

RISK AND ACTUARIAL ANALYSIS
FOR THE HEALTH CARE PLAN OF
ABC Manufacturing Company
HRA Model

To: XYZ Agency
111 North Street
Portland, OR 97114

FROM: Self-Funding Actuarial Services, Inc.
8025 North Point Blvd., Suite 207W
Winston-Salem, NC 27106

We respond to your request for actuarial services

Plan Sponsor: ABC Manufacturing Company
6100 Western Avenue
Omaha, NE 61000

Re: Health Care Plan of: ABC Manufacturing Comkpnay

Plan Year: July 1, 3020 to July 1, 2011

The following actuarial computations and certifications are provided herein:

Exhibit I

- Part A – Comparison of Projected Costs
- Part B – Recommended Monthly Factors to fund paid claims for the above-cited plan year.
- Part C – Monthly COBRA premiums which comply with the applicable federal laws and Regulations for the above cited plan year.
- Part D – Actuarial Opinion and Due Diligence Statement

Exhibit II

Submitted Data and Documentation.

EXHIBIT I – PART A
COMPARISON OF PROJECTED COSTS
TRADITIONAL v HRA MODEL

	<u>Projected Costs</u>	
	<u>Traditional</u>	<u>HRA Model</u>
Participant	_____	_____
HRA	_____	_____
High Deductible Plan	_____	_____
Total	_____	_____

EXHIBIT I – PART B AND PART C
RECOMMENDED FUNDING FACTORS
AND COBRA PREMIUMS
HRA Model

Plan Sponsor: ABC Manufacturing Company

DOL/IRS Plan Number: N/A

Plan Year: July 1, 2010 to July 1, 2011

PART B – MONTHLY FUNDING FACTORS

The Plan Sponsor may anticipate the following funding demands so as to provide for projected plan claims (no allowance for reserve changes or for fixed costs) for the Plan Year shown above:

	<u>Medical</u>	<u>Rx</u>	<u>Other</u>	<u>Total</u>
Individual	\$50			\$50
Participant/Child	80			80
Participant/Spouse	90			90
Participant/Children	100			100
Family	130			130

PART C – MONTHLY COBRA PREMIUMS

Monthly COBRA premiums (2% is included) for the Plan Year shown above:

	<u>Medical</u>	<u>Rx</u>	<u>Other</u>	<u>Total</u>
Individual	\$55			\$55
Participant/Child	85			85
Participant/Spouse	95			95
Participant/Children	105			105
Family	135			135

EXHIBIT I – PART D

ACTUARIAL CERTIFICATION

COBRA premium are based upon the sum of (a) projected paid claims; (b) fixed costs (stop-loss premiums, administration fees employer internal plan costs, outsourced service costs, e.g.); (c) amortizations of plan obligations.

Projected paid claims (below the specific stop-loss limitation) of \$22,585 were determined as follows: (a) retrospectively (actuary relied on past data); (b) prospectively (actuary relied on stop-loss terms of renewal); Monte Carlo simulation; or (c) combination of (a), (b) and (c) as appears to the actuary to be the most reasonable.

Basis of claims is paid, benefits included *Medical Only*
Assumed claims run-in from prior plan year: N/A
Benefit options include: *HRA Model*
Participants include: Actives and COBRAs

Census:	Individual 29	P/C	P/S	P+1		
	P/C/C+	P+2	P+C+	F	Total	
				9	38	

P= Participant, C=Child, C+ = Children; F= Family

Items furnished by the Plan Sponsor or Claims Administrator, which were used on the computations, are attached hereto.

Plan Sponsor's internal costs are assumed to 3% of projected claims of \$678 and are treated as plan costs. Such internal plan costs must be shown as such on the Form 5500. The actuary assumed that the Plan Sponsor is able to justify these assumed internal costs.

An amortization charge to create and/or maintain such reserve is assumed to be 1.4% of projected claims or \$316.

Where projected paid claims were determined retrospectively, a monetary inflation factor or 8% of such claims or \$1,807 was assumed.

Date

By: _____
Carlton Harker, FSA, MAAA
Self-Funding Actuarial Services, Inc.

EXHIBIT I – PART D

ACTUARY'S DUE DILLIGENCE STATEMENT

1. Claims paid dates for the lag study are understood by the actuary to be consistent with claims paid dates for the trust account, if any.
2. No audit of the accuracy of the submitted data was made.
3. With regards submitted claims lag data, the actuary was not provided with (a) reported, (b) processing, (c) check preparation or (d) check cleared dates, The date paid for purposes of the claim reserve is that date where the claim has been funded and the claim check effectively released into the "mail stream". That is, the actuary does not certify the amount of any liability for claims (a) in course of settlement or (b) due and unpaid.
4. Incurred date for a hospitalization may be the date of admission or the date of discharge, incurred date for maternity may be the date of birth or the date of conception,
5. No specific inquiry is made by the actuary as regards claims backlog.
6. The computation assumes a constancy of plan design.
7. No attempt to analyze larger claims is made.
8. The Certifying Actuary is qualified to provide this opinion in accordance with the rules of professional conduct promulgated by the American Academy of Actuaries.
9. With respect to this opinion, the actuary asserts:
 - a. That this Work-Product is an actuarial opinion as contemplated by the American Academy of Actuaries.
 - b. That he is qualified to offer such opinion by reason of his meeting the requisite examination, experience and continuing education requirements of the American Academy of Actuaries.
 - c. That this Actuarial Work-Product is the result of a mathematical computer program processing imputed data and documentation that are summarized herein.
 - d. That he is independent of and has no conflicted interest with any party with respects to this Work-Product,
 - e. That the Work-Product was prepared at the request of the Eligible User (approved as such by Actuarial Work-Products, inc.), who is identified herein, and who may or may not be the ultimate user of such Work-Product.
 - f. That he has been engaged, as contemplated by the relevant American Academy of Actuaries, by the Engager identified herein.
10. The actuary intends to be a fiduciary with respect to this Work-Product and will act accordingly, striving to meet any and all standards of conduct necessary to meet this end.

11. The professional liability for this Work-Product is assumed by Self-Funding Actuarial Services, Inc which has in place an appropriate professional liability insurance policy. A PDF of the summary page of this policy is available at:

EXHIBIT II
SUBMITTED DOCUMENTATION/DATA
HRA PLAN

General Description

Parties Involved

Practitioner _____

Employer _____

Engager _____ Employer _____ Practitioner _____

Requested Tiering

_____ I _____ P/C _____ P/S
_____ P/One _____ P/C+ _____ P/Two
_____ P/C/C+ _____ F

Definition of HRA Benefits

_____ Plan _____ IRC §213

Carryover Benefits? _____ Yes _____ No

Is debit card available? _____ Yes _____ No

Financial/Cost Sharing Description

Cost Sharing (Participant and HRA)

Order of Cost Sharing (Participant and HRA)

_____ HRA – Then Participant

_____ Participant – Then HRA

_____ Participant – Then Shared

_____ % Participant

_____ %HRA

Participant Obligations

	<u>Individual</u>	<u>Family</u>
Calendar Year Deductible	_____	_____
Participant Copay %	_____	_____
Out-of-pocket (Excl Ded)	_____	_____
Is Debit Card Available? _____ Yes _____ No		

High Deductible Plan (100% Employer-Pay-All)

Deductible Amount _____

Funding Method (SF or FI) _____

Employer Contractual HRA Annual Contribution

I _____ P/C _____ P/S _____ P/One _____

P/Two _____ P/C+ _____ P/C/C+ _____ F _____