

Actuarial Work-Products, Inc.

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Carlton Harker, FSA, MAAA
Principal
www.self-fundhealth.com
www.actuarialworkproducts.com
www.ifebp.org/1harker
www.awpse.com

TO: Addressee No. 1	Addressee No. 2	Addressee No. 3
ABC Brokers, Inc.	Self-Funding Actuarial Svcs	Test Health Plan
PO Box 123	8025 North Point, Ste 207W	123 South Main Street
Winston-Salem, NC 27103	Winston-Salem, NC 27116	Baltimore, MD 21211
Tel. (336)777-7777	Tel. 336-759-2035	Tel. (410)777-7777
Fax (336)77-7777	Fax 336-896-0392	Fax (410)777-7777

RE: Health Care Plan: Test Plan

Benefits Include: Medical, Rx

Engager is Addressee No. 1

Eligible User is Addressee No. 2

This Certification provides an actuarial opinion with respect to the subject plan which compares the monetary value of the benefits, stop-loss terms, and managed care terms trifurcated between the participant, plan sponsor and stop-loss carrier for the subject Health Care Plan.

The Certification consists three parts:

- Statement of Actuarial Opinion
- Submitted Data and Computation Parameters
- Comments of the Actuary.

Sincerely,

Carlton Harker, FSA, MAAA
Actuarial Work-Products, Inc.

STATEMENT OF ACTUARIAL OPINION

OF THE PLAN BENEFIT CALCULATION FOR THE HEALTH CARE PLAN OF THE PLAN SPONSOR

I, Carlton Harker, am a principal of Actuarial Work-Products, Inc., am a Fellow of the Society of Actuaries and am a member of the American Academy of Actuaries. My firm has been retained by the Engager to provide calculations of certain actuarial items for the above-cited Health Care Plan.

I relied upon such Eligible User of the subject Health Care Plan as to the accuracy and completeness of underlying information used in the computation of such items.

In other aspects, my examination included such review of the actuarial assumptions and methods and such tests of actuarial calculations as I considered necessary under the circumstances.

The inputted data to such calculations and the trifurcation results therefore are as follows:

<u>Per Participant Parameters</u>	<u>Network A</u>	<u>Network B</u>	<u>Network C</u>
Calendar Year Deductible	\$500	\$1,000	\$2,000
Copay (Participant)	20%	30%	40%
Out-of-Pocket (Excl. Ded.)	\$2,000	\$4,000	\$8,000
Specific Stop-Loss Limit	\$75,000	\$75,000	\$75,000
Annual Medical Cost	\$4,000	\$4,806	\$0
 <u>Cost Trifurcation</u>			
Participant	\$840	\$1,490	\$0
Plan Sponsor	\$2,840	\$2,884	\$0
Stop-Loss Carrier	<u>\$320</u>	<u>\$433</u>	<u>\$0</u>
Total	\$4,000	\$4,807	\$0
 <u>Penetration Factors</u>	 68%	 32%	 0%

	<u>Composite Annual Cost of Plan Benefit</u>
Participant	\$1,048
Plan Sponsor	\$2,854
Stop-Loss Carrier	<u>\$356</u>
 Composite	 \$4,258

Conditions and Terms of Opinion

1. That this Work-Product is an actuarial opinion as contemplated by the American Academy of Actuaries.
2. 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.
3. That this Actuarial Work-Product is the result of a mathematical computer program processing inputted data and documentation as summarized herein.
4. That he is independent of and has no conflicted interest with any party with respects to this Work-Product.
5. That the Work-Product was prepared at the request of the Eligible User, who is identified herein, and who may or may not be the ultimate user of such Work-Product.
6. That he has been engaged, as contemplated by the relevant American Academy of Actuaries, by the Engager identified herein.
7. 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.
8. 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: www.awpse.com/eando.pdf.

09/25/2008

Date

Carlton Harker, FSA, MAAA
AAA Number 5293

SUBMITTED DATA AND COMPUTATION PARAMETERS

Addressee No. 1

ABC Brokers, Inc.
PO Box 123
Winston-Salem, NC 27103
Tel. (336)777-7777
Fax (336)77-7777
ID B0001
Contact John Smith
Email abc@xyz.com

Addressee No. 2

Self-Funding Actuarial Svcs
8025 North Point, Ste 207W
Winston-Salem, NC 27116
Tel. 336-759-2035
Fax 336-896-0392
ID E0001
Contact Carlton Harker
Email pgc512@yahoo.com

Addressee No. 3

Test Health Plan
123 South Main Street
Baltimore, MD 21211
Tel. (410)777-7777
Fax (410)777-7777
ID P0001
Contact Mary Smith
Email abc@xyz.com

Requested Work-Products

Health plan risk trifurcation

General Information

Plan Name: Test Plan
Plan Year: 01/01/2008 to 12/31/2008
Engager: ABC Brokers, Inc.
Eligible User: Self-Funding Actuarial Svcs
Plan Sponsor: Test Health Plan

No. 001

Plan Parameters

<u>Per Participant Parameters</u>	<u>Network A</u>	<u>Network B</u>	<u>Network C</u>
Calendar Year Deductible	\$500	\$1,000	\$2,000
Copay (Participant)	20%	30%	40%
Out-of-Pocket (Excl. Ded.)	\$2,000	\$4,000	\$8,000
Specific Stop-Loss Limit	\$75,000	\$75,000	\$75,000
Annual Medical Cost	\$4,000	\$4,806	\$0
Penetration Factors	68%	32%	0%

Calculation Parameters

Number of Trials 1,000
Log normal Dispersal Index 4.5

Notes

1. Deductible is calendar year applicable to the participant or covered person.
2. Copay is the risk-share factor applicable to the participant or covered person.
3. Out-of-pocket is the maximum payable (excluding the deductible) applicable to the participant or covered person.
4. Renewal medical cost is total annualized submitted claims, for plan-defined benefits, on the presumption that all participants used only the designated network.
5. Penetration Indices show how the participants chose between the networks designated.

COMMENTS OF THE ACTUARY

1. Elaborative explanatory comments may be found in this appropriate Sub-Site under these headings:
 - Description of Work-Products
 - Discussion of Manner of Production
 - Fees and Terms
 - Background Reading
2. This Work-Product is the property of the Engager who has the fee responsibility and is the party engaging the Actuary. Such Engager must be approved for such Work-Product module and retains such user rights solely at the pleasure/discretion of Actuarial Work-Products, Inc.

Plan Name: Test Plan

Valuation Date: 12/31/2007

Produced by: Actuarial-Work Products, Inc.

USER CODE: 002 USER NAME: pcastevens COMPUTER: 648i main VERSION: v20080923a
VAL CODE: 00101 REQUESTED: 09/25/2008 09:56:58 AM PRINTED: 09/25/2008 09:57:13 AM NUMBER: 1
STATUS: TRANSFER COMPLE REQUEST: REQUESTXX BROWSER: Mozilla/4.0 (compati IP ADDRESS: 75.183.28.226

ADDRESSEE 1 ID: B0001
ADDRESSEE 2 ID: E0001
ADDRESSEE 3 ID: P0001

PLAN ID: 001

VAL NUMBER: 01
COMPUTATION DATE: 12/31/2007
PROJECTED RANGE: 01/01/2008 TO 12/31/2008