

Claims Administrator

NOTICE OF PRIVACY PRACTICES

POLICY AND PROCEDURES

The Claims Administrator may have access to the individually identifiable health information of Plan participants for administrative functions of the respective Plan. The Claims Administrator administering your healthcare claims will from this point forward be referred to as The Company. The following HIPAA Privacy Policy and Procedures for The Company describes how protected health information may be used or disclosed by The Company to carry out payment, health care operations, and for other purposes that are permitted or required by law. The HIPAA Privacy Policy and Procedures also sets out The Company's legal obligations concerning protected health information and describes a Plan Participant's rights to access, amend and manage his or her protected health information.

Protected Health Information ("PHI") is individually identifiable health information, including demographic information, collected from the Plan Participant or created or received by a health care provider, a health plan, your employer (when functioning on behalf of the group health plan), or a health care clearinghouse and that relates to: (i) the participants' past, present, or future physical or mental health condition; (ii) the provision of health care the participant; or (iii) the past, present, or future payment for the provision of health care to the participant.

The HIPAA Privacy Policy and Procedures have been drafted to be consistent with what is known as the "HIPAA Privacy Rule," and any of the terms not defined herein should have the same meaning as they have in the HIPAA Privacy Rule.

If a Plan Participant has any questions or wants additional information about the HIPAA Privacy Policy and Procedures described herein, please contact The Company.

EFFECTIVE DATE

The HIPAA Privacy Policy and Procedures became effective on April 14, 2004.

RESPONSIBILITIES

The Company is required by law to maintain the privacy of the Plan Participant's protected health information. The Company is obligated to provide the Plan Participant with a copy of the HIPAA Privacy Policy and Procedures and our legal duties with respect to protected health information, we must abide by the terms of the HIPAA Privacy Policy and Procedures that are currently in effect, and we must notify you in the event of a breach of your unsecured PHI. The Company reserves the right to change the provision of our HIPAA Privacy Policy and Procedures and make the new provisions effective for all protected health information that The Company maintains. If The Company makes a material change to the HIPAA Privacy Policy and Procedures, The Company will mail a revised HIPAA Privacy Policy and Procedures to the address that we have on record for the contract holder for your Plan Participant contract.

Uses and Disclosures of Protected Health Information

The following is a description of how we are most likely to use and/or disclose your protected health information.

■ ***Payment and Health Care Operations***

The Company has the right to use and disclose your protected health information for all activities that are included with the definitions of "payment" and "health care operations" as set forth in 45 C.F.R. § 164.501 (this provision is a part of the HIPAA Privacy Rule). The Company has not listed in the HIPAA Privacy Policy and Procedures all of the activities included within these definitions, so please refer to 45 C.F.R. § 164.501 for a complete list.

➤ ***Payment***

The Company will use or disclose your PHI to pay claims for services provided to the Plan Participant and to obtain stop-loss reimbursements or to otherwise fulfill The Company's responsibilities for coverage and providing benefits. For example, The Company may disclose the Plan Participant's protected health information when a provider requests information regarding a Plan Participant's eligibility for coverage under the health plan, or The Company may use the Plan Participant's information to determine if a treatment that the Plan Participant received was medically necessary.

➤ ***Health Care Operations***

The Company will use or disclose a Plan Participant's health information to support our business functions. These functions include, but are not limited to: quality assessment and improvement, reviewing provider performance, licensing, stop-loss underwriting, business planning, and business development. For example, The Company may use or disclose the Plan

Participant's protected health information: (i) to provide the Plan Participant with information about disease management programs; (ii) to respond to a consumer service inquiry from the Plan Participant; or (iii) in connection with fraud and abuse detection and compliance programs.

■ ***Business Associates***

The Company contracts with individuals and entities (Business Associates) to perform various functions on our behalf or to provide certain types of services. To perform these functions or to provide the services, our Business Associates will receive, create, maintain, use, or disclose protected health information, but only after The Company requires the Business Associate to agree in writing to contract terms designed to appropriately safeguard the Plan Participants' information.

■ ***Other Covered Entities***

The Company may use or disclose a Plan Participant's protected health information to assist health care providers in connection with their treatment or payment activities, or to assist other covered entities in connection with payment activities and certain health care operations. For example, The Company may disclose the Plan Participants' protected health information to a health care provider when needed by the provider to render treatment to the Plan Participant, and The Company may disclose protected health information to another covered entity to conduct health care operations in the areas of quality assurance and improvement activities, or accreditation, certification, licensing or credentialing. This also means that The Company may disclose or share a Plan Participant's protected health information with other insurance carriers in order to coordinate benefits, if the Plan Participant or their family members have coverage through another carrier.

■ ***Plan Sponsor***

The Company may disclose a Plan Participant's protected health information to the Plan Sponsor of the Group Health Plan for purposes of plan administration or pursuant to an authorization request signed by a Plan Participant.

Potential Impact of State Law

The HIPAA Privacy Rule Regulations generally do not "preempt" (or take precedence over) state privacy or other applicable laws that provide individuals greater privacy protections. As a result, to the extent state law applies, the privacy laws of a particular state, or other federal laws, rather than the HIPAA Privacy Rule Regulations, might impose a privacy standard under which we will be required to operate. For example, where such laws have been enacted, The Company will follow more stringent state privacy laws that relate to uses and disclosures of protected health information concerning HIV or AIDS, mental health, substance abuse/chemical dependency, genetic testing, reproductive rights, etc.

Other Permissible Uses and Disclosures of Protected Health Information

The following is a description of other possible ways in which The Company may (and is permitted to) use and/or disclose a Plan Participant's protected health information.

■ ***Required by Law***

The Company may use or disclose a Plan Participant's protected health information to the extent that the law requires the use or disclosure. When used in the HIPAA Privacy Policy and Procedures, "required by law" is defined as it is in the HIPAA Privacy Rule. For example, The Company may disclose a Plan Participant's protected health information when required by national security laws or public health disclosure laws.

■ ***Public Health Activities***

The Company may use or disclose a Plan Participant's protected health information for public health activities that are permitted or required by law. For example, The Company may use or disclose information for the purpose of preventing or controlling disease, injury, or disability, or The Company may disclose such information to a public health authority authorized to receive reports of child abuse or neglect. The Company also may disclose protected health information, if directed by a public health authority, to a foreign government agency that is collaborating with the public health authority

■ ***Health Oversight Activities***

The Company may disclose a Plan Participant's protected health information to a health oversight agency for activities authorized by law such as: audits; investigations, inspections; licensure or disciplinary actions; or civil, administrative, or criminal proceedings or actions. Oversight agencies seeking this information include government agencies that oversee: (i) the health care system; (ii) government benefit programs; (iii) other government regulatory programs; and (iv) compliance with civil rights laws.

■ ***Abuse or Neglect***

The Company may disclose a Plan Participant's protected health information to a government authority that is authorized by law to receive reports of abuse, neglect, or domestic violence. Additionally, as required by law, The Company may disclose to a governmental entity authorized to receive such information a Plan Participant's protected health information if The Company believes that a Plan Participant has been a victim of abuse, neglect, or domestic violence.

■ ***Legal Proceedings***

The Company may disclose a Plan Participant's protected health information: (1) in the course of any judicial or administrative proceedings; (2) in response to an order of a court or administrative tribunal (to the extent such disclosure is expressly authorized); and (3) in response to a subpoena, a discovery request, or other lawful process, once we have met all administrative requirements of the HIPAA Privacy Rule. For example, The Company may disclose a Plan Participant's protected health information in response to a subpoena for such information, but only after The Company first meets certain conditions required by the HIPAA Privacy Rule.

■ ***Law Enforcement***

Under certain conditions, The Company also may disclose a Plan Participant's protected health information to law enforcement officials. For example, some of the reasons for such a disclosure may include, but not be limited to: (1) it is required by law or some other legal process; (2) it is necessary to locate or identify a suspect, fugitive, material witness, or missing person; and (3) it is necessary to provide evidence of a crime that occurred on our premises.

■ ***Coroners, Medical Examiners, Funeral Directors, and Organ Donation Organizations***

The Company may disclose protected health information to a coroner or medical examiner for purposes of identifying a deceased person, determining a cause of death, or for the coroner or medical examiner to perform other duties authorized by law. The Company also may disclose, as authorized by law, information to funeral directors so that they may carry out their duties. Further, The Company may disclose protected health information to organizations that handle organ, eye, or tissue donation and transplantation.

■ ***Research***

The Company may disclose a Plan Participant's protected health information to researchers when an institutional review board or privacy board has: (1) reviewed the research proposal and established protocols to ensure the privacy of the information; and approved the research.

■ ***To Prevent a Serious Threat to Health or Safety***

Consistent with applicable federal and state laws, The Company may disclose a Plan Participant's protected health information if The Company believes that the disclosure is necessary to prevent or lessen a serious and imminent threat to the health or safety of a person or the public. The Company also may disclose protected health information if it is necessary for law enforcement authorities to identify or apprehend an individual.

■ ***Military Activity and National Security, Protective Services***

Under certain conditions, The Company may disclose a Plan Participant's protected health information if you are, or were, Armed Forces personnel for activities deemed necessary by appropriate military command authorities. If you are a member of foreign military service, we may disclose, in certain circumstances, a Plan Participant's information to authorized federal officials for conducting national security and intelligence activities, and for the protection of the President, other authorized persons, or heads of state.

■ ***Inmates***

If a Plan Participant is an inmate of a correctional institution, The Company may disclose a Plan Participant's protected health information to the correctional institution or to a law enforcement official for: (1) the institution to provide health care to you; (2) your health and safety and the health and safety of others; or (3) the safety and security of the correctional institution.

■ ***Workers Compensation***

The Company may disclose a Plan Participant's protected health information to comply with worker's compensation laws and other similar programs that provide benefits for work-related injuries or illness.

■ ***Emergency Situations***

The Company may disclose a Plan Participant's protected health information in an emergency situation, or if the Plan Participant is incapacitated or not present, to a family member, close personal friend, authorized disaster relief agency, or any other person previously identified by the Plan Participant. The Company will use professional judgment and experience to determine if the disclosure is in the Plan Participant's best interests. If the disclosure is in the Plan Participant's best interest, The Company will disclose only the protected health information that is directly relevant to the person's involvement in your care.

■ ***Fundraising Activities***

The Company may use or disclose a Plan Participant's protected health information for fundraising activities such as raising money for a charitable foundation or similar entity to help finance its activities. If we do contact a Plan Participant for fundraising activities, The Company will give the Plan Participant the opportunity to opt out or stop receiving such communications in the future.

■ ***Group Health Plan Disclosures***

The Company may disclose a Plan Participant's protected health information to a sponsor of the group health plan, such as an employer or entity, that is providing a health care program to a Plan Participant. The Company can disclose a Plan Participant's protected health information to that entity if that entity has contracted with The Company to administer its health care program on its behalf.

■ ***Underwriting Purposes***

The Company may use or disclose a Plan Participant's protected health information for underwriting purposes, such as making a determination about a coverage application or request. If The Company does use or disclose a Plan Participant's protected health information for underwriting purposes, The Company is prohibited from using or disclosing protected health information that is genetic information in the underwriting process.

■ ***Others Involved in Your Health Care***

Using our best judgment, The Company may make a Plan Participant's protected health information known to a family member, other relative, close personal friend, or other personal representative that a Plan Participant identifies. Such a use will be based on how involved the person is in a Plan Participant's care, or payment that relates to the Plan Participant's care. The Company may release information to parents or guardians, if allowed by law.

If a Plan Participant is not present or able to agree to the disclosure of their protected health information, then using our professional judgment, The Company may determine whether the disclosure is in a Plan Participant's best interest.

Uses and Disclosures of Your Protected Health Information That Require the Plan Participant's Authorization

■ ***Sale of Protected Health Information***

The Company will request a Plan Participant's written authorization before The Company makes any disclosure that is deemed a sale of a Plan Participant's protected health information, meaning that The Company is receiving compensation for disclosing the protected health information in this manner.

■ ***Marketing***

The Company will request a Plan Participant's written authorization to use or disclose a Plan Participant's protected health information for marketing purposes with limited exceptions, such as when The Company has face-to-face marketing communications with a Plan Participant or when The Company provides promotional gifts of nominal value.

■ ***Psychotherapy Notes***

The Company will request a Plan Participant's written authorization to use or disclose any of a Plan Participant's psychotherapy notes that The Company may have on file with limited exception, such as for certain treatment, payment, or health care operation functions.

Required Disclosures of a Plan Participant's Protected Health Information

The following is a description of disclosures that The Company is required by law to make.

■ ***Disclosures to the Secretary of the U.S. Department of Health and Human Services***

The Company is required to disclose a Plan Participant's protected health information to the Secretary of the U.S. Department of Health and Human Services when the Secretary is investigating or determining our compliance with the HIPAA Privacy Rule.

■ ***Disclosures to a Plan Participant***

The Company is required to disclose to a Plan Participant most of their protected health information in a "designated record set" when a Plan Participant request access to this information. Generally, a "designated record set" contains medical and billing records, as well as other records that are used to make decisions about a Plan Participant's health care benefits. The Company also is required to provide, upon a Plan Participant's request, an accounting of most disclosures of their protected health information that are for reasons other than payment and health care operations and are not disclosed through a signed authorization.

The Company will disclose a Plan Participant's protected health information to an individual who has been designated by the Plan Participant as their personal representative and who has qualified for such designation in accordance with relevant state law. However, before The Company will disclose protected health information to such a person, a Plan Participant must submit a written notice of his/her designation along with the documentation that supports his/her qualifications (such as a power of attorney).

Even if a Plan Participant designates a personal representative, the HIPAA Privacy Rule permits The Company to elect not to treat the person as a Plan Participant's personal representative if The Company has a reasonable belief that: (i) a Plan Participant has been, or may be, subject to domestic violence, abuse, or neglect by such person; (ii) treating such person as a Plan Participant's personal representative could endanger a Plan Participant; or (iii) The Company determines, in the exercise of its professional judgment, that it is not in a Plan Participant's best interest to treat the person as a Plan Participant's personal representative.

Other Uses and Disclosures of a Plan Participant's Protected Health Information

Other uses and disclosures of a Plan Participant's protected health information that are not described above will be made only with a Plan Participant's written authorization. If a Plan Participant provides The Company with such an authorization, a Plan Participant may revoke the authorization in writing, and this revocation will be effective for future uses and disclosures of protected health information.

However, the revocation will not be effective for information that The Company already has used or disclosed, relying on the authorization.

Plan Participant's Rights

The following is a description of a Plan Participant's rights with respect to the protected health information.

■ ***Right to Request a Restriction***

A Plan Participant has the right to request a restriction on the protected health information The Company uses or discloses about the Plan Participant for payment or health care operations. *The Company is not required to agree to any restriction that a Plan Participant may request.* If The Company does agree to the restriction, we will comply with the restriction unless the information is needed to provide emergency treatment to a Plan Participant.

A Plan Participant may request a restriction by contacting the designated contact listed on the first page of this Notice. It is important that a Plan Participant direct their request for restriction to the designated contact so that we can begin to process a Plan Participant's request. Requests sent to persons or offices other than the designated contact indicated might delay processing the request.

The Company will want to receive this information in writing and will instruct a Plan Participant where to send the request when they call. In the request, please tell The Company: (1) the information whose disclosure a Plan Participant wants to limit; and (2) how the Plan Participant wants to limit The Company's use and/or disclosure of the information.

■ ***Right to Request Confidential Communications***

If a Plan Participant believes that a disclosure of all or part of a Plan Participant's protected health information may endanger them, a Plan Participant may request that The Company communicate with the Plan Participant regarding their information in an alternative manner or at an alternative location. For example, a Plan Participant may ask that The Company only contact them at their work address or via their work e-mail.

A Plan Participant may request a restriction by contacting the designated contact on the first page of this Notice. It is important that the Plan Participant direct their request for confidential communications to the designated contact so that The Company can begin to process the Plan Participant's request. Requests sent to persons or offices other than the one indicated might delay processing the request.

The Company will want to receive this information in writing and will instruct a Plan Participant where to send their written request when they call. In the request, please tell The Company: (1) the Plan Participant wants us to communicate their protected health information with the Plan Participant in an alternative manner or at an alternative location; and (2) that the disclosure of all or part of the protected health information in a manner inconsistent with the Plan Participant's instructions would put them in danger.

The Company will accommodate a request for confidential communications that is reasonable and that states that the disclosure of all or part of the protected health information could endanger a Plan Participant. As permitted by the HIPAA Privacy Rule, "reasonableness" will (and is permitted to) include, when appropriate, making alternate arrangements regarding payment. Accordingly, as a condition of granting a Plan Participant's request, a Plan Participant will be required to provide The Company with information concerning how payment will be handled. For example, if a Plan Participant submits a claim for payment, state or federal law (or our own contractual obligations) may require that The Company disclose certain financial claim information to the Plan Participant (e.g., an Explanation of Benefits, or "EOB"). Unless a Plan Participant has made other payment arrangements, the EOB (in which a Plan Participant's protected health information might be included) will be released to the Plan Participant. Once The Company receives all of the information for such a request (along with the instructions for handling future communications), the request will be processed usually within ten business days.

Prior to receiving the information necessary for this request, or during the time it takes to process it, protected health information might be disclosed (such as through an EOB). Therefore, it is extremely important that a Plan Participant contact the designated contact listed on the first page of this Notice as soon as a Plan Participant determines that they need to restrict disclosures of their protected health information.

If a Plan Participant terminates their request for confidential communications, the restriction will be removed for all of the Plan Participant's protected health information that The Company holds, including protected health information that was previously protected. Therefore, a Plan Participant should not terminate a request for confidential communications if a Plan Participant remains concerned that disclosure of their protected health information will endanger the Plan Participant.

■ ***Right to Inspect and Copy***

A Plan Participant has the right to inspect and copy their protected health information that is contained in a "designated record set." Generally, a "designated record set" contains medial and billing records, as well as other records that are used to make

decision about a Plan Participant's health care benefits. However, a Plan Participant may not inspect or copy psychotherapy notes or certain other information that may be contained in a designated record set.

To inspect and copy a Plan Participant's protected health information that is contained in a designated record set, a Plan Participant must submit their request to the designated contact listed on the first page of this Notice. It is important that a Plan Participant contact the designated contact to request an inspection and copying so that The Company can begin to process their request. Requests sent to persons or offices other than the designated contact might delay processing the request. If a Plan Participant requests a copy of the information, The Company may charge a fee for the costs of copying, mailing, or other supplies associated with their request.

The Company may deny a Plan Participant's request to inspect and copy the protected health information in certain limited circumstances. If a Plan Participant is denied access to their information, a Plan Participant may request that the denial be reviewed. To request a review, a Plan Participant must contact the designated contact listed on the first page of this Notice. A licensed health care professional chosen by The Company will review a Plan Participant's request and the denial. The person performing this review will not be the same one who denied a Plan Participant's initial request. Under certain conditions, The Company's denial will not be reviewable. If this event occurs, The Company will inform a Plan Participant in our denial that the decision is not reviewable.

■ ***Right to Amend***

If a Plan Participant believes that the protected health information is incorrect or incomplete, a Plan Participant may request that The Company amend the information by contacting the designated contact listed on the first page of this Notice. Additionally, a Plan Participant's request should include the reason the amendment is necessary. It is important that a Plan Participant direct the request for the amendment to the designated contact so that The Company can begin to process the request. Requests sent to person or offices other than the designated contact might delay processing the request.

In certain cases, The Company may deny a Plan Participant's request for an amendment. For example, The Company may deny the request if the information a Plan Participant wants to amend is not maintained by The Company, but by another entity. If The Company denies the request, a Plan Participant has the right to file a statement of disagreement with The Company. A Plan Participant's statement of disagreement will be linked with the disputed information and all future disclosures of the disputed information will include the statement.

■ ***Right of an Accounting***

A Plan Participant has a right to an accounting of certain disclosures of protected health information that are for reason other than treatment, payment, or health care operations. No accounting of disclosures is required for disclosures made pursuant to a signed authorization by a Plan Participant or a Plan Participant's personal representative. A Plan Participant should know that most disclosures of protected health information will be for purposes of payment or health care operations, and therefore, will not be subject to a Plan Participant's right to an accounting. There also are other exceptions to this right.

An accounting will include the date(s) of the disclosure, to whom The Company made the disclosure, a brief description of the information disclosed, and the purpose for the disclosure.

A Plan Participant may request an accounting by submitting a request in writing to the designated contact listed on the first page of this Notice. It is important that a Plan Participant direct the request for an accounting to the designated contact so that The Company can begin to process the request. Requests sent to persons or offices other than the designated contact indicated might delay processing the request.

A Plan Participant's request may be for disclosures made up to 6 years before the date of the request, but not for disclosure made before April 14, 2003. The first list a Plan Participant requests within a 12-month period will be free. For additional lists, The Company may charge for the costs of providing the list. The Company will notify a Plan Participant of the cost involved and the Plan Participant may choose to withdraw or modify the request at the time before any costs are incurred.

■ ***Right to a Copy of the HIPAA Privacy Policy and Procedures***

A Plan Participant has the right to request a paper copy of the HIPAA Privacy Policy and Procedures at any time by contacting the designated contact listed on the first page of this Notice. If a Plan Participant receives this Notice via website or by electronic mail, the Plan Participant is also entitled to request a paper copy of this Notice.

COMPLAINTS

A Plan Participant may complain to The Company if they believe that The Company has violated the Plan Participant's privacy rights. A complaint may be filed with The Company.

A Plan Participant may also file a complaint with the Secretary of the U.S. Department of Health and Human Services. Complaints filed directly with the Secretary must: (1) be in writing; (2) contain the name of the entity against which the complaint is lodged; (3) describe the relevant problems; and (4) be filed within 180 days of the time a Plan Participant became or should have become aware of the problem.

The Company will not penalize or any other way retaliate against a Plan Participant for filing a complaint with the Secretary or with us.