

SAMPLE

Health Net PPO Group Insurance Policy





Health Net
Life Insurance Company

HEALTH NET PPO GROUP INSURANCE POLICY
(the Policy)

ISSUED BY

HEALTH NET LIFE INSURANCE COMPANY
(HNL)

LOS ANGELES, CALIFORNIA

Health Net Life Insurance Company agrees to provide the benefits of the Policy, as herein limited and defined, for enrolled Covered Persons of the Employer. These benefits are subject to all the terms and conditions of this Policy.

Upon payment of premium charges in the amount and manner provided in this Policy. Health Net Life Insurance Company

HEREBY AGREES

to provide benefits as defined in the Policy to eligible employees and their eligible Dependents of:

Group Name:

Group ID:

Coverage Code:

Plan Code:

(herein called the "Group")

according to the terms and conditions of this Policy. Payment of premiums by the Group in the amount and manner provided for in the Policy shall constitute the Group's acceptance of the terms and conditions of the Policy. This Health Net Life Insurance Company Policy, the "Application for Group Policy" and the enrollment forms of the Group's eligible employees, inclusively shall constitute the entire agreement between the parties.

HEALTH NET LIFE INSURANCE COMPANY

Steven Sickle
Secretary

James E. Woys
President

**NOTICE OF PROTECTION PROVIDED BY
CALIFORNIA LIFE AND HEALTH INSURANCE GUARANTEE ASSOCIATION**

This notice provides a brief summary regarding the protections provided to policyholders by the California Life and Health Insurance Guarantee Association (“the Association”). The purpose of the Association is to assure that policyholders will be protected, within certain limits, in the unlikely event that a member insurer of the Association becomes financially unable to meet its obligations. Insurance companies licensed in California to sell life insurance, health insurance, annuities and structured settlement annuities are members of the Association. The protection provided by the Association is not unlimited and is not a substitute for consumers' care in selecting insurers. This protection was created under California law, which determines who and what is covered and the amounts of coverage.

Below is a brief summary of the coverages, exclusions and limits provided by the Association. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations or the rights or obligations of the Association.

COVERAGE

• **Persons Covered**

Generally, an individual is covered by the Association if the insurer was a member of the Association *and* the individual lives in California at the time the insurer is determined by a court to be insolvent. Coverage is also provided to policy beneficiaries, payees or assignees, whether or not they live in California.

• **Amounts of Coverage**

The basic coverage protections provided by the Association are as follows.

• **Life Insurance, Annuities and Structured Settlement Annuities**

For life insurance policies, annuities and structured settlement annuities, the Association will provide the following:

• **Life Insurance**

80% of death benefits but not to exceed \$300,000

80% of cash surrender or withdrawal values but not to exceed \$100,000

• **Annuities and Structured Settlement Annuities**

80% of the present value of annuity benefits, including net cash withdrawal and net cash surrender values but not to exceed \$250,000

The maximum amount of protection provided by the Association to an individual, for *all* life insurance, annuities and structured settlement annuities is \$300,000, regardless of the number of policies or contracts covering the individual.

• **Health Insurance**

The maximum amount of protection provided by the Association to an individual, as of April 1, 2011, is \$470,125. This amount will increase or decrease based upon changes in the health care cost component of the consumer price index to the date on which an insurer becomes an insolvent insurer.

COVERAGE LIMITATIONS AND EXCLUSIONS FROM COVERAGE

The Association may not provide coverage for this policy. Coverage by the Association generally requires residency in California. You should not rely on coverage by the Association in selecting an insurance company or in selecting an insurance policy.

The following policies and persons are among those that are excluded from Association coverage:

- A policy or contract issued by an insurer that was not authorized to do business in California when it issued the policy or contract
- A policy issued by a health care service plan (HMO), a hospital or medical service organization, a charitable organization, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company, an insurance exchange, or a grants and annuities society
- If the person is provided coverage by the guaranty association of another state.
- Unallocated annuity contracts; that is, contracts which are not issued to and owned by an individual and which do not guaranty annuity benefits to an individual
- Employer and association plans, to the extent they are self-funded or uninsured
- A policy or contract providing any health care benefits under Medicare Part C or Part D
- An annuity issued by an organization that is only licensed to issue charitable gift annuities
- Any policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as certain investment elements of a variable life insurance policy or a variable annuity contract
- Any policy of reinsurance unless an assumption certificate was issued
- Interest rate yields (including implied yields) that exceed limits that are specified in Insurance Code Section 1607.02(b)(2)(C).

NOTICES

Insurance companies or their agents are required by law to give or send you this notice. Policyholders with additional questions should first contact their insurer or agent. To learn more about coverages provided by the Association, please visit the Association's website at www.califega.org, or contact either of the following:

California Life and Health Insurance
Guarantee Association
P.O Box 16860,
Beverly Hills, CA 90209-3319
(323) 782-0182

California Department of Insurance
Consumer Communications Bureau
300 South Spring Street
Los Angeles, CA 90013
(800) 927- 4357

Insurance companies and agents are not allowed by California law to use the existence of the Association or its coverage to solicit, induce or encourage you to purchase any form of insurance. When selecting an insurance company, you should not rely on Association coverage. If there is any inconsistency between this notice and California law, then California law will control.

TERM OF POLICY

This Policy becomes effective on xxxxxx, 2016 at 12:00 a.m. Pacific Time, and will remain in effect for a term of 12 consecutive months, subject to the payment of premiums as required in the "Premiums" section. This Policy may be terminated by the Group with a 30 day written notice to Covered California. HNL may terminate or not renew this Policy for good cause as set forth below with a 30 day written notice. For premiums with regards to age rated groups, please refer to the "Premiums" section below. If the terms of this Policy are altered by the consent of both parties, no resulting reduction in coverage will adversely affect a Covered Person who is confined to a Hospital at the time of such change.

Good cause for termination or not renewing of this Policy by HNL shall include:

- Failure of the Group to pay any premiums when due;
- Failure of the Group to meet minimum participation and the Group (Employer) contribution requirement at the time of renewal;
- If Group is enrolled as a guaranteed association, failure of the Group to meet and continue to meet all legal requirements applicable to guaranteed associations; and

Termination of this Policy for good cause for the reasons described above shall become effective upon 30 days' written notice to the Group.

Covered Persons who are totally disabled on the date coverage under this Policy ends may be eligible for continuation of coverage. See the "Extension of Benefits" portion of the "Eligibility, Enrollment and Termination" section in the *Certificate* portion of this Policy.

If HNL decides to discontinue offering a particular medical benefit plan in the group market in California, HNL will:

- Provide notice to the Commissioner of Insurance of California, each affected Group, and all affected Covered Persons of its intention to discontinue offering the particular medical benefit plan in California;
- Provide such notice at least 90 days prior to discontinuance of the particular Comprehensive Medical Benefit plan; and
- Offer to each affected group whose coverage is being discontinued, the option of replacing the discontinued plan with any other Group plan currently being offered by HNL in California, for which the Group is eligible.

The Group understands and agrees that the health insurance plan(s), applied for by the Group, and issued by HNL, under the Policy, is intended to be issued as a stand-alone plan(s) only, where applicable, unless the health insurance plan(s) has been specified by HNL as available for wrapping, self-funding or otherwise insuring of the Calendar Year Deductible. Such plan(s), except for the plans specified by HNL as available for wrapping, self-funding or otherwise insuring of the Calendar Year Deductible, may not be combined with any form of partial self-funding or otherwise insuring of the Calendar Year Deductible, whether in a wraparound, addition or companion capacity, including a partially self-funded Section 105 wraparound, at any time during which the Policy is in force. Failure to comply is a breach of the Policy and any Underwriting Assumptions used by HNL to determine premium rates, and will result in HNL canceling the health insurance plan coverage initially issued, and replacing it with the most similar plan from the plan suite available from HNL at the time of the breach, that allows for wrapping or self-funding or otherwise insuring of the Calendar Year Deductible. The replacement health insurance plan will be issued at the applicable premium rates in effect at that time.

PREMIUMS

The Group shall pay HNL monthly premiums in accordance with the terms set below.

The premiums in effect on the effective date of this Policy are those determined by HNL. The charges are set out in the notice issued to the Group with or prior to the delivery of this Policy. The charges will be shown on the monthly billing statements sent to the Group (subject to any subsequent corrections). Such charges shall be calculated by Policy from current records as to number of Covered Persons enrolled.

Charges shall be calculated by HNL from current records as to number of Covered Persons enrolled.

Retroactive payment adjustments will be made in subsequent billing statements for any additions or terminations of Covered Persons not currently reflected in HNL's records at the time of calculation of premiums. The effective date of the addition or termination will be in accordance with rules established by HNL for determining effective dates of retroactive adjustments, but in no event will the effective date be more than 30 days prior to the date of receipt of the written request by HNL.

In order for a credit of premiums to be applied for terminated Covered Persons, HNL must receive notification as soon as possible following the date of the Covered Person's ineligibility, but in no event later than 30 days following such date. HNL will credit a maximum of 30 days of premium to the Group for ineligible Covered Persons.

Only Covered Persons for whom payment is received by HNL shall be eligible for services and benefits hereunder and only for the period covered by such payment. Upon such termination, prepaid premiums received on account of the terminated Covered Person or Covered Persons applicable to periods after the effective date of the termination will be credited back to the Group on the next following billing statement, and HNL shall not have any further liability or responsibility under this Policy to such terminated Covered Person. HNL will credit a maximum of 30 days of premium to the Group for terminated Covered Persons.

In the foregoing instances where a Covered Person is being retroactively terminated, the effective date of retroactive termination cannot be prior to any date on which services or supplies were provided to the Covered Person under this Policy. In such instances, the date of termination will be the first day of the calendar month following the month in which services or supplies were provided, and any applicable credit of premium will be calculated from that date.

If the Group seeks to retroactively add Covered Persons, enrollment forms must be received by HNL as soon as possible following the Covered Person's eligibility date, but in no event later than 30 days following such date. HNL will charge the Group retroactive premium according to the Covered Person's Effective Date, which will be in accordance with rules established by HNL for determining effective dates of retroactive adjustments, but in no event will the effective date be more than 30 days prior to when HNL receives the enrollment or membership change form.

The first premiums must be paid to HNL on or before the effective date of this Policy. After that, payment is due on the first of each month while the Policy is in effect.

Except as described below, HNL will not change the premiums, applicable Copayments, Coinsurance or Deductibles for the length of this Policy, after (1) the Group has delivered notice of acceptance of the Policy, (2) the start of the Group's Open Enrollment Period or (3) premiums are paid by the Group in the amount and manner provided for in this Policy.

For groups that are age-rated, which are Groups whose premiums are based on the age of the principal Covered Person, if a principal Covered Person changes an age-band during the course of the year, the new rate is effective the first of the month after the principal Covered Person's birthday. However, if the principal Covered Person's birthday is the first day of the month, then the new rate will be effective the first day of the month of the principal Covered Person's birthday.

If the principal Covered Person changes their address during the course of the year, which results in a change to the rating region, the new rate will be effective as follows:

- If received from the 1st to the 15th of the month the change will be effective the 1st of the current month; or
- If received from the 16th to the 31st of the month the change will be effective the 1st of the following month.

If a governmental authority (a) imposes a tax or fee that is computed on premiums or (b) requires a change in coverage or administrative practice that increases HNL's risk, HNL may amend this Policy and increase the premium sufficiently to cover the tax, fee, or risk. The effective date shall be the date set forth in a written notice from HNL to the Group. The effective date shall become effective only upon renewal and no earlier than 12 months from the group's effective date.

If this Policy is terminated for any reason, the Group shall be liable for all premiums for any time this Policy is in force during a grace period and any notice period.

GENERAL PROVISIONS

Form or Content of Policy

No agent or employee of HNL is authorized to change the form or content of this Policy. Any changes can be made only through an endorsement authorized and signed by an officer of HNL.

Entire Agreement

This Policy, the application of the Group, conditions of enrollment, underwriting criteria and the enrollment forms of the Group's eligible employees shall constitute the entire agreement between the parties, and all statements made by the Group or by any individual Covered Person shall, in the absence of fraud, be deemed representations and not warranties, and no such statement shall be used in defense to a claim under this Policy unless it is contained in a written application. After 24 months following the issuance of this Policy, HNL may not rescind the Policy for any reason, and shall not cancel the Policy, limit any of the provisions of the Policy, or raise premiums on the Policy due any omissions, misrepresentations or inaccuracies in the application form, whether willful or not.

Grace Period

A grace period of 31 days will be granted for the payment of each premium falling due after the first premium, during which grace period the policy shall continue in force (subject to the right of the insurer to cancel in accordance with the cancellation provision hereof). Coverage will continue for a period that is at least 30 days after (a) a notice of nonrenewal due to nonpayment has been sent by HNL and (b) the last day of coverage for which HNL has received payment.

Continuation of Coverage for Covered Persons

Except as otherwise provided herein, HNL shall not have the right to cancel or terminate any individual Certificate issued to any Covered Person while this Policy remains in force and effect, and while said Covered Person remains in the eligible class of employees of the Group, and his or her premiums are paid in accordance with the terms of this Policy.

Charter Not Part of Policy

None of the terms or provisions of the charter, constitution, or bylaws of HNL shall form a part of this Policy or be used in the defense of any suit hereunder, unless the same is set forth in full in this Policy.

Distribution of Notices

HNL will send required notices as specified in this Policy to the Group's address on record. The Policy will be posted electronically on HNL's secure Web site at www.healthnet.com. By registering and logging on to HNL's Web site, the Group can access, download and print the Policy, if it so chooses, or the Group can opt to receive the Policy by U.S. mail, in which case HNL will mail the Policy to the Group's address on record with HNL.

Enrollment Regulations

This Policy may be terminated by HNL if at any time the number of Covered Persons does not meet the enrollment regulations of HNL.

Regulation and Interpretation of Policy

This Policy is issued with and is governed by the State of California. The regulations and laws of California shall be applied to interpretations of this Policy.

Recordkeeping

The Group is responsible for keeping records relating to this Policy. HNL has the right to inspect and audit those records.

Nondiscrimination

HNL and the Group hereby agree that no person who is otherwise eligible for coverage under this Policy shall be refused enrollment nor shall his or her coverage be canceled solely because of race, color, national origin, ancestry, religion, sex, gender identity, gender expression, marital status, sexual orientation, age, health status, or physical or mental handicap.

Notice of Cancellation

If this Policy terminates for any reason, HNL will send the notice of cancellation to the Group. The Group shall promptly mail a copy of the notice to each Covered Person and provide HNL proof of such mailing, including the date thereof. However, if HNL decides to discontinue offering a particular medical benefit plan in the group market in California, HNL will notify both the Group and the affected Covered Persons of its intention to discontinue offering the particular medical benefit plan.

Medical Loss Ratio (MLR) Rebates

In conjunction with the requirements of the federal Affordable Care Act, upon HNL's request, the Group shall provide the Group's average number of employees employed on business days during the previous Calendar Year, in order for HNL to accurately categorize the Group, for purposes of determining the appropriate MLR value that is applicable to the Group.

Misstatement of Age

If the age of the Covered Person has been misstated, all amounts payable under this Policy shall be such as the premium paid would have purchased at the correct age.

Modifications to Plan and Notice Obligations

If the plan is modified in accordance with the terms and provisions of this Group Policy, HNL will send notice of such modification to the holder of the Group Policy with at least 60 days written notice. HNL will not provide notice of such changes to Covered Persons of this plan unless it is required to do so by law. The Group may have obligations under state or federal law to provide notification of these changes to the Covered Persons under this plan.

Modifications to Preferred Provider Organization Network and Notice Obligations

HNL will send written notice to the holder of the Group Policy within a reasonable period of time, of any termination, permanent breach of contract or permanent inability to perform of any Preferred Provider, if that termination, breach or inability materially and adversely affects the holder of the Group Policy or Covered Persons of this plan. In such circumstances, the Group must provide the substance of such notice of the termination, breach or inability to perform, to the principal Covered Persons covered under this plan, not later than 30 days after the receipt of such notice from HNL.

Religious Employer

Only a religious employer that meets the definition below will be issued a Policy that does not provide coverage for contraceptives.

- The inculcation of religious values is the purpose of the entity.
- The entity primarily employs persons who share the religious tenets of the entity.
- The entity serves primarily persons who share the religious tenets of the entity.
- The entity is a nonprofit organization pursuant to Section 6033(a)(2)(A)(i) or (iii) of the Internal Revenue Code of 1986, as amended.

Worker's Compensation Insurance

This Health Net PPO Policy is not a substitute for and does not affect any requirement for coverage by worker's compensation insurance on behalf of Group.

SUMMARY OF BENEFITS AND COVERAGE (SBC)

Regulations under the federal Patient Protection and Affordable Care Act (SBC Regulations) require that HNL (a group health insurance issuer) and Group (a group health plan) provide a Summary of Benefits and Coverage (SBC), notice of modification of the SBC, and, upon request, a uniform glossary to Participants and Beneficiaries who are enrolled in the group health plan (Covered Persons) as well as to Participants and Beneficiaries who are eligible for but not enrolled in the group health plan (Eligible Persons). These documents must be available without charge to individuals who enroll or re-enroll in group health coverage during an open enrollment period (including former employees with COBRA continuation coverage) or other than through an open enrollment period (including individuals who are newly eligible for coverage or Special Enrollees).

Group and HNL, in accordance with the responsibilities assigned to each party as set forth herein below, agree to undertake their respective assignments to satisfy all timing, form and content requirements that pertain to the distribution of SBCs and the uniform glossary to Covered and Eligible Persons. Both Group and HNL shall cooperate with each other in good faith and to the extent reasonably necessary to ensure that the parties fully comply with requirements of the SBC Regulations.

- **DEFINITIONS**

This provision defines words that will help you understand this "Summary of Benefits and Coverage (SBC)" section. The terms used within this section have certain meanings that are specific to this section.

1. "Beneficiary" means a person designated by a participant, or by the terms of an employee benefit plan, who is or may become entitled to a benefit thereunder.
2. "Covered Persons" means Participants and Beneficiaries who are enrolled in the group health plan.
3. "Eligible Persons" means Participants and Beneficiaries who are eligible for but not enrolled in the group health plan.
4. "Group" is the business organization (usually an employer or trust) to which HNL has issued the agreement to provide the benefits to Covered Persons.
5. "Participant" means any employee or former employee of an employer, or any member or former member of an employee organization, who is or may become eligible to receive a benefit of any type from an employee benefit plan which covers employees of such employer or members of such organization, or whose beneficiaries may be eligible to receive any such benefit.
6. "Special Enrollee" means any Participant or Beneficiary who is eligible to enroll as described in the *Certificate* under "Exceptions to Late Enrollment Rule" in the "Eligibility, Enrollment and Termination" section.

- **PREPARATION OF SBCs:** HNL shall prepare and deliver to Group an SBC for each HNL health benefit plan which Group offers to Covered and Eligible Persons. HNL shall use reasonable commercial efforts to provide required SBCs to Group before Group's open enrollment process for the next year is scheduled to commence. HNL shall prepare and deliver a modified SBC to Group whenever HNL determines that material modifications must be made to a previously delivered SBC.
- **DISTRIBUTION OF SBCs:** Group shall provide Covered and Eligible Persons with SBCs in the exact and unmodified form (including appearance and content) in which HNL provides the SBCs to Group pursuant to the provisions of this section and as described herein below.
- **TIMING:** Group shall provide an SBC to an Eligible or Covered Person:
 1. Upon application for enrollment:
 - a. along with any written application materials, or, if the Group does not distribute written application materials for enrollment, then no later than the first date the Eligible or Covered Person is eligible to enroll in coverage for the Participant or any Beneficiaries; and by the first day of coverage, if HNL provides a modified SBC between the date an Eligible or Covered Person applied for coverage and the first day of coverage; or by the first day of coverage, if HNL provides a modified SBC between the date an Eligible or Covered Person applied for coverage and the first day of coverage; or
 - b. within ninety (90) days following enrollment, if the Eligible or Covered Person is a Special Enrollee.
 2. Upon renewal or reissuance of this Agreement:
 - a. no later than the date on which application materials (including, but not limited to, open enrollment materials) are distributed, if written application (or active election) is required for renewal; or
 - b. if renewal is automatic, no later than 30 days prior to the first day of the new plan or policy year. If the Agreement is not issued or renewed before this 30 day period, Group shall provide the SBC as soon as practicable but not later than 7 business days after the Agreement is issued or HNL receives your Group's written confirmation of its intent to renew the Agreement, whichever is earlier.

The Group is not required to provide an SBC to a Covered Person automatically upon renewal for benefit packages in which the Covered Person is not enrolled. However, if a Covered Person requests an SBC for a benefit package in which he or she is not enrolled, such SBC must be provided as soon as practicable, but in no event later than 7 business days following receipt of the request.

3. At any time, upon request for an SBC or summary information about any HNL health benefit package for which an eligible or Covered Person is eligible. The SBC must be provided as soon as practicable, but within 7 business days following receipt of the request.
- **NUMBER:** A single SBC may be provided to a Participant and any Beneficiaries at the Participant's last known address, unless any Beneficiary is known to reside at a different address. In that case, a separate SBC must be provided to any Beneficiary at his or her last known address.
- **FORM AND MANNER:** Group shall provide the SBC to an Eligible or Covered Person in paper form or, alternatively, electronically (such as by email or an Internet posting) if the followed conditions are met:
 1. SBCs reproduced and distributed in paper form must be in the uniform format provided by HNL; they must be copied on four, double-sided pages in length and not include print smaller than 12-point font.
 2. SBCs displayed electronically may be on a single webpage, so the viewer can scroll through the information required to be on the SBC without having to advance through pages. However, columns or rows may not be deleted when displaying a complete SBC.
 3. For Covered Persons who are already covered under a benefit package provided under this Agreement, Group may provide the required SBCs electronically if the requirements of the U.S. Department of Labor's regulations at 29 CFR 2520.104b-1 are met. This regulation contains fiduciary disclosure requirements as well as an electronic distribution safe harbor.
 4. For Eligible Persons, Group may provide SBCs electronically if (1) the format is readily accessible (such as in an html, MS Word, or pdf format) and can be electronically retained and printed, (2) paper copies are provided free of charge upon request, and (3) if the electronic form is an Internet posting, the Group timely advises Eligible Persons in paper form (such as a postcard) or by email that the SBCs are available on the Internet, provides the Internet address, and notifies the Eligible Persons that the documents are available in paper form upon request.

Model language for an e-card or postcard in connection with a website posting of an SBC follows:

Availability of Summary Health Information

As an employee, the health benefits available to you represent a significant component of your compensation package. They also provide important protection for you and your family in case of illness or injury.

Your plan offers a series of health coverage options. Choosing a health coverage option is an important decision. To help you make an informed choice, your plan makes available a Summary of Benefits and Coverage (SBC), which summarizes important information about any health coverage option in a standard format, to help you compare across options.

The SBC is available on the web at: www.healthnet.com. A paper copy is also available, free of charge, by calling 1-800-361-3366 (a toll-free number).

- **NOTICE OF MODIFICATION OF AN SBC DURING THE PLAN OR POLICY YEAR:** Upon receipt of timely notice from HNL of material changes to the contents of an SBC and an updated SBC which reflects such changes, and that occurs other than in connection with a renewal or reissuance of coverage under this Agreement, Group shall provide notice of the material changes to covered persons no later than 60 days prior to the date on which material changes will become effective. Group shall distribute such notice to Covered and Eligible Persons in the same number, form and manner (so as to comply with the SBC regulations) in which Group provided the original SBC which was subsequently updated.
- **UNIFORM GLOSSARY:** The SBC informs the reader that he or she can view a Glossary of bolded terms used in the SBC at www.cciio.cms.gov or can call HNL at the number on his or her ID card to request a copy.

HNL shall provide a written copy of the Glossary to a Covered or Eligible Person who requests a written copy within 7 business days after HNL receives the request.

- **PARTIES TO BEAR THEIR OWN COSTS:** HNL and Group shall each bear its own costs in connection with the execution of the respective party's responsibilities under this Agreement, as amended, including but not limited to the production, reproduction and distribution of SBCs and the Glossary.
- **ADVICE OF COUNSEL:** Group and HNL each acknowledge that they have consulted with and have had appropriate advice and legal counsel to determine their responsibilities under the SBC Regulations. Group and HNL have executed this Agreement, as amended, knowingly and voluntarily.
- **DELAYED DISTRIBUTION:** In the event that HNL determines that the Group failed to distribute the SBCs to Covered Persons or Eligible Persons as required herein, HNL will contact the Group and assure the immediate distribution of the SBCs to comply with applicable federal statutes and regulations. In such case, the Group agrees to reimburse HNL for any costs incurred by HNL to assure distribution of the SBCs.

BINDING ARBITRATION

Sometimes disputes or disagreements may arise between HNL and the Group or Covered Persons regarding the construction, interpretation, performance or breach of this Policy, or regarding other matters relating to or arising out of this Policy. HNL uses binding arbitration as the final method for resolving all such disputes, whether stated in tort, contract or otherwise, and whether or not other parties such as health care providers, or their agents or employees, are also involved. In addition, disputes with HNL involving alleged professional liability or medical malpractice (that is, whether any medical services rendered were unnecessary or unauthorized or were improperly, negligently or incompetently rendered) also must be submitted to binding arbitration.

As a condition to contracting with HNL, Group and Covered Persons agree to submit all disputes they may have with HNL to final and binding arbitration. HNL also agrees to arbitrate all such disputes. This mutual agreement to arbitrate disputes means that Group, Covered Persons and HNL are bound to use binding arbitration as the final means of resolving disputes that may arise between them, and thereby the parties agree to forego any right they may have to a jury trial on such disputes. However, no remedies that otherwise would be available to the parties in a court of law will be forfeited by virtue of this agreement to use and be bound by HNL's binding arbitration process. This agreement to arbitrate shall be enforced even if a party to the arbitration is also involved in another action or proceeding with a third party arising out of the same matter.

HNL's binding arbitration process is conducted by mutually acceptable arbitrator(s) selected by the parties. The Federal Arbitration Act, 9 U.S.C. § 1, et seq., will govern arbitrations under this process. In the event that the total amount of damages claimed is \$200,000 or less (\$50,000 or less with respect to disputes with HNL involving alleged professional liability or medical malpractice), the parties shall, within 30 days of submission of the demand for arbitration to HNL, appoint a mutually acceptable single neutral arbitrator who shall hear and decide the case and have no jurisdiction to award more than \$200,000 or \$50,000, whichever is applicable. In the event that total amount of damages is over \$200,000 or \$50,000, whichever is applicable, the parties shall, within 30 days of submission of the demand for arbitration to HNL, appoint a mutually acceptable panel of three neutral arbitrators (unless the parties mutually agree to one arbitrator), who shall hear and decide the case.

If the parties fail to reach an agreement during this time frame, then any party may apply to a Court of Competent Jurisdiction for appointment of the arbitrator(s) to hear and decide the matter. When a petition is made to the court to appoint a neutral arbitrator, the court shall nominate five persons from lists of persons supplied jointly by the parties to the arbitration or obtained from a governmental agency concerned with arbitration or private disinterested association concerned with arbitration. The parties to the agreement who seek arbitration and against whom arbitration is sought may within five days of receipt of notice of the nominees from the court jointly select the arbitrator whether or not the arbitrator is among the nominees. If the parties fail to select an arbitrator within the five-day period, the court shall appoint the arbitrator from the nominees.

Arbitration can be initiated by submitting a demand for arbitration to HNL at the address provided below. The demand must have a clear statement of the facts, the relief sought and a dollar amount.

Health Net Life Insurance Company
Attention: Litigation Administrator
PO Box 4504
Woodland Hills, CA 91365-4505

The arbitrator is required to follow applicable state or federal law. The arbitrator may interpret this Policy, but will not have any power to change, modify or refuse to enforce any of its terms, nor will the arbitrator have the authority to make any award that would not be available in a court of law. At the conclusion of the arbitration, the arbitrator will issue a written opinion and award setting forth findings of fact and conclusions of law, and that award will be final and binding on all parties except to the extent that or federal law provides for judicial review of arbitration proceedings.

The parties will share equally the arbitrator's fees and expenses of administration involved in the arbitration. Each party also will be responsible for their own attorneys' fees. In cases of extreme hardship to a Covered Person, HNL may assume all or portion of a Covered Person's share of the fees and expenses of the arbitration. Upon written notice by the Covered Person requesting a hardship application, HNL will forward the request to an independent professional dispute resolution organization for a determination. Such request for hardship should be submitted to the Litigation Administrator at the address provided above.

Covered Persons who are enrolled in an employer's plan that is subject to ERISA, 29 U.S.C. § 1001 et seq., a federal law regulating benefit plans, are not required to submit disputes about certain "adverse benefit determinations" made by HNL to mandatory binding arbitration. Under ERISA, an "adverse benefit determination" means a decision by HNL to deny, reduce, terminate or not pay for all or a part of a benefit. However, the Covered Person and HNL may voluntarily agree to arbitrate disputes about these "adverse benefit determinations" at the time the dispute arises.

COBRA AND CALIFORNIA-COBRA PROGRAM (CAL-COBRA) CONTINUATION COVERAGE

HNL recognizes that many Groups must comply with the continuation of group coverage requirements under federal and California laws and regulations which respectively are commonly referred to as "COBRA" and "Cal-COBRA." HNL acknowledges that Groups who are so affected cannot discharge their legal responsibilities without HNL's informed and willing participation in providing the required continuation coverage.

HNL is, therefore, committed to the following:

- Maintaining an awareness of the continuation coverage requirements of federal and state laws. This includes federal requirements under the Employee Retirement Income Security Act of 1974 (ERISA), the Public Health Service Act, regulations which are issued by the Secretaries of these federal agencies and state law requirements under the California COBRA Program (Article 4.5 of the California Health and Safety Code and Article 1.7 of the California Insurance Code).
- Providing continuation coverage to plan Covered Persons upon the request of an Group when such requests are consistent with the Group's obligations under the law.
- Sharing knowledge regarding COBRA and Cal-COBRA with Groups as they experience problems, but HNL will not give legal advice on these matters.

CAL-COBRA OBLIGATIONS

When the Group is a Small Employer (as defined in "Small Employer Cal-COBRA Continuation Coverage" under the "Eligibility, Enrollment and Termination" section in the Certificate portion of this Policy), the Group must notify HNL in writing within 30 days of an employee's losing eligibility for coverage through this plan due to (1) termination of employment for reasons other than gross misconduct or (2) reduction in hours worked.

Additionally, any Group with enrolled Cal-COBRA qualified beneficiaries must do the following:

- Notify Current Cal-COBRA Qualified Beneficiaries of Group's Intent to Terminate This Group Service Agreement: If the Group intends to terminate this Policy with HNL and replace it with coverage through another California HMO or disability (health) insurer, the Group must, at least 30 days prior to the termination,

inform all existing Cal-COBRA qualified beneficiaries of this action. The Group must also inform qualified beneficiaries that they have the ability to choose to continue coverage through the new plan for the balance of the period that they could have continued coverage through the HNL plan. HNL will provide the employer the names and last known addresses of enrolled Cal-COBRA qualified beneficiaries.

- Notify the Successor Plan of the Qualified Beneficiaries Currently Receiving Cal-COBRA Coverage. The Group must notify the successor plan in writing of the qualified beneficiaries currently receiving continuation coverage so that the successor plan, or contracting employer or administrator may provide those qualified beneficiaries with the necessary information to allow the qualified beneficiary to continue coverage through the new plan.

PLAN BENEFITS AND BENEFIT CERTIFICATE

HNL will issue and deliver to each principal Covered Person a Health Net PPO *Certificate of Insurance*, electronically by posting it on HNL's website at www.healthnet.com, if so designated by the Group and elected by the Covered Person (or hard copy by mail to the Covered Person's address on record if so designated by the Group and elected by the Covered Person). The Health Net PPO *Certificate of Insurance* sets forth a statement of benefits to which the Covered Persons are entitled. HNL will also issue and deliver an identification card by mail to the Covered Person's address on record.

The benefits of this plan and the language of the Health Net PPO *Certificate of Insurance* are specifically incorporated herein by reference.

COVERAGE FOR DOMESTIC PARTNERS

A principal Covered Person's Domestic Partner is eligible for coverage provided that the partnership meets the Group's domestic partnership eligibility requirements. The Group's eligibility requirements must be compliant with California law. The Domestic Partner and the dependent children of the Domestic Partner may enroll on the same basis as a principal Covered Person's spouse and his or her children in accordance with the terms and conditions of this Policy that apply generally to the spouse of a principal Covered Person under this Plan.

Domestic Partners and their enrolled dependent children are eligible for California COBRA coverage on the same basis as other enrollees based on the Group's eligibility rule. Determination of COBRA qualification for Domestic Partners and their children will be based on agreement between HNL and the Group.

In addition, in relation to a period of time when the Group's employees are subject to federal COBRA and a COBRA qualifying event occurs during this period, HNL agrees to provide federal COBRA-like coverage on the same basis to the domestic partner and his or her unmarried dependent children as other COBRA qualified enrollees. The same is true regarding additional coverage following federal COBRA coverage that is available according to state law for over age 60 employees and their spouses.

Further, in relation to a time period when the Group's employees are subject to Small Group Cal-COBRA Coverage, and when a qualifying event occurs during this period, HNL will provide coverage according to the section titled "Small Group Cal-COBRA Continuation Coverage" in the Certificate segment of this Policy.

COMPLIANCE WITH MEDICARE PART D REGULATIONS IN ADMINISTRATION OF GROUP'S OUTPATIENT PRESCRIPTION DRUG PLAN (PDP)

Where Group offers a qualified retiree prescription drug plan, Group and HNL agree to the requirements set forth in sections A and B below:

- A. In accordance with section 1860D-22 ("Part D") of the Social Security Act (the "Act"), HNL agrees that Group may determine how much of a Covered Person's Part D monthly beneficiary premium it will subsidize, subject to the restrictions set forth below in (1) – (5).
 1. Group can subsidize different amounts for different classes of Covered Persons in the Agreement's PDP provided such classes are reasonable and based on objective business criteria, such as years of service, date of retirement, business location, job category, and nature of compensation (e.g., salaried versus

hourly). Different classes cannot be based on eligibility for the Low Income Subsidy as defined in 1860D-14 of the Act.

2. Group cannot vary the premium subsidy for individuals within a given class of Covered Persons.
 3. Group cannot charge a Covered Person for prescription drug coverage provided under the Agreement more than the sum of his or her monthly Medicare beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her supplemental prescription drug coverage (if any).
 4. For all Covered Persons eligible for the Low Income Subsidy, the low income premium subsidy amount will first be used to reduce the portion of the monthly beneficiary premium attributable to basic prescription drug coverage paid by the Covered Person, with any remaining portion of the premium subsidy amount then applied toward the portion of the monthly beneficiary premium attributable to basic prescription drug coverage paid by the Group.
 5. If the low income premium subsidy amount for which a Covered Person is eligible is less than the portion of the monthly beneficiary premium paid by the Covered Person, then the Group shall communicate to the Covered Person the financial consequences for the Covered Person of enrolling in the Group's PDP as compared to enrolling in another Part D plan with a monthly beneficiary premium equal to or below the low income premium subsidy amount.
- B. Group agrees to notify Covered Persons of the Group's intent to enroll them in HNL's PDP and to provide them with all of the information more fully described in the instructions set forth in Subchapter 30.1.6 (Group Enrollment for Employer/Union Sponsored PDPs) of the Center for Medicare and Medicaid Services' PDP Guidance for Eligibility, Enrollment and Disenrollment finalized August 29, 2005 and as summarized below.
1. Notify all Covered Persons that the Group intends to enroll Covered Persons in a PDP the Group is offering; and
 2. Inform Covered Persons that they may affirmatively opt out of such enrollment; how to accomplish that; and any consequences to Group benefits opting out would bring; and
 3. Provide notice to Covered Persons not less than 30 calendar days prior to the effective date of the Covered Persons enrollment in the Group sponsored PDP; and
 4. Provide Covered Persons a summary of benefits offered under the Group sponsored PDP, an explanation of how to get more information about the PDP, and an explanation of how to contact Medicare for information on other Part D options that might be available to the Covered Person; and
 5. Provide required enrollment disclosure information contained within the Centers for Medicare & Medicaid Services (CMS) model enrollment form; and
 6. Provide all the information required for HNL to submit a complete enrollment request transaction to CMS; and
 7. Provide CMS with any information it has on other insurance coverage for the purpose of coordination of benefits.

Group Number:
Send to:
Service Representative:
Region: