



Important Information Concerning Your Rates, the Renewability of Your Coverage and Pre-existing Conditions

This disclosure is provided in accordance with California insurance law, and applies to you if you are determined to be a California Small Employer who employed at least **2 but no more than 50 eligible employees**.

Rating and Pertinent Factors

The standard employee risk rates used to establish premium rates for your group at time of issue or renewal are guaranteed for six months, although most groups' premium rates will change only once per twelve month rating period. However, if during a rating period, the enrollment in your plan either increases or decreases by 20% or more, we reserve the right to re-determine the rates at that time.

The premium rates for your group are based on the standard employee risk rate for the selected plan of benefits. The "risk adjustment factor" (deviation from the standard employee risk rates) applied to the rates is based upon your group's characteristics and anticipated claims experience and will not be more than 120 percent or less than 80 percent for rating periods prior to July 1, 1996. For rating periods beginning on or after July 1, 1996, the risk adjustment factor for your group will not be more than 110 percent or less than 90 percent.

In addition, the risk adjustment factor for your group will not increase by more than 10 percentage points from the risk adjustment factor applied in the prior rating period and will not be modified more frequently than every twelve months.

Mandatory Offer Provision

The mandatory offering provision applies to groups of 2 to 50.

We will make available to new and existing customers, any of the health benefit plans that we currently are making available to small employer groups in California except for the following reasons:

- The small employer disenrolled within the last twelve months from one of our plans;
- The small employer is not physically located in one of our service areas;
- The small employer is not offering coverage to 100% of their eligible employees.
- **Please note: An employee or dependent who does not work or reside in one of our service areas does not have to be included in the plan.**

A listing of all plans offered to small employers will be provided upon request. This listing includes rates.

Renewability

This coverage is renewable at your option, except for the following reasons:

- Failure to pay required premiums;
- Fraud or misrepresentation in connection with this coverage;
- Noncompliance with minimum participation requirements;
- Noncompliance with employer contribution requirements;
- For network plans, there is no longer any enrollee who lives, resides, or works in the service area; or

- If your membership in a bona fide association ceases, but only if coverage is terminated uniformly without regard to any health status-related factor relating to any covered individual.

We may also decline to renew your coverage if we cease to write new business in the small employer market.

Pre-existing Conditions Provisions - (Applies to non-HMO Plans Only)

A waiting period for pre-existing conditions will be administered in certain situations for all employees and dependents enrolling in our group plan.

1. Transferred Business- When coverage for a group is transferred to our group plan, we will waive any pre-existing conditions limitation for all members whose coverage becomes effective on the date of the transfer, whether they were covered under the transferred plan or not.
2. New Enrollees- Individuals that are added to our group plan after the plan's original effective date may be subject to a pre-existing condition limitation. Eligible employees and dependents who were covered under a prior plan of health benefits at any time within the 180 days prior to their enrollment date, will not be subject to any pre-existing condition limitation. (This 180 day period will not include any probationary period under the new coverage). Individuals with no prior coverage or individuals that had more than a 180 day gap from the date their coverage terminated to the enrollment date, will be subject to the group plan's pre-existing conditions limitation, but that period must not exceed 365 days.

A pre-existing condition is defined as a condition, regardless of the cause of the condition, for which medical advice, diagnosis, care or treatment was recommended or received during the 180 days immediately preceding the insured's enrollment date of coverage. A pre-existing condition limitation extends for a period of not more than 365 days. Pregnancy and genetic testing information may not be treated as pre-existing conditions.

The foregoing information is subject to change based on future changes to your state's insurance law or other regulatory requirements, as well as future changes to our rating practices. Any such changes will be communicated to your group.

Upon your request, we will provide you with information on provisions of coverage relating to the following:

- Creditable Coverage;
- Geographic areas served by HMO's;
- The benefits and premiums available under all health insurance coverage for which the employer is qualified, under applicable state law;
- The minimum employer contribution and group participation rules that apply to any particular type of coverage.

My signature acknowledges that I have been advised of the above items and the availability of certain material upon my request.

____(Check, if applicable). I have received the requested materials.

Employer's Signature

Title

Date