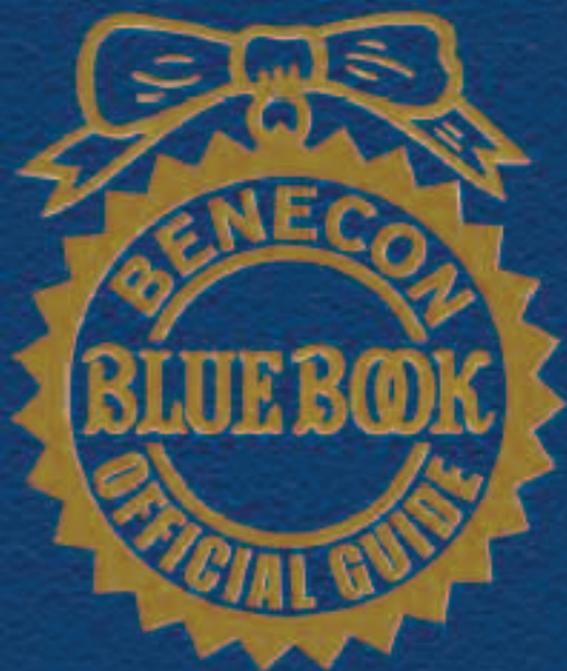


A Guide to Purchasing
Employee Benefits at the
TruPrice™

Benecon Blue Book



NOTE FROM THE PRESIDENT & CEO

After nearly four decades in the insurance business, I can say with total confidence that negotiating and purchasing benefits is a daunting, ambiguous task that employers struggle with year after year. Simply put, businesses today have less buying influence and control over employee benefits than at any other time in history.

Rising costs. Carrier consolidation. Power shifts. Reduced customer service. Piecemeal solutions. These challenges are increasingly plaguing benefits purchasing decisions – and the traditional methods for solving these issues from shifting costs to cutting services to playing the carrier change game – are failing. In fact, we found that 83 percent of employers are searching for alternative solutions.*

But suppose there was a way to give the buyer more leverage? A resource that allows a company to know what they *should* pay rather than what they *have* to pay.

There is. And it's called the Benecon Blue Book™.



You are likely familiar with the Kelley Blue Book™ and how it helps automobile buyers and sellers determine fair pricing and the true worth of cars. It's trusted, tested and recognized as *the* standard in the automobile market. The same idea applies to the benefits market.

The Benecon Blue Book™ serves as a guide for companies struggling with benefits costs, trends, difficulties and more. It takes into account the whole benefits picture. It is designed to change the dynamics of the benefits negotiation conversation and it shows how we become your A.L.L.Y., dedicated to giving you an inside track to acquiring the best healthcare for your employees at the most appropriate cost. Period.

We invite you to dig into the Benecon Blue Book™ and explore how we enable employers to feel less like a victim at the mercy of insurance companies, and more like a partner, who doesn't have to go it alone.

A handwritten signature in black ink, which appears to read "Sam N. Lombardo". The signature is fluid and cursive.

Sam N. Lombardo
President & CEO

LEVELING THE PLAYING FIELD

Imagine if gas stations simply advertised price increases, but not the actual gas price. How would you know where to buy gas? How would you know if you were getting a fair deal?

The same goes in the world of employee benefits. In a typical situation, a broker or consultant can only explain the increase in rates, but they can't offer any insight about the price you are paying compared to what you *ought* to be paying.

The Benecon Blue Book™ is a cost index that shows you the true price of your benefits prior to negotiations with insurance carriers. We call this “normalizing” for the demographic mix, plan design and other factors.



The Benecon Blue Book™ makes the carriers' view of your employee benefits package available to you.

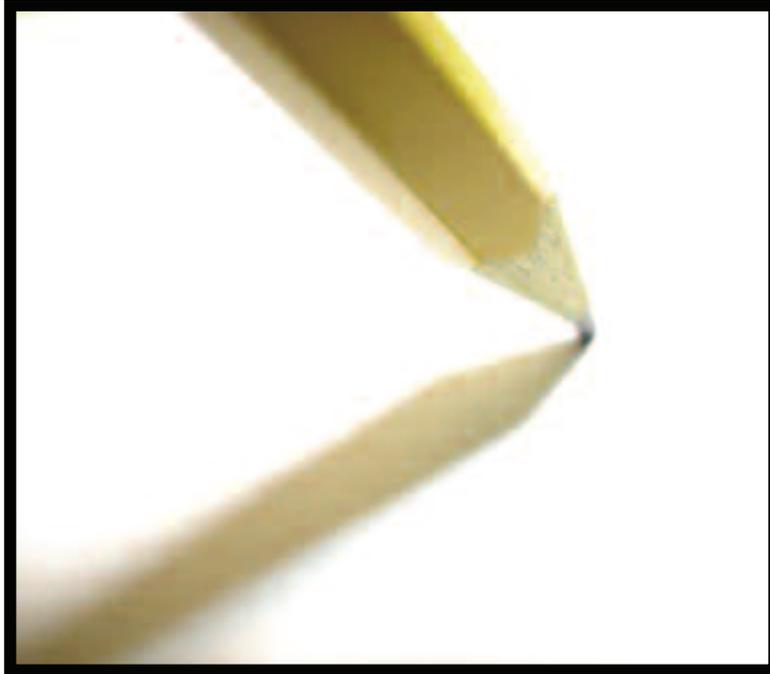
WHAT THIS MEANS TO YOU: PRICE VS. INCREASE

Take a look at the table below. The price index for each of these six employers is the same – 100. Our actuarial expertise indicates the index reflects the appropriate, fair price. However, that fair price is not what everyone is paying.

	<i>Last Year's Price</i>	<i>Renewal Price Level</i>	<i>Rate Increase</i>
Employer A	100	110	10.0%
Employer B	140	145	3.6%
Employer C	105	112	6.7%
Employer D	100	112	12.0%
Employer E	95	102	7.4%
Employer F	105	110	4.8%

Employer B may be paying 30 percent too much but is thrilled because he is only getting a 3.6 percent increase. Benecon changes the conversation and presents the appropriate price to the insurer for Employer B, challenging the over-inflated price they are currently paying. We have the tools necessary to demand a rate cut, not just a low increase.

A Very Short Quiz



Check here if every one of your employees is of the same age and sex, the same physical condition, has the same number and ratio of dependants, has the spouse of the same age, and lives a similar lifestyle.

Not the case?

We didn't think so.

The bottom line is that demographics play a major role in health care costs.

See the chart on the next page for proof.

DEMOGRAPHICS MATTER

Average Monthly Cost for Employees, Spouses and Children by Employee's Age

AGE	EMPLOYEE		SPOUSE		CHILD(REN)
	Male	Female	Male	Female	
0-9	179.40	295.20	295.20	179.40	224.40
20-24	179.40	295.20	295.20	179.40	224.40
25-29	179.40	373.20	373.20	179.40	295.20
30-34	198.30	406.20	406.20	198.30	307.20
35-39	248.10	378.00	378.00	248.10	295.20
40-44	300.00	378.00	378.00	300.00	271.80
45-49	359.10	413.40	413.40	359.10	212.70
50-54	493.80	493.80	493.80	493.80	153.60
55-59	706.20	550.50	550.50	706.20	118.20
60-64	829.20	642.60	642.60	829.20	82.80
65+	858.30	705.30	705.30	858.30	72.00

The demographics of your employees matter. Who they are, what their families are like and how they live has a significant impact on the rates you pay. Our actuarial expertise and total immersion into your employee data allows us to go to the insurance markets and say, “Here’s who they are and here’s what their rate *ought* to be.”

YOUR BENEFITS A.L.L.Y.

Plain and simple, we become your employee benefits A.L.L.Y. – your hostage negotiator. We take you from feeling like a victim of the health insurance machine to feeling like a knowledgeable partner in the process. And we help you acquire top quality coverage for the most appropriate price. Here's how:

- **Actuarial Expertise**

A

- Our full-time, in-house actuarial staff changes the dynamics of price negotiation. We level the playing field with the insurance companies because we understand the components of costs, margins, trends and everything else they'd prefer you didn't know.
- We can tell the carriers what your rate should be – that gives you the bargaining power you don't currently have. We formulate the appropriate price based on historical performance and projected claim utilization because we have the expertise to do so.

- **Live in Your Data**

L

- We like to say that we *live in your data*. Through our continuous consultative approach, we are committed to fully knowing the demographics of your company. That means regularly scheduled performance reports designed to minimize surprise come renewal time.
- When it comes down to it, your benefits plan is numbers, numbers, numbers. We constantly manage and review data so that we're prepared for market and company changes. It is our thorough understanding of market-shaping data that makes that possible.

- **Leading Technology**

L

- In today's market, negotiating prices for benefits plans has become a complex undertaking and our financial models, cost projections and understanding of predictive modeling provide a major advantage to an employer.
- **Benecast™** is our Consumer Driven Health Plan forecasting model that determines financial outcome assessments. And with the inside track on national and regional health care marketplaces, we are able to tailor benefits plans to meet your business goals.

- **"Your Terms" Approach**

Y

- Equipped with a team of seasoned, talented consultants and the leading resources and tools, we have extensive experience designing and implementing complex benefits plans. What's more, we build your plan according to your needs. That means no cookie-cutter treatment – only individualized, customized reporting and services.

THE INSIDE TRACK

When it comes to determining your benefits cost, we do not automatically accept the rates generated by insurers – we have an inside track that changes the “request for quote” conversation to a “here’s what our analysis indicates the appropriate price should be” conversation.

As your benefits A.L.L.Y., we dig deeper into the data to determine the true price you *ought* to be paying. We understand why claims are trending up or down. We understand the relationships between all cost influencers, taking into account the whole benefits picture. We know the role that employee demographics, the number of dependents and all the other factors play in rate setting.

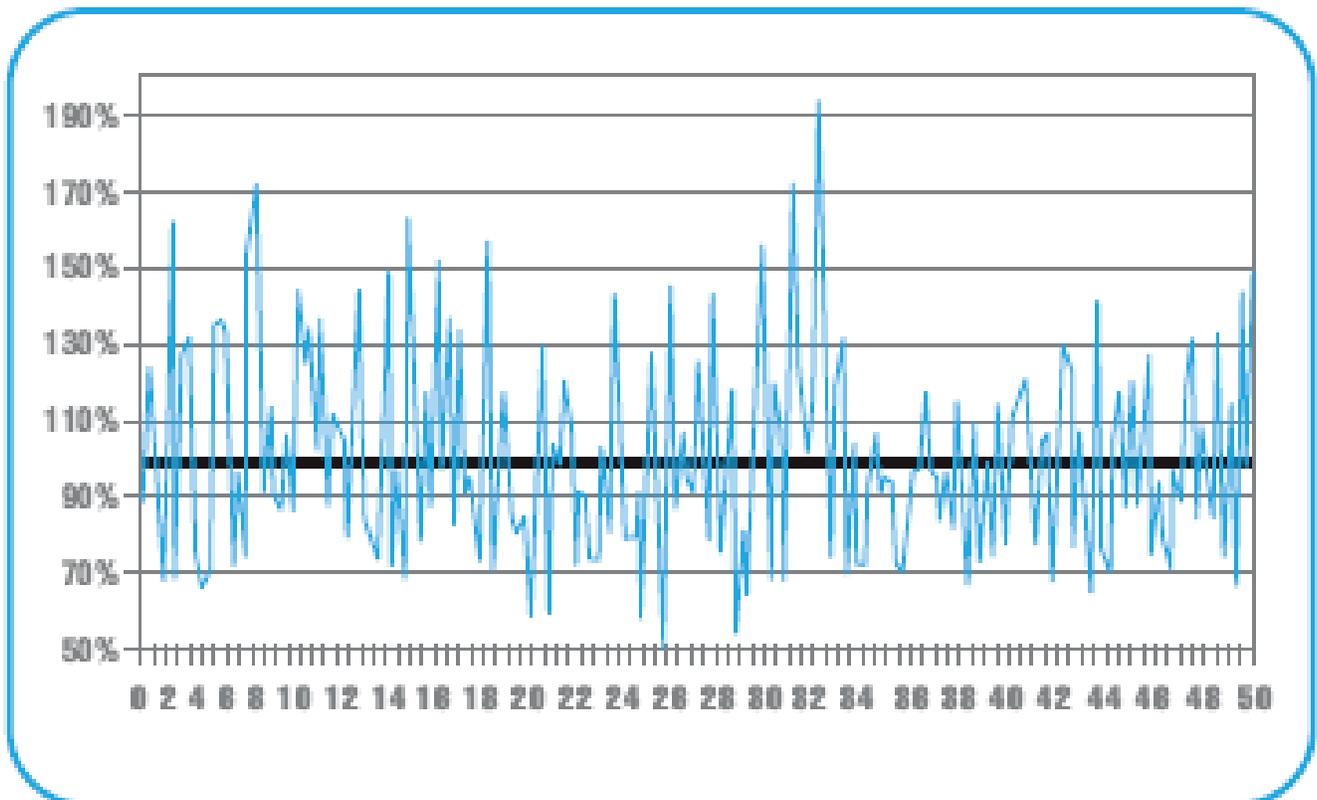
Our expert knowledge of all the factors, rates, costs, trends and issues is what will help you get top quality coverage at the most appropriate price. That’s the inside track Benecon provides.



KEEPING IT LEVEL

This graphic charts the expected volatility of claims of a sample company over 50 years. At 100 percent, costs are even to the price of the premium. Dips mean lower than expected claim costs and savings to the employer. Upward spikes are the unpredicted instances that cost employers considerable amounts of money.

Dealing with the peaks and valleys of high cost claims exposure is a complex and dynamic risk management problem requiring specialized expertise and appropriate financing strategies. Through our Actuarial Services Division, Benecon stands ready to provide you with that expertise.



BENECON Profile

As your employee benefits A.L.L.Y., Benecon becomes an integral part of your company's benefits plan and it's important that you know exactly who we are.

Vital Statistics

Established: 1991
Headquartered: Lancaster, Pennsylvania
Employees: 40
Website: www.benecon.com

Benecon by the Numbers

150,000 (*The number of lives Benecon covers*)
200 (*The years of combined industry experience*)
10-15 (*The estimated percentage of client savings*)
4 (*The number of years Benecon has been on the Inc. 500 list*)

Recent Accomplishments

- Experienced 55 percent premium volume growth from 2004 to 2006.
- Ranked 16th in the *Top 50 Fastest Growing Companies in Central PA* by the Central Pennsylvania Business Journal
- Deemed one of the Top 100 "Best Places to Work in PA"
- Currently holds Preferred Broker Status with Capital BlueCross and Highmark Blue Shield and is a general agent with HealthAmerica, United Healthcare, and Delta Dental.

Senior Management

- Sam N. Lombardo, *President and CEO*
- Terrence E. Bowling, *Senior Vice President of Marketing and Business Development*
- Joel E. Callihan, *ARM Chief Financial Officer*
- Richard H. Burd, *FSA, MAAA Senior Vice President – Actuarial Division*
- Marty Bystrom, *Senior Vice President of Broker Services*
- Al Loomis, *Senior Vice President Municipal Services*



For more information visit www.benecon.com

WHAT OUR CUSTOMERS HAVE TO SAY

"What's the difference between Benecon and all the other employee benefits companies out there? To me, it is plain and simple; at Benecon, they know what the price should be – they set the price, not the carrier."

**Jon Conrad – Director of Human Resources,
Moravian College**

"Benecon helped us avoid the 'carrier change game' and demonstrated that a long-term approach truly eliminates the hassle and financial hardships associated with frequent carrier changes."

**Minette Bauer – Deputy Chief Executive Officer,
Youth Advocate Programs, Inc.**

"In the past, we felt that we were struggling in the bidding game. Benecon drills down on the issues of price and benefits with their analyses and expertise. We feel that we are working with the best team to achieve long term success in the health benefits arena."

**Dennis Rittenhouse – Controller
Gotwals/Brookledge, Inc.**



For more information visit www.benecon.com

