

**STOP-LOSS**

## Expertise

Renewal proposal created for  
Browning Public School District #9

June 13, 2017

**Renewal proposal presented to**

Browning Public School District #9  
129 1st Ave SE  
Browning, MT 59417

**Presented by**

Sun Life Financial  
One Sun Life Park  
Wellesley Hills, MA 02481

**Lead underwriter**

Renee Edelstein  
Senior Underwriting Consultant

**Renewal effective date**

July 1, 2017

**Policy number**

245150

Dear Valued Customer,

Thank you for the privilege of providing you with Sun Life Stop-Loss insurance during the past year. We invite you to place your trust in us again.

We are pleased to present the enclosed renewal proposal for the policy year ending June 30, 2017. The lead underwriter for your renewal has carefully analyzed your case and prepared renewal options so you can choose the coverage that best fits your current needs.

This renewal proposal provides the following information:

- Why choose Sun Life again?
- Stop-loss highlights
- Predictable renewals
- Claims summary
- Market factors that affect stop-loss rates
- Renewal options
- Disclosures

To accept this proposal, in the Renewal Options section, please do the following:

- On the first page, sign and date the top of the page; at the bottom of the page, select a renewal option and initial it,
- On the second page, sign and date the top of the page, and
- E-mail, fax, or mail ALL of the Renewal Options section pages to me by June 1, 2017 in order to avoid a lapse in coverage.

Thank you for the opportunity to provide you with expert Sun Life Stop-Loss protection and services. We look forward to continuing to serve you. Please contact me if you have any questions.

Sincerely,

David Underwood  
Stop Loss Specialist  
Sun Life Financial

Telephone: 206-669-5780  
E-mail: [David.Underwood@sunlife.com](mailto:David.Underwood@sunlife.com)  
Fax: 781-304-5392

# Why choose Sun Life again?

On this page, read about the advantages you get with Sun Life

You can rely on our expertise. We are the largest independent writer of stop-loss insurance in the U.S.<sup>1</sup> and we've been providing stop-loss solutions for more than 30 years. We're here for you. Whether that's processing a claim reimbursement request, answering a question about your policy, or developing a new service that helps make it easier to self-fund. Nothing compares to the sense of confidence you'll gain when you decide to choose Sun Life again.

Take a look at the advantages you receive with Sun Life Stop-Loss:

## Claims focus

We carefully evaluate each claim, one at a time, every single day. Dedicated, experienced claims analysts process claims in an average of 10 business days, after receipt of a complete Specific claim.<sup>2</sup> In addition, our medical staff provide catastrophic claims management that produces opportunities for claim savings and better patient outcomes. Over a four-year period, we have processed over 100,000 claims and provided \$1.9 billion in reimbursements to self-insured employers.<sup>3</sup>

## Sales and underwriting specialization

Our experienced sales and underwriting teams focus solely Sun Life Stop-Loss. They understand the intricacies of self-funding and know how to advise you when it comes to choosing the right coverage, options, and services that best fit your needs.

Did you know that we retain 99.5% of the Specific risk and 100% of the Aggregate risk for Sun Life Stop-Loss policies? Because we don't need reinsurance approval, we can provide faster final responses to customers' underwriting and claim reimbursement requests.

## Predictable renewals

We are fair and consistent. We apply the same standards to every renewal. Our pooled approach provides rate stability and helps to minimize major cost changes at renewal. This gives you the ability to better manage your health care costs over time.

## Exclusive access to Sun Life cost-containment services

Our preferred cost-containment vendor program, including our Centers of Excellence network transplant program, are among the first and most comprehensive cost-containment programs in the industry. These programs save Sun Life customers millions of dollars each year in combined claim savings. Our preferred vendors can help control first-dollar claims paid by the employer and catastrophic claims reimbursed by Sun Life Stop-Loss.

## Comprehensive coverage that can help lower the overall cost of self-funding

Sun Life provides a wide range of innovative features, options, and services. The policy includes a variety of reimbursable expenses such as cost-containment fees, off-label drug use, alternative care state assessments, and state-mandated health care surcharges. Additional policy options provide the ability to better manage the bottom line, giving you more control over your self-funded plan strategy.

## Financial strength

Sun Life provides protection and wealth management to over 20 million people across six continents. We are a member of the Forbes Global 2000.<sup>4</sup> And independent ratings place us among the top North American insurance organizations.<sup>5</sup> You can rely on the strength and claims-paying ability of our underwriting companies.

Footnotes 1–5: see Disclosures section.

# Stop-loss highlights

On this page, find a brief summary of your policy

## Key features deliver greater protection

Sun Life's standard features combined with the options you choose can deliver a greater level of protection for your self-funded plan. Take a look:

- **No New Lasers at Renewal option with Renewal Rate Cap**

We believe in offering coverage for all your employees, not just the healthy ones. With the No New Lasers at Renewal option with Renewal Rate Cap, we will not increase your premium level beyond the rate cap and we will not impose new or higher Specific deductible on a covered person simply because a catastrophic claim was incurred during the year.

- **Mirroring Endorsement**

This eliminates many potential coverage gaps between the underlying plan document and your Stop-Loss policy. The Mirroring Endorsement replaces our Stop-Loss policy's definitions, terms, and provisions with the definitions, terms, and provisions of the underlying plan document.

## Value-added cost-containment services

The following services are available to ALL Sun Life Stop-Loss policyholders:

- **SunResources<sup>®</sup>**

SunResources is our innovative cost-containment vendor program. Customers use it on a voluntary basis to gain access an extensive network of cost-containment vendors. Using the network can provide opportunities for significant savings. Access to SunResources vendors is facilitated through our Sun Life registered nurse consultants at no additional cost. SunResources can help lower costs both before and after a catastrophic claim occurs.

- **[New!] SunElite<sup>SM</sup>**

This medical plan document review service helps employers strengthen their plan strategy. Plan document experts at The Phia Group, LLC, author a review of the plan document that analyzes cost containment, federal law compliance (including the Affordable Care Act), and discretionary authority language.

- **SunExcel<sup>®</sup>**

The pioneering SunExcel Centers of Excellence transplant program provides patients with access to many prominent transplant facilities across the United States. Available to all covered employees and dependents, SunExcel can provide opportunities for improved patient outcomes and significant savings.

See last two pages for important disclosures.

# Predictable renewals

## On this page, learn about how we approach renewals

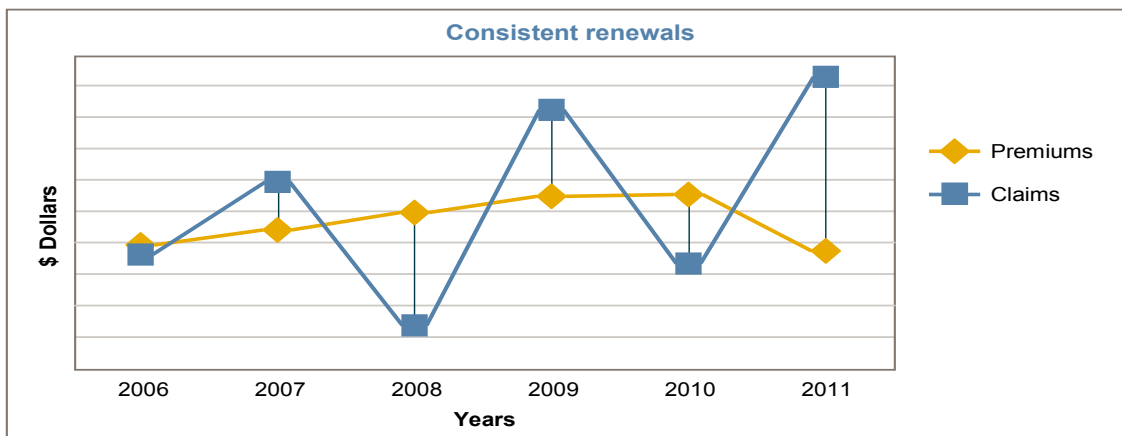
We have developed a comprehensive renewal approach to provide customers with fair and predictable renewals. Sun Life Stop-Loss renewals include all of the following:

- An explanation about how pooling helps deliver rate stability
- A claims summary showing how your plan is performing
- Education about market factors that affect stop-loss rates
- A clear renewal illustration that outlines current rates and renewal options

### How pooling helps deliver renewal rate stability over time

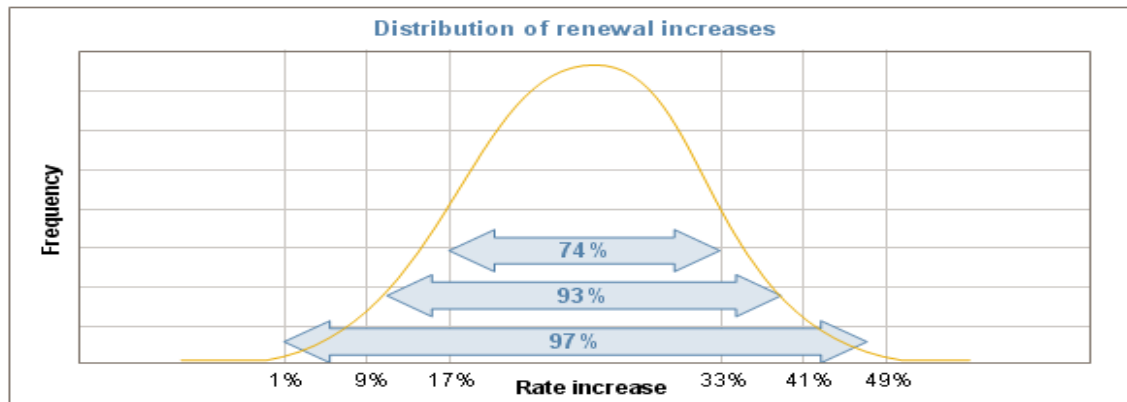
To help produce more consistent renewal costs, we combine your company's Stop-Loss experience with other customers' Stop-Loss experience. This is called "pooling." It means that the overall cost of claims is shared by your company and the others in the pool. It provides stability because Sun Life's entire book of Stop-Loss business is large enough to absorb the claim fluctuations that would be produced by any one customer.

The chart below shows how our pooled approach can provide protection against significant changes in renewal costs. Your Stop-Loss claims can rise and fall from year to year, largely due to the volatility often associated with catastrophic claims. In a non-pooled approach, your renewal premium would likely be adjusted each year to reflect your individual claims experience. The corresponding rate changes might be extreme depending on how poor or how favorable the experience was over the most recent contract periods. Pooling decreases volatility, since the cost of the catastrophic claim is spread over the entire customer pool.



This chart shows the renewal premiums and claims experience of an actual Sun Life customer with 600 lives.

To see the overall impact of our pooled approach on our customer base, please refer to the chart below. In the last three years, 93% of our renewal increases fell between 9% and 40%. Only 7% of our customer base was presented with increases beyond 40%.



This chart shows the historical renewal increases from Sun Life for in force business from 2008 to 2011.

# Claims summary

On this page, review your current Specific claim activity

## Browning Public School District #9, Specific claims summary

These charts show your current Specific claims activity related to the Specific deductible.

### Number of claims beyond Specific deductible

Year	Spec level	Claim count	Expected	Actual to expected
Current	\$75,000	2	5	42%
Prior 1				
Prior 2				
<b>Totals</b>		<b>2</b>	<b>5</b>	<b>42%</b>

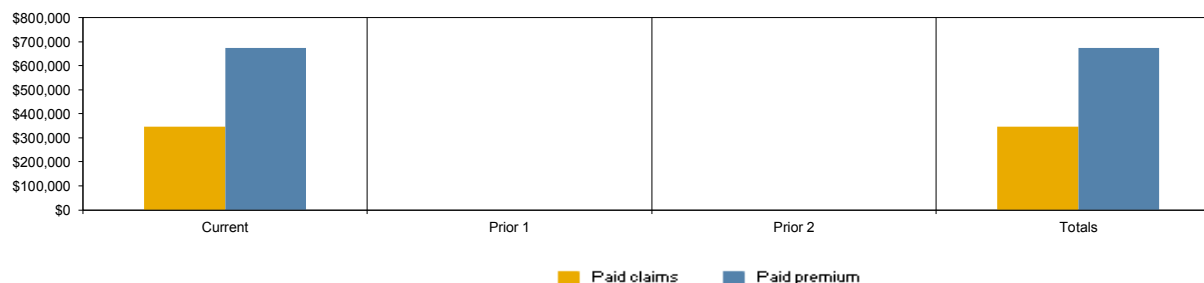
This chart shows the total number of claims that exceeded the Specific deductible during the contract period(s).

### Reimbursed claims compared to paid premiums

Year	Claim count	Paid claims	Paid premium	Loss ratio
Current	2	\$347,494	\$673,719	52%
Prior 1				
Prior 2				
<b>Totals</b>	<b>2</b>	<b>\$347,494</b>	<b>\$673,719</b>	<b>52%</b>

This chart shows your total reimbursed claims compared to total paid premiums.

### Paid claims versus paid premiums



This chart shows your total reimbursed claims compared to total premiums.

## Estimated reimbursable claims

When preparing your renewal options, Sun Life assumes that a number of claims have not yet been reported in the current policy period. We use a completion factor to help us predict how many claims will be submitted for reimbursement in the remaining months of the policy period. A completion factor is an estimated amount of time it might take for an incurred stop-loss claim to be submitted for reimbursement.

### Estimated reimbursable claims projection

Reported claims	Not-yet-reported claims
Spanning the 8 completed months of the policy year	Spanning the remaining 4 months in the policy year
45%	55%

This chart shows the estimated percentage of reported and not-yet-reported claims for your policy year as of the date of this renewal proposal.

# Market factors that affect stop-loss rates

On this page, learn more about medical trend and key health care costs

There are a variety of market factors that health insurance carriers and stop-loss insurance carriers take into account when setting rates. The key factors that affect stop-loss rates are medical trend, leveraged trend, the health care plan, and the group's attributes. Other factors that are taken into consideration include economic conditions, current legislation, and the stop-loss industry itself.

Here's an explanation of the key factors that affect stop-loss rates:

## Medical trend

Medical trend is a prediction of how much health care costs will rise over time. When an employer chooses to self-fund its health plan, it accepts responsibility for paying the bills for the health care services that its employees and their dependents use. But with an insured plan, the employer runs the risk that the total cost will be considerably higher than expected.

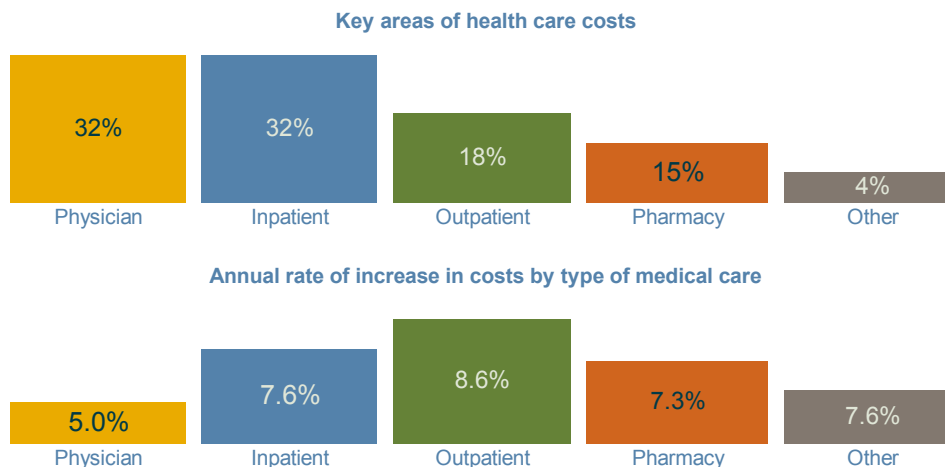
## A closer look at health care costs

Health care costs are variable. One type of health care cost can rise or fall at a different rate compared to another type of health care cost. In addition, the type of health care cost can have an impact on different types of insurance. For example, a shift in cost for physician services is likely to have a greater impact on the employer's portion of claims within a self-funded medical plan. This is because a large percentage of employees use physician services without ever reaching the catastrophic claim levels that would qualify for reinsurance by a stop-loss carrier.

The four main areas of health care costs include:

1. Physician services
2. Pharmacy
3. Inpatient services
4. Outpatient services

The charts below illustrate how annual medical trend rates fluctuate based on type of service and frequency of use by the insured population.



This chart shows how annual trend rates will fluctuate based on the percentage of services used within each component by the insured population in any given year. Source: percentages in both graphs are based on analysis of 2012 Milliman Medical Index, May 2012, pages 2-3.

## The health care plan and the group's attributes

In addition to medical trend, there are other factors that can influence how a stop-loss carrier sets its rates. Here are a few of the most significant:

- Health care plan design: which services are included; co-payments; deductibles; employee contributions
- Managed care selections: the choice of preferred provider organization (PPO) or a health maintenance organization (HMO); participation levels; incentives; health care practices (for example, higher-cost experimental procedures can become generally accepted in the medical community, and therefore become newly covered)
- The group's attributes: who's covered; the geographic location of the employer; the type of industry

Because of these factors, even if medical trend is between 7% and 13%, stop-loss premium can still increase.

# Market factors that affect stop-loss rates, continued

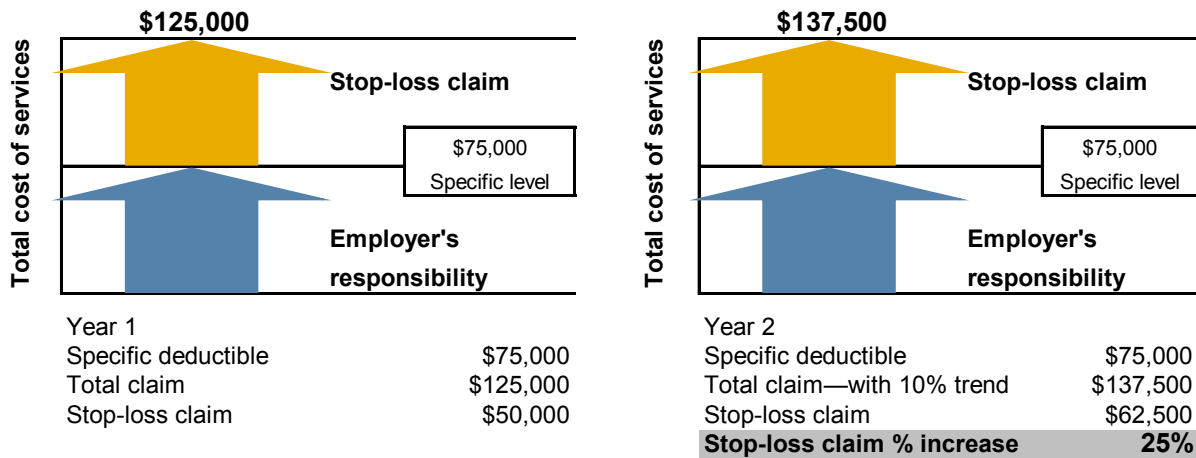
On this page, learn more about leveraged trend

## Leveraged trend

Leveraged trend is a prediction of how much the cost of catastrophic claims—the type of claims that stop-loss insurance covers—will rise or fall over time in relation to health care costs.

In the chart below, the cost of the claim increases by 10% due to medical trend, and the customer keeps the Specific deductible of \$75,000 for two years. The 10% increase in medical trend has a larger impact on the catastrophic claim because the employer's risk allocation remains the same.

How leverage trend works



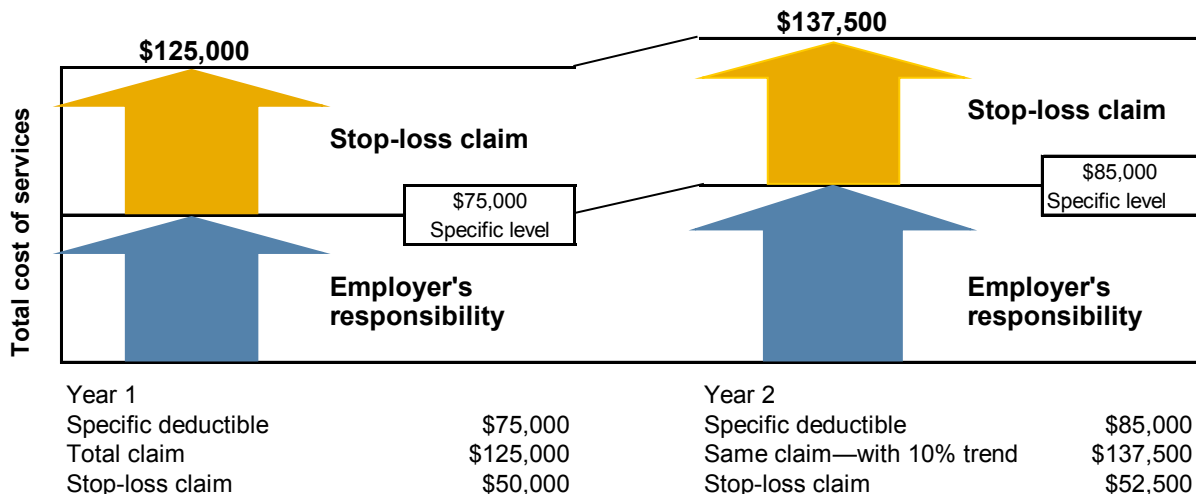
## How to reduce the impact of leveraged trend

An employer can help offset the effect of leveraged trend on its Specific stop-loss premium by choosing a higher Specific deductible.

If the Specific deductible remains the same from year to year, the division of the risk between the employer and the stop-loss insurer will change. The stop-loss carrier will assume a larger portion of risk in return for higher premiums. The employer can help stabilize stop-loss rates by adjusting the Specific deductible.

In the chart below, the cost of the claim increases by 10% due to medical trend. The employer chose to increase its risk responsibility by increasing the Specific deductible amount. This redistributes the risk allocation, so the carrier can then reduce the stop-loss premium.

Reducing leveraged trend





# Renewal options

On this page, sign to authorize the rates and initial to select the renewal you want

Policyholder name: Browning Public School District #9	Authorized signature:
Account number: 245150	Printed name:
Renewal status: Open	Printed title:
	Date signed:

Current and renewal rate summary	
Tier	Employees
Composite	273
<b>Total</b>	<b>273</b>

Specific Stop Loss policy details and renewal options				
Plan thresholds	Current	Renewal	Renewal option 1	Renewal option 2
Individual Specific deductible	\$75,000	\$75,000	\$85,000	\$95,000
Aggregating Specific deductible	None	None	None	None
Annual maximum	None	None	None	None
Lifetime maximum	Unlimited	Unlimited	Unlimited	Unlimited

Specific rates	Current	Renewal	Renewal option 1	Renewal option 2
Claims basis	24/12	PAID	PAID	PAID
Benefits covered	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug
Composite	\$213.00	\$289.68	\$266.28	\$251.37
<b>Total monthly premium</b>	<b>\$58,149</b>	<b>\$79,083</b>	<b>\$72,694</b>	<b>\$68,624</b>

Renewal rate action as a % increase to current monthly premium

36.0%

25.0%

18.0%

Aggregate Stop Loss policy details and renewal options				
Aggregate rates	Current	Renewal	Renewal option 1	Renewal option 2
Aggregate Benefit Maximum	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Per employee per month rate	\$4.93	\$4.93	\$4.93	\$4.93
<b>Annual premium</b>	<b>\$1,346</b>	<b>\$1,346</b>	<b>\$1,346</b>	<b>\$1,346</b>

Renewal rate action as a % increase to current monthly premium

0.0%

0.0%

0.0%

Aggregate thresholds and rates	Current	Renewal	Renewal option 1	Renewal option 2
Claims basis	24/12	PAID	PAID	PAID
Benefits covered	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug	Medical, Rx Drug
Corridor	125%	125%	125%	125%
<b>Composite Aggregate deductible factor</b>	<b>\$1,004.93</b>	<b>\$1,159.12</b>	<b>\$1,187.73</b>	<b>\$1,209.98</b>
- Medical	\$825.24	\$794.65	\$823.26	\$845.51
- Rx Drug	\$179.69	\$364.47	\$364.47	\$364.47
<b>Minimum Attachment Point</b>	<b>\$246,911</b>	<b>\$284,796</b>	<b>\$291,825</b>	<b>\$297,292</b>
<b>Estimated monthly renewal liability</b>	<b>\$274,346</b>	<b>\$316,440</b>	<b>\$324,250</b>	<b>\$330,325</b>

Renewal rate action as a % increase to current monthly aggregate deductible factors

15.3%

18.2%

20.4%

Total estimated annual plan costs				
Total costs	Current	Renewal	Renewal option 1	Renewal option 2
Total annual premium	\$713,939	\$965,142	\$888,484	\$839,639
Annual Aggregate Attachment Point	\$3,292,151	\$3,797,277	\$3,891,003	\$3,963,894
<b>Total estimated self-funded plan costs</b>	<b>\$4,006,089</b>	<b>\$4,762,419</b>	<b>\$4,779,487</b>	<b>\$4,803,533</b>

Renewal rate action as a % increase to total estimated annual plan cost.

18.9%

19.3%

19.9%

Select renewal option				
Initial selected renewal option				

The rates agreed upon in this renewal acceptance form are effective on the policy renewal date and take precedence over any billing statements that may be received in the interim.

# Renewal options, continued

On this page, sign to authorize the features, services, and assumptions included in your renewal

Policyholder name: Browning Public School District #9
Account number: 245150
Authorized signature:
Printed name:
Printed title:
Date:

## Specific Stop-Loss coverage

The following options and programs are included in your policy:

Options:

- **No New Lasers at Renewal option with Renewal Rate Cap of 50%**  
This option prevents new lasers. The rate cap applies to Specific rates and the Aggregating Specific deductible (if applicable), and it assumes there are no material changes to the underlying plan, the Sun Life Stop-Loss policy, or the covered group.
- **Mirroring Endorsement**  
Mirroring of your plan document is subject to review and approval by Sun Life and may affect the quoted rates. To include this endorsement with your policy, within 90 days of the policy effective date, we need your plan document and an executed Renewal Options signature page.
- **Retiree coverage**

Programs:

- **[New!] SunElite<sup>SM</sup> medical document review service**  
This program is available to all Sun Life Stop-Loss customers.
- **SunExcel<sup>®</sup> Centers of Excellence transplant program**  
This exclusive program is provided to all Sun Life Stop-Loss customers.
- **SunResources<sup>®</sup> preferred network program**  
This exclusive program is provided to all Sun Life Stop-Loss customers.

The following are not included in your policy:

- **Simultaneous Reimbursement option**
- **Clinical Trials option**
- **Electronic Funds Transfer**
- **Terminal Liability option**

## Assumptions

- **Transplant rider**  
Sun Life assumes that if a Transplant rider is in place with your health care plan, Sun Life is designated as secondary claims payer.

## Producer commissions

Sun Life pays the following commission percent to the Stop-Loss producer: 5.0%.

## Specific Stop-Loss renewal acceptance

Acceptance of your Specific Stop-Loss renewal by Sun Life is subject to timely receipt of a signed renewal proposal and contingent upon a review of large claims over \$37,500 with diagnosis/prognosis for the period of July 1, 2016 through March 31, 2017 with accompanying required information. For large claims, the required information includes paid claims, pending claims, and notification of known situations. Upon review of your large claims information, we reserve the right to recalculate quoted rates.

Sun Life will not reimburse for claims expenses that incur outside the Policy Year parameters.

# Renewal options, continued

On this page, sign to authorize the features, services, and assumptions

## Aggregate Stop-Loss

- **Features**

Monthly Aggregate Accomodation is not included.  
Terminal Liability option is not included.

### Minimum Attachment Points

Renewal	Renewal Option 1	Renewal Option 2
\$3,417,549	\$3,501,903	\$3,567,505

- **Aggregate Stop-Loss renewal acceptance**

Renewal acceptance of Aggregate coverage by Sun Life is subject to timely receipt of a signed renewal proposal and contingent upon a review of monthly claims and lives, by line of coverage, for the period of July 1, 2016 through March 31, 2017. Upon review of that information, we reserve the right to recalculate the Aggregate Attachment Point.

## General coverage

- **Assumptions**

The above rates assume that your underlying plan will be brought into compliance with the Mental Health Parity Act and that covered expenses, as defined under the Mental Health Parity Act, will be covered as "any other illness." This renewal proposal also assumes that there are no underlying plan limits that are inconsistent with the guidelines established by the Americans with Disabilities Act.

- **Affordable Care Act accommodations**

This renewal proposal represents Sun Life's efforts to work with you to meet your requirements under the Affordable Care Act (ACA), including, but not limited to, the dependent age provisions of the ACA. According to the rescission provision of the ACA, it is the self-funded medical plan's responsibility to keep its census data up to date at all times. If the plan inadvertently does not remove a terminated participant, Sun Life may deny any claims from the participant. However, in that situation, the self-funded medical plan is responsible for the claim.

## Disclosures

On this page, find footnote references and policy information

1. \$915 million of in-force premium as of December 31, 2013.
2. Specific claims processing performance is based on year-end 2011 data.
3. Data as of 2010–2013.
4. Sun Life is #271 in the Forbes Global 2000, 2014 edition, according to the Forbes website page [http://www.forbes.com/global2000/list/#page:1\\_sort:0\\_direction:asc\\_search:Sun%20Life\\_filter:All%20industries\\_filter:All%20countries\\_filter:All%20states](http://www.forbes.com/global2000/list/#page:1_sort:0_direction:asc_search:Sun%20Life_filter:All%20industries_filter:All%20countries_filter:All%20states), accessed on June 4, 2014.
5. For current financial ratings, please visit [www.sunlife.com](http://www.sunlife.com).

The following Service is not insurance and carries a separate charge, which is included with the price of your coverage: Medical Intelligence provided by Verisk, Inc. Sun Life is not responsible or liable for care, services, or advice given by any provider or vendor of the Service. Sun Life reserves the right to discontinue the Service at any time. Medical Intelligence is owned by Verisk Health. If a third party administrator (TPA) chooses to use Medical Intelligence, no software license is required between the TPA and Verisk Health or the TPA and Sun Life. The TPA transmits and accesses its data through Verisk Health's secure website. A TPA has access only to its own data.

### Producer licensing

All Sun Life Financial companies require producers using insurance quotes we issue for the purpose of soliciting, selling, or negotiating insurance to be licensed both by the state where the prospective client is located and by any state where the solicitation, sale, or negotiation of insurance occurs, if different. This requirement pertains to all forms of solicitation, sale, or negotiation of insurance, including but not limited to solicitation, sale, or negotiation conducted in person, by telephone, by e-mail, by fax, or otherwise.

### Producer compensation

All Sun Life Financial companies may pay the selling broker, agency, or third party administrator compensation for the promotion, sale, and renewal of the products and services offered in this proposal. In addition to our standard compensation arrangements, we may make additional cash payments or reimbursements to selling brokers in recognition of their marketing and distribution activities, persistency levels, and volume of business. We encourage brokers and their clients to discuss what commission or other compensation may be paid in connection with the purchase of products and services from the company. For New York–issued cases, producers must comply with the specific compensation requirements of New York Regulation 194.

### Plan and rates

This renewal proposal is based on the employee census information that was provided. Acceptance of the group and final rates will be determined by the Sun Life home office in the United States based on actual enrollment and case experience, if required. Terms and conditions of any coverage under the policy will be determined by all necessary final data and by underwriting rules, policy requirements, and policy provisions in effect on the date coverage begins.

### Sun Life Financial Companies

The Sun Life Financial group of companies operates under the "Sun Life Financial" and "Sun Life" names. In the United States and elsewhere, insurance products are offered by members of the Sun Life Financial group of companies that are insurance companies

Currently, group underwriting companies include Sun Life and Health Insurance Company (U.S) and Sun Life Assurance Company of Canada. Sun Life Financial Inc., the publicly traded holding company for the Sun Life Financial group of companies, is not an insurance company and does not guarantee the obligations of these insurance companies. Each insurance company relies on its own financial strength and claims-paying ability.

### Stop-Loss information

The Sun Life Stop-Loss catastrophic cancer claim reimbursement must be based on the International Statistical Classification of Diseases and Related Health Problems (ICD-9) cancer codes 140-239. To receive a reduction in the Sun Life Stop-Loss Specific deductible, the Sun Life Cancer rider must be in force as well as either a Sun Life Critical Illness and Cancer Insurance or a Sun Life Critical Illness Cancer-Only Insurance policy.

The following services are not insurance and carry a separate charge included with the price of coverage: SunResources®, owned by Sun Life; SunExcel®, owned by Sun Life; SunElite™, owned by Sun Life with services provided by The Phia Group, LLC; and Medical Intelligence (formerly known as D2 Explorer) owned by and with services provided by Verisk Health. If a TPA (third party administrator) chooses to use Medical Intelligence, no software license is required between the TPA and Verisk Health or the YPA and Sun Life. The TPA transmits and accesses its data through Verisk Health's website. A TPA has access to its own data according to Verisk Health's website system controls. Sun Life is not responsible or liable for the services or advice provided by any third party vendor. Sun Life reserves the right to discontinue any service at any time.