000	$1,000/$3,000
RX Card Copays				$20/$35/$50	$10/$40/$60	$10/$40/$60
Mail Order Rx Card Copays				$60/$105/$150	$30/$120/$180	$30/$120/$180
Rates	**1500**	**2500**	**HMO**	**Proposed**	**Proposed**	**Proposed**
Employee	99	5	0	**$746.45**	**$705.10**	**$600.24**
Employee + Spouse	13	1	0	**$1,643.43**	**$1,552.39**	**$1,321.53**
Employee + Child(ren)	37	2	0	**$1,381.11**	**$1,304.60**	**$1,304.60**
Employee + Family	41	4	1	**$2,389.45**	**$2,257.08**	**$1,921.42**
Monthly Cost				**$244,332**	**$16,715**	**$1,921**
Annual Cost				**$2,931,980**	**$200,585**	**$23,057**
Combined Total Annual Cost					**$3,155,622**	
% Change from Current					**+36%**	

ANCILLARY ANALYSIS

- Dental
- Life/ADD
- Disability (LTD)

DENTAL ANALYSIS

- Guardian
- BCBSTX

DENTAL – BCBSTX

Gallagher

Carrier			Guardian - Current	Guardian - Current	BCBSTX - Proposed	BCBSTX - Proposed
Plan Name			**Premier Plan**	**Value Plan**	**High Plan**	**Low Plan**
Calendar Year Max			$1,500	$1,500	$1,500	$1,500
CY Deductible Ind/Fam			$50/$150	$50/$150	$50/$150	$50/$150
Ortho Life Max			$1,500 (Child Only)	$1,500 (Child Only)	$1,500 (Child Only)	$1,500 (Child Only)
Preventive Services			100%	100%	100%	100%
Basic Services			80%	80%	80%	80%
Major Services			50%	50%	50%	50%
Orthodontia			50%	Not Covered	50%	Not Covered
Endo & Perio			50%	50%	50%	50%
Oral Surgery			50%	50%	50%	50%
Waiting Period					None	None
			Out of Network	**Out of Network**	**Out of Network**	**Out of Network**
R & C			90th	MAC	90th	MAC
Rates			**Current**	**Current**	**Proposed**	**Proposed**
Employee	79	8	**$36.65**	**$25.97**	**$38.12**	**$27.01**
Employee + Sp	15	3	**$65.50**	**$47.53**	**$68.12**	**$49.43**
Employee + Ch	22	3	**$81.78**	**$50.14**	**$85.05**	**$52.15**
Family	62	4	**$111.54**	**$72.46**	**$116**	**$75.36**
Monthly Cost			**$12,592**	**$791**	**$13,096**	**$822**
Annual Cost			**$151,110**	**$9,487**	**$157,157**	**$9,867**
Combined Annual Cost			**$160,597**		**$167,024**	
Change from Current			**NA**		**9.5%**	
Rate Guarantee Until			**NA**		**24 Months**	

Additional Carrier Responses

- Aflac
- Delta Dental
- Lincoln Financial Group

LIFE/ADD ANALYSIS

- Guardian
- BCBSTX

GROUP BASE LIFE / ADD

Carrier	Current Guardian	Proposal BCBSTX
Class 1	All Full Time EE's	All Full Time EE's
Employee Benefit	$30,000	$30,000
Maximum Benefit	$30,000	$30,000
Conversion/Portability	Included	Included
	Age Reductions	**Age Reduction**
Age 65	35%	35%
Age 70	50%	50%
Rates	**Current**	**Proposal**
Life Rate Per $1000	**$0.22**	**$0.180**
AD&D Rate Per $1000	**$0.02**	**$0.020**
Total Rate Per $1000	**$0.240**	**$0.200**
Est. Monthly Volume	**$6,498,000**	**$6,498,000**
Est. Monthly Cost	**$1,560**	**$1,299.60**
Est. Annual Cost	**$18,714.24**	**$15,595.20**
Change from Current		**($3,109.07)**
Rate Guarantee Until		**2 Years**

Additional Carrier Responses

- Aflac
- Hartford
- Lincoln Financial Group
- OCHs, Inc.
- Symetra
- UNUM

SUPP LIFE/ADD ANALYSIS

- Lincoln Financial Group
- BCBSTX

SUPPLEMENTAL LIFE / ADD

Carrier Benefits	Current Lincoln		Proposed BCBSTX	
Class 1	All Full Time Employees		All Full Time Employees	
Employee Benefit	The lesser of 5X salary or $500,000		The lesser of 5X salary or $500,000	
Spouse Benefit	$100,000		$100,000	
Child Benefit	$10,000		$10,000	
Employee Guarantee Issue: Under age 60	$150,000		$150,000	
Spouse Guarantee Issue: Under age 60	$50,000		$50,000	
Child Guarantee Issue	$10,000		$10,000	
Employee AD&D Benefit	Same as Supp. Term Coverage		Same as Supp. Term Coverage	
Spouse AD&D Benefit	Same as Supp. Term Coverage		Same as Supp. Term Coverage	
Portability	Included		Included	
	Age Reductions		**Age Reductions**	
Age 65	35%		35%	
Age 70	60%		60%	
Age 75	75%		75%	
Age 80	85%		85%	
Rates per $10,000	**Employee**	**Spouse**	**Employee**	**Spouse**
0-29	**$0.80**	**$0.40**	**$0.90**	**$0.90**
30-34	**$0.90**	**$0.45**	**$1.00**	**$1.00**
35-39	**$1.30**	**$0.65**	**$1.50**	**$1.50**
40-44	**$1.90**	**$0.95**	**$2.00**	**$2.00**
45-49	**$2.60**	**$1.30**	**$2.80**	**$2.80**
50-54	**$4.20**	**$2.10**	**$4.40**	**$4.40**
55-59	**$7.10**	**$3.55**	**$7.50**	**$7.50**
60-64	**$10.70**	**$5.35**	**$11.30**	**$11.30**
65-69	**$17.50**	**$8.75**	**$18.40**	**$18.40**
70-74	**$27.90**	**$13.95**	**$38.50**	**$38.50**
ADD Rate			**$0.30**	
Rate Guarantee			**24 months**	

LTD ANALYSIS

- Lincoln Financial Group
- BCBSTX

BASE DISABILITY LTD

Plan Name Benefits	Lincoln Financial Group Current	BCBSTX Proposed
Maximum Monthly Benefit	$10,000	$6,000
Benefit Percentage	66.67%	60%
Benefit Waiting Period	90 days	90 days
Benefit Duration	to age 65/ADEA	SSNRA
Pre-Existing Limitation	3/12 Exclusion	3/12 Exclusion
Waiver of Premium	Included	Included
Rates	**Current**	**Proposed**
Rate Per $100	**$0.61**	**$0.48**
Estimated Annual Volume	**$1,275,088**	**$1,275,088**
Estimated Annual Premium	**$93,336**	**$73,445**
Change from Current		**($19,891)**
Rate Guarantee Until		24 Months

Additional Carrier Responses

- Aflac
- Hartford
- Lincoln Financial Group
- OCHs, Inc.
- Symetra
- UNUM

EXHIBITS

July 18, 2022

HALEY BROWN
CITY OF FRIENDSWOOD
910 S FRIENDSWOOD DR
FRIENDSWOOD, TX 77546-4856

DEAR HALEY BROWN:

Thank you for choosing VSP® Vision Care — and for your continued business. Putting your employees first and guaranteeing their satisfaction is easy, when we have partners like you.

As the only national not-for-profit vision company, we're committed to giving your employees:

- **Lowest employee out-of-pocket costs** — employees' #1 priority in a vision plan.
- **Exclusive Member Extras**. offers you won't find anywhere else — only VSP members can save more than $2,500 on vision, hearing, medical, and lifestyle services.
- **World class service** — the highest customer satisfaction in the industry, 15 years in a row.

Your VSP plan automatically renews on **October 1, 2022** and **no action is required** to continue to receive consumers' **#1** choice in vision care.

Group Name/Number:	CITY OF FRIENDSWOOD / 30022011
Renewal Period:	October 1, 2022 - September 30, 2025
Current Plan Frequency:	12 / 12 / 12
Current Copay:	$10 Exam / $25 Materials
Current Allowance:	$130.00 Retail Frame / $130.00 Elective Contact Lenses
Current Rates:	$9.63 / 15.40 / 15.72 / 25.35
Renewal Rates:	$10.73 / 17.16 / 17.52 / 28.25

Rates include all applicable taxes and health assessment fees known as of the date of your renewal.

Please let me know if you have any questions about your VSP plan or would like to see additional options to enhance your benefit or lower your premium. Please contact me at the number below and I can assist you.

Thank you,

Jamie Elliott (800) 216-6248

cc: BOB TREACY
GALLAGHER BENEFIT SERVICES, IN
2245 TEXAS DR STE 140SUITE
SUGAR LAND, TX 77479-1679

CMI CS Team

Disclosures

The intent of this analysis is to provide you with general information regarding the status of, and/or potential concerns related to your current employee benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, nor is it intended to provide legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

This analysis is for illustrative purposes and is not a guarantee of future expenses, claims, costs, managed care savings, etc. There are many variables that can affect future health care costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information for further details in this regard.

Network discount analysis is based on a representative basket of 'goods and services' an employer's health plan(s) could expect to see over the course of a year. It is in no way intended to imply a direct correlation to an employer's actual claim experience. This analysis is designed to approximate a differential in reimbursement rates among various networks in order to assess efficiency and does not in any way represent a guarantee of savings.

This proposal is an outline of the coverage proposed by the carrier(s), based on information provided by your company. It does not include all of the terms, coverages, exclusions, limitations, and conditions of the actual contract language. The policies and contracts themselves must be read for those details. Policy forms for your reference will be made available upon request.

This analysis contains a financial cost summary and an outline of key policy provisions. Although cost is an important factor in placing coverage with a stop loss carrier, key policy provisions are also critical to the selection process and they may represent additional financial liability. For example, a stop loss policy that supersedes a client's plan document language could have a negative financial impact on the Plan. Although most stop loss carriers will agree to cover medically necessary and generally accepted practices and procedures, there may be other limitations which should be considered prior to policy acceptance.

GBS and certain of its insurance carrier markets from time to time enter into arrangements providing for additional compensations to be paid to GBS by such carrier generally with respect to the total volume of premium or insurance coverages written through GBS with that carrier (i.e.: all insurance policies with that carrier where GBS is the broker). It is not clear at this time what these fees and/or commissions retained by GBS, GBS affiliates, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, and similar parties, may earn and retain commissions and/or fees in the course of providing insurance products.

Commissions include all commissions/fees paid to Gallagher that are attributable to a contract or policy between a plan and an insurance company, or insurance service. This includes indirect fees that are paid to Gallagher paid by a third party, and includes, among other things, the payment of "finders' fees" or other fees to Gallagher for a transaction or service involving the plan. Gallagher companies may receive supplemental compensation referred to in a variety of terms and definitions, such as contingent commissions, additional commissions and supplemental commission.

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