



EXHIBIT TO THE STOP LOSS COVERAGE POLICY

(ASO Accounts Only)

Employer Group Name: Stanton Independent School District
Employer Group Address: 200 North College
City: Stanton State of Situs: TX Zip Code: 79782
Account Number: 63878
Employer Group Number(s): 63878
Effective Date of Policy: September 1, 2007
Policy Period: These specifications are for the Policy Period commencing on September 1, 2007 and ending on August 31, 2008

The specifications below shall become effective on the first day of the Policy Period specified above and shall continue in full force and effect until the earliest of the following dates: (1) The last day of the Policy Period; (2) The date the Policy terminates; or (3) The date this Exhibit is superseded in whole or in part by a later executed Exhibit.

A. Aggregate Stop Loss Insurance: [X] Yes [ ] No
If yes, complete items 1 through 9 below.

1. [ ] New Coverage [X] Renewal of Existing Coverage

2. Stop Loss Coverage Period:

[ ] New Coverage (Select one from below):

[ ] Standard: Claims incurred and paid during the Policy Period.

[ ] "Run-in" included: Claims incurred on or after \_\_\_\_\_ and paid during the Policy Period.

"Run-in" includes claims paid by Policyholder's prior claim administrator: Yes [ ] No [ ]

If yes, such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Texas, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) within 12 months of the Policy Effective Date and paid by the Policyholder's prior claim administrator within 6 months after the Policy Effective Date.

[X] Renewal of Existing Coverage:

Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Aggregate Stop Loss Insurance shall apply to:

[X] Medical Claims

[X] Outpatient Prescription Drug Claims

[ ] Dental Claims

[ ] Other (please specify): \_\_\_\_\_

4. Average Claim Value: \$451.80 (per employee)

- Includes Claim Administrator's Provider Access Fee  
 Excludes Claim Administrator's Provider Access Fee

Attachment Factor: 125% of the Average Claim Value

5. Aggregate Claim Liability and Run-Off Claim Liability Factors

a. Employer's Claim Liability for each Policy Period shall be the sum of the Monthly amounts obtained by multiplying the number of Coverage Units for each Month by the following factors:

Regular Plan	Buy-up Plan
\$372.20	\$ 484.13 for each Employee Coverage Unit
\$941.30	\$1,224.39 for each Employee/Family Coverage Unit

b. Employer's Run-Off Claim Liability shall be calculated by multiplying the sum average of the total of all Coverage Units during each of the three calendar Months immediately preceding termination by the factors shown below. Settlement for the final accounting period will be described in the section of the Policy entitled SETTLEMENTS, Run-Off Period subsection of the Policy.

Regular Plan	Buy-up Plan
\$264.01	\$ 343.41 for each Employee Coverage Unit
\$667.69	\$ 868.51 for each Employee/Family Coverage Unit

6. CAP Arrangement  Yes  No

7. Aggregate Stop Loss Coverage

The amount of Paid Claims during the current Policy Period (less Individual (Specific) Stop Loss Claims, if any) that exceed the Point of Attachment. The Point of Attachment shall equal the sum of the Employer's Claim Liability amounts calculated Monthly as described in Item 5.a. above for the indicated Policy Period.

In the event of termination at the end of a Policy Period, the Final Settlement Point of Attachment shall equal the sum of the Employer's Claim Liability amount for the Final Policy Period and the Employer's Run-Off Claim Liability calculated as described in item 5.b. above. However, for the indicated Policy Period the minimum Point of Attachment shall be \$811,211. Aggregate Stop Loss coverage shall not exceed a maximum of \$1,000,000 for the indicated Policy Period.

8. Premium (Select one):

Annual Premium (Due on the first day of the Policy Period): \$\_\_\_\_\_.

Monthly Premium shall be equal to the amounts obtained by multiplying the number of Coverage Units for a particular Month by

\$6.71 for each Employee Coverage Unit

\$16.97 for each Employee/Family Coverage Unit

9. The premium is based upon a current membership of 85 Individual Coverage Units and 48 Family Coverage Units.

B. Individual (Specific) Stop Loss Insurance:  Yes  No

If yes, complete items 1 through 6 below.

1.  New Coverage  Renewal of Existing Coverage

2. Stop Loss Coverage Period:

New Coverage (Select one from below):

Standard: Claims incurred and paid during the Policy Period.

"Run-in" included: Claims incurred on or after \_\_\_\_\_ and paid during the Policy Period

"Run-in" includes claims paid by Policyholder's prior claim administrator: Yes  No

If yes, such claims must be reported by the Policyholder to the Company (Blue Cross and Blue Shield of Texas, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company) within 12 months of the Policy Effective Date and paid by the Policyholder's prior claim administrator within 6 months after the Policy Effective Date.

Renewal of Existing Coverage:

Claims incurred on or after the original Effective Date of Policy and paid during the Policy Period.

3. Individual (Specific) Stop Loss Insurance shall apply to:

Medical Claims

Outpatient Prescription Drug Claims

Dental Claims

Vision Claims

Other (please specify): \_\_\_\_\_

4. Individual (Specific) Stop Loss Coverage

For N/A who is identified by the health identification (ID) number N/A, the amount of Paid Claims during the current Policy Period in excess of the Point of Attachment of \$N/A. Such amount shall apply for the Policy Period.

For each other Covered Person, the amount of Paid Claims during the current Policy Period in excess of the Point of Attachment of \$35,000 per Covered Person but not to exceed a maximum Point of Attachment of \$965,000 per Policy Period. Such amount shall apply for the Policy Period.

Point of Attachment  Includes Claim Administrator's Provider Access Fee  
 Excludes Claim Administrator's Provider Access Fee

5. Premium (select one):

Annual Premium (Due on the first day of the Policy Period): \$\_\_\_\_\_.

Monthly Premium shall be equal to the amounts obtained by multiplying the number of Coverage Units for a particular Month by

\$54.25 for each Employee Coverage Unit

\$137.20 for each Employee/Family Coverage Unit

6. The premium is based upon a current membership of 85 Individual Coverage Units and 48 Family Coverage Units.

**Additional Provisions:**

The undersigned person represents that he/she is authorized and responsible for purchasing stop loss coverage on behalf of the Employer Group. It is understood that the actual terms and conditions of coverage are those contained in this Exhibit and the Stop Loss Coverage Policy into which this Exhibit shall be incorporated at the time of acceptance by Blue Cross and Blue Shield of Texas, a Division of Health Care Service Corporation, a Mutual Legal Reserve Company ("HCSC"). Upon acceptance, HCSC shall issue a Stop Loss Coverage Policy to the Employer Group. Upon acceptance of this Exhibit and issuance of the Stop Loss Coverage Policy, the Employer Group shall be referred to as the "Policyholder."

Judy Beard  
Sales Representative

Brad Holland  
Signature of Authorized Purchaser

Cheryl A. Fulk  
Name of Underwriter

Business Manager  
Title of Authorized Purchaser

7-30-07  
Date

INTERNAL USE ONLY	Date Exhibit approved by Underwriting:
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BlueCross BlueShield of Texas

## STOP LOSS COVERAGE POLICY

between

**BLUE CROSS AND BLUE SHIELD OF TEXAS  
A DIVISION OF HEALTH CARE SERVICE CORPORATION,  
a Mutual Legal Reserve Company**

Herein called "the Company"  
and

**The Policyholder**

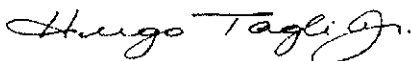
The Exhibit attached hereto and made a part of this Policy (herein called the "Exhibit") shall establish the Policyholder's Employer Group Name, Employer Group Number, the Effective Date of Policy, and the Policy Period.

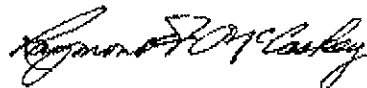
In consideration of the Exhibit attached hereto and in consideration of the payment made by the Policyholder of all premiums when due as hereinafter provided, the Company agrees to make the payments herein specified, subject to the provisions and conditions of this Policy.

All obligations, terms, definitions, conditions, promises, agreements and provisions of the Administrative Services Agreement between the Policyholder and the Company (herein called the "Administrative Services Agreement") shall apply equally to this Policy unless otherwise specified in this Policy or the Exhibit.

**THIS IS NOT A POLICY OF WORKERS' COMPENSATION INSURANCE. THE POLICYHOLDER DOES NOT BECOME A SUBSCRIBER TO THE WORKERS' COMPENSATION SYSTEM BY PURCHASING THIS POLICY, AND IF THE POLICYHOLDER IS A NON-SUBSCRIBER, THE POLICYHOLDER LOSES THOSE BENEFITS THAT WOULD OTHERWISE ACCRUE UNDER THE WORKERS' COMPENSATION LAWS. THE POLICYHOLDER MUST COMPLY WITH THE WORKERS' COMPENSATION LAW AS IT PERTAINS TO NON-SUBSCRIBERS AND THE REQUIRED NOTIFICATIONS THAT MUST BE FILED AND POSTED.**

ATTEST:

  
Secretary



The Policyholder understands the liability assumed under the portion of the self-funded employee health and welfare benefit plan (the Plan) which it is self-insuring and further understands that it is exempted from Chapter 101 of the *Texas Insurance Code* only if a qualified employee benefit plan has been filed and meets the requirements of Employee Retirement Income Security Act of 1974, as amended, (ERISA) unless the Policyholder is exempt from requirements of ERISA.

## **SECTION I DEFINITIONS**

Additional definitions applicable to this Policy are contained in the Administrative Services Agreement.

**“Exhibit”** means the attached EXHIBIT TO THE STOP LOSS COVERAGE POLICY specifying the particulars of this Policy or any subsequent replacement Exhibit supplied by the Company. The specifications or items of the Exhibit shall be applicable for the Policy Period indicated on the Exhibit, except that any item of the Exhibit may be changed in accordance with the provisions described in this Policy.

**“Covered Person”** means an individual Employee, dependent(s) of an Employee, a retired Employee, dependent(s) of a retired Employee, and certain continued persons and their dependents covered under a continuation of coverage provision, whose coverage has become effective in accordance with the terms of the Policyholder’s Plan and whose Paid Claims are eligible for Stop Loss Coverage as indicated on the most current Exhibit to this Policy.

**“Claim Liability”** means the total amount of Paid Claims that the Policyholder is responsible for paying each Policy Period. Claim Liability will be calculated for each Policy Period in accordance with the formula indicated in Item A.5. of the most current Exhibit to this Policy.

**“Effective Date of Policy”** means the date specified on the Exhibit.

**“Employee”** means an individual employee, retired employee, or continued person, whose coverage has become effective under the Policyholder’s Plan and whose Paid Claims are eligible for Stop Loss Coverage as indicated on the most current Exhibit to this Policy.

**“Final Policy Period”** means the period of time beginning on the first day of the Policy Period specified on the most current Exhibit and ending on the date the Policy is terminated.

**“Month”** means each succeeding calendar Month period beginning on the first day of the Policy Period.

**“Paid Claims”** shall mean:

- (a) The total amount of Claim Payments under and pursuant to the Administrative Services Agreement; and
- (b) If applicable, the claim payments made by the Policyholder’s prior claim administrator, as specified on the Exhibit;

for the types of claims specified on the Exhibit and in settlement of claims for any benefits under the Plan which are:

- (a) In the case of new coverage: (i.) Incurred and paid during the Policy Period or (ii.) Incurred during the Stop Loss Coverage Period and paid during the Policy Period, as specified on the Exhibit;
- (b) In the case of a renewal of existing coverage, incurred on or after the original Effective Date of Policy and paid during the most current Policy Period, as specified on the Exhibit.
- (c) Paid Claims may also include Run-Off Paid Claims in accordance with the provisions of this Policy.

A claim is considered "incurred" on the date the service or supply is furnished; a claim is considered "paid" on the date the claim is processed.

**"Paid Claims"** shall not include:

- (a) Claims incurred prior to the original Effective Date of Policy, except as specified on the Exhibit; or
- (b) Claims incurred after the termination date of this Policy; or
- (c) Extra contractual damages of any nature, compensatory damages, or any similar damages however assessed, or any payments made as an exception to the Plan or as settlement of a lawsuit; or
- (d) Any payments made at the specific written request of the Policyholder when not provided for as benefits under the Plan or which are limited or excluded under such document; or
- (e) Any payments of benefits which are interpreted by the Policyholder as coming within the terms of the Plan if the Company notifies the Policyholder that it does not agree with that interpretation.

**"Plan"** shall mean the self-funded Group Health Plan of the Policyholder.

**"Point of Attachment"** means the dollar amount above which Stop Loss Insurance will apply as indicated in Items A.7. and/or B.4. of the most current Exhibit to this Policy provided, however, that the Point of Attachment for Aggregate Stop Loss Insurance shall never be less than the minimum specified in Item A.7. of the most current Exhibit.

**"Policy"** as used herein means this Stop Loss Coverage Policy.

**"Policy Period"** means the period of time beginning and ending on the dates shown on the most current Exhibit.

**"Run-In Period"** means the period immediately prior to the initial Policy Period, if any, as specified in Items A.2. and/or B.2 of the Exhibit.

**“Run-Off Paid Claims”** means those Paid Claims incurred on or after the original Effective Date of this Policy but prior to termination, which are paid in accordance with the Administrative Services Agreement during the Run-Off Period.

**“Run-Off Claims Liability”** means the amount to fund anticipated Run-Off Paid Claims. Settlements for Run-Off Paid Claims will be in accordance with the section entitled SETTLEMENTS, Run-Off Period Settlement subsection of this Policy.

**“Run-Off Period”** means the twelve-Month period immediately following the termination of this Policy.

**“Stop-Loss Claims”** means the amount of Paid Claims for which the Company assumes responsibility and risk.

- (a) If the amount of Paid Claims that have accumulated during the Policy Period for any Covered Person exceed the amount indicated in Item B.4. of the most current Exhibit to this Policy, such excess, up to the maximum amounts indicated, if any, shall be referred to in this Policy as **Individual (Specific) Stop-Loss Claims**. A monthly review will occur to determine if such excess exists.
- (b) Individual (Specific) Stop-Loss Insurance does not extend beyond the termination date of this Policy.
- (c) If, during the current Policy Period, Paid Claims less Individual (Specific) Stop-Loss Claims, if any, exceed the Point of Attachment indicated in Item A.7. of the most current Exhibit to this Policy, such excess, if any, shall be referred to in this Policy as **Aggregate Stop-Loss Claims**.
- (d) Stop Loss Claims may also include claims paid by the Policyholder's prior claim administrator as specified on the Exhibit.

**“Stop Loss Coverage Period”** means the period specified in Items A.2. and/or B.2. of the most current Exhibit.

**“Stop-Loss Premium”** means the Monthly or annual premium, calculated in accordance with the formulas indicated in Items A.8. and/or B.5. of the most current Exhibit, that is required by the Company for the risk assumed for the Stop Loss Coverage indicated in Item A.7. and/or B.4. of the most current Exhibit. The Policyholder shall pay to the Company the Stop Loss Premium within ten (10) calendar days of receipt of a billing.

The Stop-Loss Premium shall be subject to change by the Company as follows:

- (a) At the end of the Policy Period shown in the most current Exhibit, provided that sixty (60) days prior written notice is given by the Company;
- (b) On the implementation date of any changes or benefit variances in the Policyholder's Plan, its administration, or the level of benefit valuation which would increase the Company's risk;

- (c) On any date changes imposed by governmental entities increase expenses incurred by the Company provided that such increases shall be limited to an amount sufficient to recover such increase in expenses; or
- (d) On any date that the number of Covered Persons enrolled changes by an amount equal to 10% or more of total enrollment over a one-Month period or 20% or more of total enrollment over a three-Month period.

## **SECTION II POLICY PROVISIONS**

**INDEMNIFICATION OF RISK.** The Company hereby agrees to indemnify the Policyholder as specified in the section of this Policy entitled SETTLEMENTS against the amount paid pursuant to the Plan during the Policy Period which is in excess of the Point of Attachment specified in Items A.7. and/or B.4. of the most current Exhibit. The Company shall not be liable for, nor shall the indemnification be extended to, any claim or liability for extra-contractual or punitive damages, including interest, statutory penalties and attorney fees.

**ENTIRETY.** This Policy, the most current Exhibit and any attachments shall constitute the entire Policy between the parties for the purposes of this Policy and shall supersede any and all prior or contemporaneous Policies or understandings, either oral or in writing, between the parties with respect to the subject matter herein. This Policy shall not create any right or legal obligation between the Company and the Covered Person under the Plan.

**MODIFICATION.** Except for the Exhibit to this Policy, which may be changed at any time in accordance with the provisions of this Policy by notifying the Policyholder in writing of such change, no modification, amendment, change, or waiver of any provision of this Policy shall be valid unless agreed to by an officer of Company and an authorized representative of the Policyholder.

## **SECTION III PREMIUM PROVISIONS**

**PREMIUM PAYMENT.** The premium(s) to be paid to the Company as consideration for the insurance provided hereunder and the method of premium payment (monthly or annual) shall be as specified on the Exhibit. Monthly premium is due on the first day of each Month beginning on the first day of the Policy Period through the end of the Policy Period. Annual Premium is due on the first day of the Policy Period. Premium is based on the current membership of Individual Coverage units and Family Coverage units specified on the Exhibit.

**REMITTANCE.** The Company shall bill the Policyholder in advance for the Stop-Loss Premium amount due and the Policyholder shall remit payment within ten (10) calendar days of receipt of a billing. A remittance will be considered received when actually delivered into the possession or control of the Company.

**DAILY CHARGE.** A daily charge shall be assessed for the late remittance of any amount(s) due and payable to the Company by the Policyholder. This charge shall be an amount equal to the amount resulting from multiplying the amount due times the lesser of:

- (a) The rate of .0329% per day (which equates to an amount of 12.0% per annum);  
or
- (b) The maximum rate permitted by state law.

**NOTICE AND PROOF OF LOSS.** The Company shall reimburse the Policyholder as specified in the section of this Policy entitled SETTLEMENTS. Payment to the Policyholder in settlement of claims hereunder shall not be construed as a waiver of, or prohibition against, the Company's right to adjudicate or make further adjustments to such settlements.

Any amount which the Policyholder recovers from a third party, whether by subrogation, reimbursement or otherwise, in connection with a claim under the Policyholder's Plan shall not be eligible to satisfy the Point(s) of Attachment applicable to the Policyholder as specified on the Exhibit nor will the Company pay any benefit hereunder with respect to any such recovered amount. Any such recovery shall be applied first to refund to the Company any benefit paid hereunder with respect to such claim and the Policyholder shall pay such refund to the Company within thirty-one (31) days after its receipt of such recovery, whether or not this Policy is still in force at that time.

No action at law or in equity shall be brought to recover on this Policy more than three (3) years from expiration of this Policy.

If any time limitation of this section of the Policy is less than that permitted by the state of Texas at the time this Policy is issued, such limitation is hereby extended to agree with the minimum permitted by such law.

The books and records of the Policyholder which pertain to the Plan shall be open to the Company and its representatives at all times during the usual business hours for inspection.

#### **SECTION IV. DISPUTE RESOLUTION**

Any dispute arising out of or relating to this Policy shall be resolved in accordance with the procedures specified in this Section IV, which shall be the sole and exclusive procedures for the resolution of any such disputes. All negotiations pursuant to this Section IV, are confidential and shall be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

##### **(a) Arbitration**

In the event the parties fail to agree with respect to any matter covered herein, the question in dispute shall be submitted for arbitration in Dallas, Texas. The arbitrator shall be selected as follows:

1. Upon declaration by one of the parties hereto that a deadlock exists, the parties shall select an arbitrator;
2. If no appointment is made within thirty (30) days after the deadlock is declared and the amount in contest is in excess of \$200, the American Arbitration Association shall recommend an arbitrator; or
3. If no appointment is made within thirty (30) days after the deadlock is declared and the amount in question is \$200 or less, the Company shall select an independent third party to be the arbitrator.

The arbitrator will submit a decision within thirty (30) days after appointment or as soon as reasonably feasible and such decision shall be binding on the parties hereto. Arbitration expenses will be shared by the parties. All other expenses (legal, incidental, etc.) shall be borne by the losing party or, if both parties prevail, be apportioned by the arbitrator to each party. Arbitration proceedings will be governed by the Rules of the American Arbitration Association then in effect.

**(b) Obligation to Continue Performance**

Except as provided otherwise in this Policy, each party is required to continue to perform its obligations under this Policy pending final resolution of any dispute arising out of or relating to this Policy.

**SECTION V  
SETTLEMENTS**

**INDIVIDUAL (SPECIFIC) STOP LOSS SETTLEMENT.** For any Individual (Specific) Stop Loss Claims, the claim settlement shall be provided to the Policyholder by the Company within ninety (90) days after the end of each Policy Period during which this Policy is in effect. The Company reserves the right to deduct any amount(s) owed the Company by the Policyholder from any payment due the Policyholder as a result of the claim settlement.

If this Policy is terminated prior to the expiration of the Policy Period, claim settlements for Individual (Specific) Stop Loss Claims will be made, as specified herein, for only those full Months of the Policy Period immediately preceding Policy termination. Individual Stop-Loss Coverage shall not extend beyond the termination date of this Policy.

**AGGREGATE STOP LOSS SETTLEMENT OR ACCOUNTING.**

For any Aggregate Stop Loss Claims, the claim settlement shall be provided to the Policyholder by the Company within ninety (90) days after the end of each Policy Period during which this Policy is in effect. The Company reserves the right to deduct any amount(s) owed the Company by the Policyholder from any payment due the Policyholder as a result of the claim settlement. Aggregate Stop Loss Insurance shall not exceed the maximum indicated in Item A.7. of the most current Exhibit to this Policy in any Policy Period or any Final Policy Period.

If the settlement reflects that Paid Claims for the Policy Period exceed the Point of Attachment for that Policy Period, then Aggregate Stop Loss Claims, to the extent funded by the Policyholder, shall be the responsibility of the Company. If the Point of Attachment exceeds the Paid Claims, then no Aggregate Stop-Loss benefit shall be payable to the Policyholder.

**RUN-OFF PERIOD SETTLEMENT.** In the event of termination of this Policy on the last day of the Policy Period, the Run-Off Period immediately following termination will be combined with the Final Policy Period and this shall be termed a **Final Settlement Period**. Within ninety (90) days following the end of the Run-Off Period, a final settlement will reflect the following:

**(a) Final Settlement Paid Claims:**

- (1) The sum of the Paid Claims during the Final Policy Period and the Run-Off Paid Claims, minus

- (2) Any Individual (Specific) Stop-Loss Claims during the Final Policy Period, if applicable.

(b) **Final Settlement Point of Attachment:**

- (1) The sum of the Policyholder's Claims Liability for the Final Policy Period, plus
- (2) The Policyholder's Run-Off Claim Liability

If the Final Settlement Paid Claims exceed the Final Settlement Point of Attachment, then Aggregate Stop-Loss benefits shall be payable to the Policyholder to the extent funded by the Policyholder.

If the Final Settlement Point of Attachment exceeds the Final Settlement Paid Claims, then no Aggregate Stop-Loss benefits shall be payable to the Policyholder

## **SECTION VI GENERAL PROVISIONS**

**LIMITATION OF LIABILITY.** Liability for any errors or omissions by the Company (or its officers, directors, employees, agents, or independent contractors) in the administration of this Policy, or in the performance of any duty of responsibility contemplated by this Policy, shall be limited to the maximum benefits which should have been paid under the Policy had the errors or omissions not occurred (including the Company's share of any arbitration expenses incurred under the Policy), unless any such errors or omissions are adjudged to be the result of intentional misconduct, gross negligence, or intentional breach of a duty under this Policy by the Company.

**TERM AND TERMINATION.** This Policy shall continue in full force and effect from year to year unless terminated as provided herein.

This Policy may be terminated as follows:

- (a) By either party at the end of any Policy Period following thirty (30) days prior written notice to the other;
- (b) By both parties on any date mutually agreed to in writing.
- (c) This Policy will terminate automatically:
  - (1) On the date the most current Exhibit terminates, as specified on the Exhibit, unless a replacement Exhibit for the period immediately following is executed by the Company and the Policyholder;
  - (2) Upon failure of the Policyholder to pay Stop Loss Premium in accordance with the provisions of this Policy;
  - (3) On the date the Plan terminates; or
  - (4) On the date the Administrative Services Agreement terminates. The Policyholder shall notify the Company in writing of a change in claim administrator from the Company to another carrier or administrator no later than thirty (30) days in advance of the date of change.