

THE 2017

BLUE RIBBONSM

PRODUCER BONUS PROGRAM



BlueCross BlueShield of Texas



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Success is Within Your Reach

At Blue Cross and Blue Shield of Texas (BCBSTX), one of our key goals is to deliver excellent health care benefit plans to our customers. For more than 80 years, we have achieved that goal by focusing on our customers and providing them with health care benefit options that are reliable, innovative and affordable.

We know that our success is due in part to producers like you. For your hard work and dedication, we invite you to reap the rewards of your success through the Blue Ribbon Producer Bonus Program.

Features of the 2017 Bonus Program include:

- Rewards for **new sales** of group health and group dental contracts
- Recognition for the **retention** of group health and group dental contracts
- Inclusion of group health contracts and group dental contracts from **all** group sizes
- Recognition for **both** fully insured and self-insured new sales and retention

The following pages outline incentives offered to all producers appointed and contracted with BCBSTX. Any questions regarding the Blue Ribbon Producer Bonus Program may be directed to your local sales office. Modifications to this program, if any, will only be made and communicated in this brochure.

Especially in today's competitive business environment, success means *achieving your key goals.*



Group New Health and Dental Sales Bonus Program

How It Works

A new business bonus will be paid to eligible producers who sell a minimum of 150 new **group health** contracts or 150 new **group dental** contracts through BCBSTX with an effective date during the calendar year 2017 as shown in the chart below. A contract refers to coverage of an employee.

Additionally, when you sell a minimum of 150 new group health or new group dental contracts, payment will be made for group health or dental contracts 1 through 149 as follows: **\$15 per contract** for fully insured group health contracts, **\$7 per contract** for self-insured contracts and **\$3 per contract** for group dental contracts.

The following will not be considered new business for the purposes of the New Health and Dental Sales Bonus Program:

- Acquisition or addition of new enrollees to a group that was effective prior to January 1, 2017 (the Retained Health and Dental Group Sales Bonus Program may apply)
- An existing BCBSTX group for which you are the takeover producer
- Life contracts, long-term disability contracts, short-term disability contracts, individual health contracts or individual dental contracts

New Group Health and Dental Sales Bonus Qualifications

Contracts	Bonus Per New Group Health Contract (Fully Insured)	Bonus Per New Group Health Contract (Self-insured)	Bonus Per New Group Dental Contract
150 to 349	\$25.00	\$12.00	\$8.00
350 to 499	\$30.00	\$15.00	\$11.00
500 to 749	\$35.00	\$17.00	\$14.00 ¹
750 to 999	\$45.00	\$20.00	\$17.00 ¹
1,000+	\$55.00 ²	\$25.00 ³	\$20.00 ¹

¹ There is a maximum new business bonus of \$10,000 per **dental** group.

² There is a maximum new business bonus of \$50,000 per **fully insured** health group.

³ There is a maximum new business bonus of \$35,000 per **self-insured** health group.

Note: For producers who retain at least 92 percent of their total group health contracts, the maximum bonus payable under the 2017 Blue Ribbon Producer Bonus Program is \$750,000 per producer for any combination of new business and retention bonus. For producers who retain less than 92 percent of their total group health contracts, the maximum bonus payable is limited to \$250,000 per producer for any combination of new business and retention bonus.

A close-up photograph of a swimmer's head and shoulders above water. The swimmer is wearing a black swim cap and goggles, with water splashing around their face. The background shows yellow lane markers in a pool.

Sales Bonus Example

If on December 31, 2017, your sold-contract count totals 421 new, fully insured group health contracts, you will be paid as follows:

150th - 349th contract > \$25 each

350th - 421st contract > \$30 each

Because the 150-contract threshold was met, you will **also** be paid:

1st - 149th contract > \$15 each

Your total bonus would be \$9,395.
The same method will be used for calculating new group dental business.

Sell at least 150 new group health or new group dental contracts and your sold-contract count as of December 31, 2017 will be used for bonus calculation.

- > If you sell at least 150 new **group health** contracts, you will be paid a bonus for new group health contracts 1 through 149.
- > If you sell at least 150 new **group dental** contracts, you will be paid a bonus for new group dental contracts 1 through 149.
- > New business bonus results will be calculated cumulatively by effective date. All contracts sold during 2017 and still in your book of business as of December 31, 2017, will be used to calculate the bonus.
- > In the event of split commissions on any groups, the same split ratio is applied to each producer's group health or group dental contracts.
- > Only new group health and new group dental contracts with effective dates during calendar year 2017 will be included for calculating the new business bonus.
- > If a new group cancels with BCBSTX or changes to another producer within calendar year 2017, the group will not be included in the calculation of your new business bonus as it will not be included in your sold-contract count as of December 31, 2017.

Retained Health and Dental Sales Bonus Program

How It Works

- A retention bonus will be paid to eligible producers who have a minimum of 300 group health or 300 group dental contracts as of December 31, 2016, **and** retain at least 80 percent of their total group health or group dental contracts from December 31, 2016, through December 31, 2017.
- Retention is defined as retaining a group for 12 months during the period from December 31, 2016, through December 31, 2017.
- To qualify, a group must be in your book of business on December 31, 2016, and on December 31, 2017, and the monthly premium from the next anniversary date must have been paid and allocated.
- Retention percentage will be determined by removing any cancelled groups from your December 31, 2016, base total contracts. This new contract total will then be divided by the original December 31, 2016, contract total to obtain your retention percentage.
- If commissions are split on any groups, the same split ratio is applied to each producer's health and/or dental contracts.

Group Cancellations

- In the event a group that was in effect on December 31, 2016, cancels coverage during 2017, the contract count removed for purposes of calculating the bonus will be the number of group health and group dental contracts associated with the group on December 31, 2016.

Producer Changes

- In the event that an existing group changes to another producer during 2017, the group will not be considered a cancellation in the calculation of the 80 percent minimum requirement for retention percentage bonus purposes. It will not qualify for a retention bonus, however, because it will not be in the original producer's book of business on December 31, 2017.
- If you are the takeover producer of an existing BCBSTX group during 2017, that group will not be included for retention bonus purposes, as it would not have been in your book of business as of December 31, 2016.

The following will not be considered retained groups for the purposes of the Retained Health and Dental Sales Bonus Program:

- Groups with anniversary date premium not paid and allocated when the retention bonus is calculated.
- New group contracts with effective dates of January 1, 2017, or later.
- Life contracts, long-term disability contracts, short-term disability contracts, individual health contracts or individual dental contracts.

Note: For producers who retain at least 92 percent of their total group health contracts, the maximum bonus payable under the 2017 Blue Ribbon Producer Bonus Program is \$750,000 per producer for any combination of new business and retention bonus. For producers who retain less than 92 percent of their total group health contracts, the maximum bonus payable is limited to \$250,000 per producer for any combination of new business and retention bonus.

Retention %	Bonus Per Renewed Group Health Contract	Bonus Per Renewed Group Dental Contract
90% or greater	\$12.00 ¹	\$2.00 ²
80% to 89.99%	\$9.00 ¹	\$1.50 ²
Less than 80%	\$0.00	\$0.00

A retention bonus will be paid to eligible producers who have a minimum of 300 group health or 300 group dental contracts as of December 31, 2016, **and** retain at least 80 percent of their total group health or group dental contracts from December 31, 2016, through December 31, 2017.

¹There is a maximum retention bonus of \$25,000 per **fully insured health group**. There is a maximum retention bonus of \$10,000 per **self-insured health group**.

²There is a maximum retention bonus of \$2,000 per **dental group**.



Compensation Policies

BCBSTX appreciates the essential role that you play in our success and we look forward to a tremendous year in 2017!

Definition of Producer

For purposes of the Blue Ribbon Bonus Program, a producer is defined as an agent/broker, agency or consultant operating under a unique tax identification (ID) number.

Agent/Producer

The Texas Insurance Code prohibits an agent who receives compensation from a customer for the placement or renewal of an insurance product from receiving compensation from BCBSTX for the same placement or renewal, unless the agent

- (i) provides advance written disclosure to the customer describing the method and factors used by BCBSTX to compute the compensation, and
- (ii) receives documented acknowledgement from the customer that the compensation will be received by the agent.

Agent and Life and Health Insurance Counselor (LHIC)

The Texas Insurance Code prohibits a person who is licensed as both an agent and an LHIC from receiving compensation from BCBSTX for a service performed as an agent if the person has received or will receive compensation from the customer for that same service.

Reporting

All payments made pursuant to bonus and recognition programs are subject to federal and state income tax reporting and withholding by BCBSTX (if applicable).

BCBSTX will report to an ERISA plan the value of all remuneration paid by BCBSTX to a producer representing an ERISA plan with 100 or more participants to include in its preparation of ERISA Form 5500 schedules. Reporting will also be provided upon request by non-ERISA plans or plans with fewer than 100 participants.

BCBSTX encourages you to inform your customers about the compensation you receive.

BCBSTX reserves the right to discontinue or change this bonus program at any time without notice. Producers must be appointed and contracted with BCBSTX to participate. BCBSTX internal records will determine final qualification and payment of bonus awards.

Ancillary Broker Bonus Program

From Dearborn National® Life Insurance Company—Starting Plan Year: 2017

QUALIFYING GROUP BENEFITS PRODUCT LINES OF INSURANCE (on groups with 10 or more insured lives)

Life and Disability Product Lines			
Employer-Paid Products		Voluntary Products	
Life/AD&D	Critical Illness	Short-term Disability	Critical Illness Plans
Group Short-term Disability Insured and ASO plans ¹	Vision Care	Long-term Disability	Vision Care
	Stand Alone AD&D	Life/AD&D	Stand Alone AD&D
Group Long-term Disability	Accident Indemnity	Supplemental Life/AD&D	Accident Indemnity

Blue Cross and Blue Shield of Texas (BCBSTX) Products

Insured and ASO Medical ²	BlueCare Dental SM Insured and ASO ²
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¹STD ASO premium equivalency (as determined by Dearborn National) will be used to qualify for number of lines sold and new business premium qualification levels, but will not be used in calculating the actual bonus payout. ²BCBSTX (insured and ASO) Medical (insured and ASO) BlueCare Dental will be used to qualify for number of lines sold, but will not be used in calculating the actual bonus payout.

ANCILLARY GROUP BENEFITS NEW BUSINESS BONUS SCHEDULE AND QUALIFYING REQUIREMENTS

Option A: Line Count and Premium Qualifier

Estimated New Annualized Premium		# of Qualifying Lines Sold (on groups with 10 or more insured lives)	Annual Bonus	
			Fewer than 8 New Cases Sold	8 or More New Cases Sold
\$0 – \$49,999	and	10	No Bonus	No Bonus
\$50,000 – \$74,999	and	10	1.0%	2.0%
\$75,000 – \$99,999	and	10	2.0%	3.0%
\$100,000 – \$149,999	and	10	4.0%	5.0%
\$150,000+	and	10	5.0%	6.0%

Qualifying Lines Sold Credit of 1 for Dearborn National Ancillary Employer-paid Qualifying Lines Sold and BCBSTX Medical and Dental Qualifying Lines Sold. Qualifying Lines Sold Credit of 2 for Dearborn National Ancillary Supplemental or Voluntary Qualifying Lines Sold.

Option B: Case Count and Premium Qualifier

Estimated New Annualized Premium		# of Cases Sold (on groups with 10 or more insured lives)	Annual Bonus
\$0 – \$499,999	and	2	No Bonus
\$500,000+	and	2	2.0%

A broker can qualify for a New Business Bonus under Option A or B, but not both, as determined by Dearborn National. Qualifying lines are for groups with 10 or more insured lives. Groups with 2-9 lives do not count toward the New Business Bonus or the Case Count Production Incentive.

This piece is for illustrative purposes only. The disability and life insurance policies referenced may not be available in all states. All policies are subject to issue limitations, exclusions and other coverage conditions, which may include a waiting period for pre-existing conditions. Only the policy can provide the actual terms of coverage. Products and services marketed under the Dearborn National brand and the star logo are underwritten and/or provided by Dearborn National Life Insurance Company (Downers Grove, IL) and certain of its affiliates. Dearborn National Life Insurance Company is a separate company that does not provide Blue Cross and Blue Shield of Texas products or services. Dearborn National Life Insurance Company is solely responsible for the life and disability products described in this brochure.

Ancillary Broker Bonus Program (continued)

ANCILLARY GROUP BENEFITS RENEWAL PERSISTENCY BONUS SCHEDULE					
Renewal Persistency Bonus Schedule: In order to qualify, a broker (agent) must (1) qualify for the New Business bonus described on page 6; and (2) have a minimum of 10 In-force Employer groups as of 12/30 of the Prior Plan Year, and such groups must have at least \$100,000 of Current Plan Year Renewal Premium.					
Persistency Rate	Bonus Amount (% of Annual Renewal Premium) ¹				
	First \$50,000	Next \$25,000	Next \$25,000	Next \$100,000	Remaining
95%+	7%	6%	5%	3%	1%
92 – 94.9%	6%	5%	4%	2%	1%
88 – 91.9%	5%	4%	3%	1%	0.5%
84 – 87.9%	4%	3%	2%	1%	0.5%

¹This Annual Persistency Bonus is determined by applying the percent applicable above to the Annual Renewal Premium of the applicable cases. ASO STD and ASO Dental cases count in the persistency rate calculation, but do not count in the persistency bonus payout calculation.



Ancillary products from Dearborn National complement the medical sale and provide additional revenue opportunities for producers.

Terms and Conditions

Ancillary Broker Bonus Program From Dearborn National Life Insurance Company

This program only applies to business, coverages or policies issued by Dearborn National Life Insurance Company for qualifying lines of insurance beginning on the starting plan year (shown on pages 6 and 7).

➤ For New Employer Groups the maximum eligible premium for any single employer group is \$500,000 for bonus calculation purposes; however, the full estimated annualized premium will be used to determine qualification levels. For In-force Employer Groups there is no cap of eligible premium.

➤ **Estimated New Annualized Premium** shall mean the first-year annualized premium for new employer groups or new lines of coverage that are effective during the Current Plan Year.

➤ **Qualifying New Annualized Premium** shall mean the premium that is qualified and used for the actual calculation of the new business bonus as determined by all stated terms and conditions.

➤ **New Employer Group** shall mean an Employer Group having at least 10 lives insured with an effective date in the Current Plan Year. To qualify as a New Employer Group, group must be in force for 12 months or must be in force at the time bonus is calculated.

➤ **In-force Employer Group** shall mean an Employer Group having at least two lives insured with an effective date on or before 12/31 of the Prior Plan Year. Dental coverage underwritten by Dearborn National will be included as an In-force Employer Group to meet the 10 group requirement.

➤ **For New Business Bonus Option B**, an In-force Employer Group will not be counted as a New Employer Group, even if an additional qualifying line of coverage was sold.

➤ For the Group Benefits New Business Bonus, a broker can only qualify for Option A or Option B. Option B will only be used if the broker does not qualify for Option A.

➤ **Persistency Rate** is determined by dividing the Current Plan Year Renewal Premium by the Prior Plan Year Renewal Premium.

➤ **Qualified Renewal Premium** is the non-first year premium that is qualified in use for the actual calculation of the renewal persistency bonus as determined by all stated terms and conditions. It is only applicable for those brokers who qualify for the renewal persistency bonus.

➤ **Plan Year** shall mean a calendar year. It begins on 1/1 and ends on 12/31 of that calendar year.

➤ **Current Plan Year Renewal Premium**—If the In-force group remains active as of the Current Plan Year, the premium will equal the Prior Plan Year Renewal Premium figure. If group has a termination date on or before 12/30 of the Current Plan Year, then Current Plan Year Renewal Premium is zero.

➤ **Prior Plan Year Renewal Premium** shall mean the estimated annualized premium per case on In-force Employer Groups. It is calculated using modal premiums that have been applied and are associated with the Prior Plan Year.

➤ **Current Plan Year** shall mean the Plan Year for which a particular Broker Bonus is being determined.

➤ **Prior Plan Year** shall mean the year previous to the Current Plan Year.

➤ **Qualifying Lines Sold** shall mean any of the qualifying product lines with a coverage effective date in the Current Plan Year.

➤ **ASO** shall mean Account Services Only or Administrative Services Only.

➤ **ASO Premium Equivalency** shall mean the dollar value of expected claims plus administrative fees charged by Dearborn National as determined solely by Dearborn National.

➤ An employer group with more than one line of coverage with Dearborn National counts as one case regardless of the number of lines of coverage or policies under which benefits are provided. Multiple divisions or subsidiaries or affiliates related to one policyholder count as one case.

➤ Cases that terminate due to policyholder bankruptcy, merger or acquisition may be excluded in the Premium Persistency Rate calculation if such case information is provided by the broker in advance of the calculation.

➤ Only a Dearborn National agent of record or Dearborn National recognized agent, broker or consultant is eligible for the bonus plan.

- New business credit will be given to the original agent of record only.
- Persistency credit will be given to the agent of record as of 12/31 of the Current Plan Year only.

➤ Compensation under the Broker Bonus Program is not vested and Dearborn National reserves the exclusive right and discretion to interpret the Broker Bonus Program or to modify or withdraw it at any time.

➤ In the event that Dearborn National terminates its relationship/contract with any broker 'for cause' as determined at Dearborn National's sole discretion, any rights to compensation under the Broker Bonus Program shall cease with such termination and no compensation shall be payable under the Broker Bonus Program.

➤ Any compensation paid under this program will be disclosed on a Schedule A, if required.

➤ The Broker Bonus Program is not applicable for any business produced through a Blue Cross Agency in any state.

➤ General agents are not eligible for this program.

➤ If there are multiple brokers, producers or agents involved with a case, policy or business, the total amount Dearborn National will pay under this bonus program regarding any case, policy or business will be the amount that would have been paid for such case, policy or business if the bonus had been payable to only one party.

➤ When compensation regarding any case, policy or business is to be split between more than one party:

- Calculation will be done as if paying one party; then the calculated bonus will be split.
- The premium and lines of coverage associated with the group will be split in accordance with the Dearborn National premium administration system.

➤ Dearborn National reserves the right in its sole discretion, to determine how to allocate any bonus payable among those parties and Dearborn National's decision in such matters shall be final.

➤ Brokers can qualify for this Broker Bonus plan only if they are not already participating in another Dearborn National additional or supplemental compensation program.

➤ **This program is only applicable for producers in Texas.**



Any questions about the Blue Ribbon Producer Bonus Program may be directed to your local sales office.

