

# *Limited Liability*

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## Definitions

This is a list of terms common to your Limited Liability Plan. **In all instances, please refer to our Benefits Document for terms specific to your Plan.**

<b>Annual Liability Limit</b>	Sum of all Monthly Liability Limits for each Policy Year.
<b>Company</b>	Mutual of Omaha, United of Omaha or Exclusive Healthcare, Inc.
<b>Deposit Account</b>	Account set up for Employer at Employer's Bank to which Monthly Liability Limit Deposits are made. If a segregated account is not used for Monthly Liability Limit Deposits, the Deposit Account is the account designated, by the Employer at the Employer's Bank, for periodic transfer to the Plan Benefit Account, up to the Liability Limit.
<b>Employer</b>	Policyholder.
<b>Employer's Bank</b>	Bank selected by Employer and approved by the Company from which Liability Limit Deposits will be transferred.
<b>First National Bank of Omaha</b>	First National Bank of Omaha, Nebraska, where the Plan Benefit Account is maintained.
<b>Plan Benefit Account</b>	First National Bank of Omaha account on which Plan benefit payment drafts are issued by the Company.
<b>Self-Funded Monthly Liability Limit</b>	Determined each month by multiplying the number of covered employee in each class by the rates specified in the Liability Limit Agreement plus any portions of any previous month's Monthly Liability Limit that have not been transferred to the Plan Benefit Account since the most recent renewal of the policy (policies) (excludes transfers made in current year for prior year adjustments).
<b>Surplus</b>	Balance of Self-funded Liability Limit that has not been transferred to the Plan Benefit Account or released to the Employer.
<b>Transfer Amount</b>	Any periodic transfer of Employer's funds (up to the Liability Limit) from the Deposit Account to the Plan Benefit Account.

## Steps for Starting a Limited Liability Plan

### **You (Policyholder):**

- Establish a bank account to cover self-funded claims.
- Authorize ACH fund transfers to the Plan Benefit Account.
- Make self-funded liability limit funds available for transfer to the Plan Benefit Account.
- Pay monthly premiums to cover retention expenses, pooling charges and premium taxes.
- If you hold reserves, you should establish and maintain a terminal reserve account.

### **We (Company):**

- Set up a Plan Benefit Account in your name at First National Bank of Omaha.
- Monitor your monthly self-funded liability limit.
- We request ACH fund transfer as claim drafts are issued.
- Deposit funds in your Plan Benefit Account for claims exceeding your self-funded liability limit.
- Provide monthly account reconciliation reports.
- Provide an annual Statement of Experience and renewal report, plus your self-funded accounting reports.

## Limited Liability Procedures

This section explains the monthly processing of your Limited Liability program. The initial installation steps are as follows:

- Establish a Deposit Account at your bank or designate an account for ACH (Automatic Clearing House) transfers to the Plan Benefit Account. The Company will establish a Plan Benefit Account in your name at First National Bank of Omaha.
- Authorize your bank to honor periodic ACH transfers to the Plan Benefit Account. We will initiate the first transfer when the first claim draft is issued. Amounts of transfers will vary, depending on issued claim volume. The Company's only requirement is that adequate funds, up to the Self-funded Liability Limit, are in the Plan Benefit Account to cover issued drafts. The Company will fund claims in excess of the Self-funded Liability Limit and medical pooled claims.
- If the Company does not receive timely notice of the deposit amount, the Company will use the previous month's deposit in estimating the Liability Limit for transfer of funds from the Deposit Account. Any required adjustments will be made the following month.
- We will initiate periodic ACH transfers from your Deposit Account up to the Self-funded Liability Limit. The transfer amount will be determined by the issued claim volume. You and your bank may also monitor your Self-funded Liability Limit, which is the cumulative monthly deposits less amounts already transferred to the Plan Benefit Account for the current policy year.

The flowchart on the following page shows the processing steps for billing and the flow of funds.

### Month-end Reporting

The Company will forward a Bank Account Reconciliation Spreadsheet to the Employer by approximately the 15th business day of the following month. This shows overall cash surplus or deficit and available funds in the Deposit Account and the First National Bank of Omaha Plan Benefit Account. A sample of the Bank Account Reconciliation Spreadsheet is included in this section.

Direct Bank Account Reconciliation questions to Group Financial Claim Data Management (402) 351-6194.

### Policy Year-end

Sixty to ninety days before the policy anniversary date, the Employer will receive change requirements or adjustments for Premium, Liability Limit and/or Terminal Reserve.

Within 120 days after the policy anniversary date, the Employer will receive:

- a Statement of Experience,
- a Release of Surplus Funds Letter (if applicable),
- a Self-funded Accounting, and

At the end of the policy year we may initiate an ACH transfer of surplus funds from the Deposit Account under the following situations:

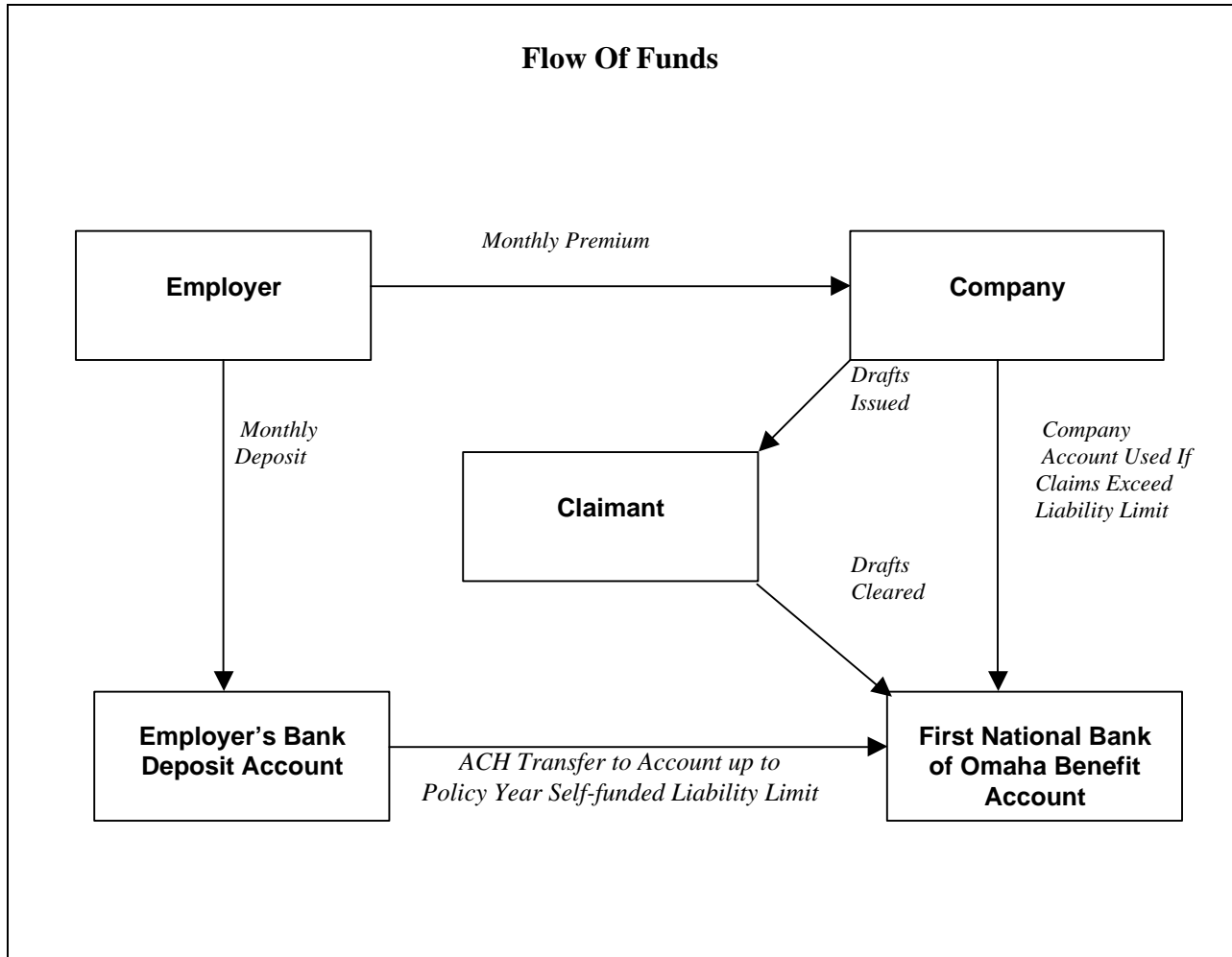
- Cancellation (all surplus funds) or
- Prior year's deficits funded by the Company (surplus to cover all deficits).

**Policy Year end Reporting (cont'd)**

In all other situations, transactions (releases or recoveries) will occur within 120 days after the policy anniversary date when the Statement of Experience and the Release of Surplus Funds Letter are sent to the Employer.

**Note:** At policy year-end, surplus funds must remain available for ACH transfer by Us until the statement of experience is complete and the Company releases the funds.

**Sample Flow of Funds Chart**



## Bank Account Reconciliation Spread Sheet Explanation

<b>Limited Liability Bank Account Reconciliation</b>	
Column Title	Column Explanations
	<b>Policyholder Transfer Account</b>
Deposits (Liability Limit)	Policyholder's monthly liability limit. (Rate X exposures) The monthly liability limit is accumulative for the policy year
Transfer out	Monthly fund transfers from Policyholder's bank account to our First National Bank of Omaha account (refer to "Transfer In From Bank Account" column). Amount will not exceed current month's liability limit plus any surplus amounts from previous months' within the current policy year.
Prior year Transfers Out	Fund transfers resulting from prior year annual accounting statements (Statement of Experience).
Prior Year Releases	Release of prior year's unused deposit liability resulting from annual accounting statements (statement of Experience).
Balance	Beginning Funds carried forward from prior year – plus deposits – less fund transfers, prior year transfers and prior year releases.
	<b>First National Bank of Omaha Plan Benefit Account</b>
Transfer In From Bank Account	Monthly fund transfers from Policyholder's bank account to our First National Bank of Omaha account (refer to "Transfer Out" column).
Total Cashed Claims	Total monthly claims cashed through First National Bank of Omaha account.
Companies Funded or (Recovered)	Deposits funded by United for cashed claims that are in excess of the Policyholder's accumulative liability limit amount; or (withdrawals) made by us from the Policyholder's bank account to recover claims funded by us during prior months of the current policy year. Recoveries are only made on Policyholder's surplus funds.
Pooled Claims	Deposits funded by us for issued claims exceeding the pooling limit for an individual. Deposits for pooled claims reflected in the first month of a policy year are actually for pooled claims issued during the last month of the prior policy year.
Other Deposits or (Withdrawals)	Transactions resulting from prior year annual accounting statements (refer to "Prior Year Transfers Out" column). Also may include adjustments for bank and coding errors within tolerance.
End Balance per Book	Beginning bank balance carried forward from prior year – plus fund transfers in – less cashed claims—plus deposits made by us for Company funded claims and Pooled claims—plus/minus other transactions for prior year annual accounting and bank and coding errors within tolerance.
Issued Claims	Total monthly issued claims
Outstanding Claims	Prior year's outstanding claims carried forward, plus current month's issued claims, less current month's cashed claims.
Current Year Surplus or (Deficit)	Current policy year's Deposits (liability limit), less total issued claims, plus pooled claims.

# Bank Account Reconciliation Spreadsheet Sample

## MUTUAL OF OMAHA

### LIMITED LIABILITY SPREADSHEET

November 9, 2004

Please direct inquiries to: (###)###-####

Policyholder Name: ABC Corporation

Group ID: FF0ABC1

Bank Account: #####

Policyholder Transfer Account

Plan Benefit Account

	(1) Deposits (Liability Limit)	Transfer Out	Prior Year Transfers Out	Prior Year Releases	Balance	Transfer In From PH Account	Total Cashed Claims	Company Funded Claims	(2) Pooled Claims	Other Deposits or Withdrawals	Ending Bank Balance	(3) Issued Claims	Outstanding Claims	(1)+(2)-(3) Current Year Surplus /Deficit
	Prior Year Carry Forward Balance				56,624.58	Prior Year Carry Forward Balance					539.90		19,128.33	
05/04	48,574.74	45,000.00	0.00	0.00	60,199.32	45,000.00	54,879.42	(2,229.42)	11,569.42	0.00	.48	57,272.95	18,521.86	5,871.21
06/04	48,327.31	52,000.00	0.00	0.00	56,526.63	52,000.00	67,135.58	12,573.00	0.00	0.00	(2562.10)	73,586.76	24,973.04	(19,388.24)
07/04	80,637.42	48,000.00	0.00	0.00	89,164.05	48,000.00	59,183.99	10,922.52	2,824.48	0.00	0.91	47,109.52	12,898.57	16,964.14
08/04	71,752.73	92,000.00	0.00	0.00	68,916.78	92,000.00	68,605.26	(257.67)	257.67	0.00	23,395.65	64,505.47	8,798.78	24,469.07
09/04	69,807.52	77,000.00	57,165.00	(0.52)	4,559.82	134,165.00	71,490.51	(21,008.43)	21,105.10	0.00	86,166.81	76,691.85	14,000.12	38,689.84
10/04	70,093.93	12,000.00	0.00	0.00	62,653.75	12,000.00	78,222.55	20,119.00	17,102.02	(57,165.00)	0.28	77,729.78	13,507.35	48,156.01
11/04	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
00/00	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
00/00	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
00/00	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
00/00	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
00/00	0.00	0.00	0.00	0.00	62,653.75	0.00	0.00	0.00	0.00	0.00	0.28	0.00	13,507.35	48,156.01
TOTAL	389,193.65	326,000.00	57,165.00	(0.52)		383,165.00	399,517.31	20,119.00	52,858.69	(57,165.00)		393,896.33		

## Statement of Experience Statement Sample – The Company Holds Reserves

### STATEMENT OF EXPERIENCE

POLICYHOLDER NAME  
 LOCATION  
 01-01-06 TO 01-01-07

POLICY NUMBER  
 MEDICAL

A.	PREMIUM	960,000
	LESS POOLED AD&D	0
	LESS POOLED PREMIUM	117,000
	NET PREMIUM	843,000
B.	CLAIMS PAID BY INSURANCE COMPANY	50,000
	LESS POOLED AD&D	0
	LESS POOLED CLAIMS	50,000
	NET PAID CLAIMS	0
	LESS BEGINNING OUTSTANDING	0
	ENDING OUTSTANDING	28,600
	LESS BEGINNING RESERVE	0
	ENDING RESERVE	480,000
	INCURRED CLAIMS	508,600
C.	CONVERSION CHARGES	0
D.	RETENTION	344,000
	INTEREST ADJUSTMENT	(9,600)
	NET RETENTION	334,400
E.	BALANCE (A-B-C-D)	0
	PRIOR DEFICIT	0
	CONTRACT PREMIUM DUE	0
	STABILIZATION RESERVE TRANSFER	0
	NET BALANCE	0
F.	TRANSFER DUE FROM SELF FUNDS	0
G.	CUMULATIVE BALANCE	0
	SELF-FUNDED ACCOUNTING:	
	BEGINNING SELF FUNDED BALANCE	0
	SELF-FUNDED DEPOSIT	2,040,000
	SELF-FUNDED CLAIMS	(1,800,000)
	SELF-FUNDED BALANCE	240,000
	TRANSFER TO PREMIUM DEFICIT	0
	TRANSFER TO STABILIZATION RESERVE	0
	NET SELF FUNDED BALANCE	240,000

\* BALANCE CARRIED FORWARD TO POLICY PERIOD 01-01-07 TO 01-01-08

TOTAL NET FUNDS 2,883,000

GROUP OFFICE (GROUP OFFICE NAME)

## Statement of Experience Statement Sample - The Employer Holds Reserves

### STATEMENT OF EXPERIENCE

POLICYHOLDER NAME  
 LOCATION  
 01-01-06 TO 01-01-07

POLICY NUMBER  
 MEDICAL

A.	PREMIUM	480,000
	LESS POOLED AD&D	0
	LESS POOLED PREMIUM	107,400
	NET PREMIUM	372,600
B.	CLAIMS PAID BY INSURANCE COMPANY	50,000
	LESS POOLED AD&D	0
	LESS POOLED CLAIMS	50,000
	NET PAID CLAIMS	0
	LESS BEGINNING OUTSTANDING	0
	ENDING OUTSTANDING	28,600
	LESS BEGINNING RESERVE	0
	ENDING RESERVE	0
	INCURRED CLAIMS	28,600
C.	CONVERSION CHARGES	0
D.	RETENTION	344,000
	INTEREST ADJUSTMENT	0
	NET RETENTION	344,000
E.	BALANCE (A-B-C-D)	0
	PRIOR DEFICIT	0
	CONTRACT PREMIUM DUE	0
	STABILIZATION RESERVE TRANSFER	0
	NET BALANCE	0
F.	TRANSFER DUE FROM SELF FUNDS	0
G.	CUMULATIVE BALANCE	0
	SELF-FUNDED ACCOUNTING:	
	BEGINNING SELF FUNDED BALANCE	0
	SELF-FUNDED DEPOSIT	2,040,000
	SELF-FUNDED CLAIMS	(1,800,000)
	SELF-FUNDED BALANCE	240,000
	TRANSFER TO PREMIUM DEFICIT	0
	TRANSFER TO STABILIZATION RESERVE	0
	NET SELF FUNDED BALANCE	240,000

\* BALANCE CARRIED FORWARD TO POLICY PERIOD 01-01-07 TO 01-01-08

TOTAL NET FUNDS 2,412,600

GROUP OFFICE (GROUP OFFICE NAME)

## Reserve Analysis - Sample

RESERVE ANALYSIS			
GROUP NAME:	ABC CORPORATION		
LOCATION:	OMAHA, NEBRASKA		
GROUP I.D.:	G000ABC1		
POLICY PERIOD:	08-01-03 TO 08-01-04		
Claims Incurred Prior to, Paid After 04-01-04:			
April , 2004			\$247,584
May			92,392
June			50,279
July			35,819
			17,289
Estimated Remaining Runout			49,263
Total			\$492,626
Claims Incurred Prior to, Paid After 07-01-04:			
July, 2004			\$279,652
August			141,177
Estimated Remaining Runout			147,856
			\$568,688
	\$492,626		
	568,688		
	\$1,061,314	Divided by 2 =	530,657
		Reserve Adjustment Factor x	1,100
			\$583,723