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## Guidelines for the Administration of Coverage Subject to Master Contracts

School Risk and Insurance Management Group (“SRIMG”) enters into master contracts with health and life insurance carriers and dental and vision providers (“Master Contracts”) on behalf of participating school districts (“Participating Districts”). Participating Districts may offer some or all of the coverages (“Coverages”) available pursuant to the terms of the applicable Master Contracts to their eligible employees. Subject to the terms of the applicable Master Contracts which shall be provided by SRIMG at least annually or upon request, each Participating District maintains and administers its own unique health and welfare benefit plans (e.g., cafeteria plans) (“District Plans”) that govern the terms of its own employees’ ability to participate in the Coverages.

One of SRIMG’s goals is to provide Coverages that are cost-efficient and comprehensive. In order to achieve the goal of providing the best Coverages at the most economical rates, it is crucial that SRIMG have a large pool of participants. A large pool of participants allows risk to be shared by a larger number of individuals, which allows SRIMG to procure the most advantageous rates for Participating Districts. Each Participating District shall pay a premium or waiver fee for every employee eligible for the Coverages per the Master Contracts managed by SRIMG and offered by the Participating District, regardless as to whether the eligible employee has other coverage or declines such coverage. This practice allows SRIMG to ensure that there will be a sufficient risk pool to achieve the most stable and cost effective rates. In order to further reduce the potential for adverse selection, SRIMG may establish principles and policies from time to time regarding cost savings measures. Such principles and policies will be communicated with all Participating Districts. Further, SRIMG may subject certain Coverages to underwriting rules established by SRIMG and Participating Districts to comply with the Master Contracts, to minimize risk, or to maintain stable and cost effective rates for its members.

The purpose of this Regulation 3010 (“Regulation”) is to communicate the rules and guidelines related to the Master Contracts administered by SRIMG. All Master Contracts are subject to change, and any changes shall be communicated to Participating Districts. This Regulation will be interpreted in a manner consistent with the Master Contracts, and it may be amended from time to time to in order to achieve such intentions. The Regulation is also intended to provide a framework of flexibility for use by each Participating District in order to meet its specific needs.

### 1. **Health Coverage**

(a) Available Coverage. SRIMG contracts with various health insurance companies to offer a variety of health insurance Coverages (e.g., HMO, PPO, etc.) to employees of Participating Districts. Such Coverages are subject to change from time to time, and any such changes shall be communicated to Participating Districts. Participating Districts can opt to offer some or all of the available coverages, however, not all Coverages are available in all geographic regions.

(b) Eligibility. Each applicable Master Contract contains eligibility requirements, and SRIMG will provide a summary of these requirements at least once annually and upon request. Subject to the terms of the applicable Master Contract, eligible employees of the Participating Districts are eligible to participate in SRIMG health insurance Coverages available

in their service area, provided that they work the requisite minimum number of hours agreed to between SRIMG and the health insurance carrier. Eligible individuals may also enroll his or her eligible dependent(s) (e.g., spouse, children under age 26).

SRIMG may also from time to time enter into Master Contract(s) that provide health insurance Coverage options to retirees. SRIMG shall communicate the terms of any applicable Master Contract(s) to Participating Districts.

(c) Enrollment.

(i) Initial Enrollment. Subject to the terms of the applicable Master Contract and the Participating District's District Plan, employees may enroll in a SRIMG medical Coverage as offered by the Participating District after he/she has fulfilled all eligibility requirements and satisfied any applicable waiting period ("Initial Enrollment Period"). If an employee fails to enroll in SRIMG medical insurance Coverage during the Initial Enrollment Period, he/she (or his/her eligible dependents) shall not be able to enroll until: (1) the next open enrollment period, or (2) there is an event that triggers a special enrollment period.

(ii) Open Enrollment. The open enrollment period shall be held once each year at a time designated by the Participating District, subject to the requirements set forth in the applicable Master Contract(s) between SRIMG and the health insurance carrier. To the extent each applicable Master Contract contains requirements governing the timing of the open enrollment period, SRIMG will communicate such requirements to the Participating Districts. During open enrollment, an employee of a Participating District may opt to change health insurance Coverage based on those offered by the Participating District.

(iii) Special Enrollment. Eligible employees may elect to enroll themselves and/or their eligible dependents upon the occurrence of a special enrollment event. Special enrollment events are defined by the applicable Master Contract(s) between SRIMG and the health insurance carrier(s), as well as the Participating District's District Plans. Examples of typical special enrollment events may include marriage, the birth of a child, and the adoption of a child. To the extent each applicable Master Contract contains requirements defining a special enrollment event and special enrollment period, SRIMG will communicate such requirements to the Participating Districts. Eligible employees who wish to make changes to their benefits following a special enrollment event must submit their election forms to their Participating District within 30 days of the special enrollment event.

(d) Termination of Coverage. When an employee terminates employment with a Participating District, or an employee or their dependent is otherwise no longer eligible for health insurance Coverage (e.g., due to reduced work schedule or other qualifying event) for any reason, the Participating District must notify SRIMG so that the employee and/or dependent can be disenrolled from health insurance Coverage pursuant to the terms of the applicable Master Contract.

## 2. **Dental Coverage**

SRIMG offers self-funded dental Coverage. Eligibility for employees and their dependents is set by each Participating District, subject to the terms of any applicable

Master Contract between SRIMG and the dental provider. Generally, employees may only make changes to his or her dental Coverage during open enrollment or a special enrollment period pursuant to the terms of any applicable Master Contract and the Participating District's District Plan. SRIMG will provide information regarding dental Coverage eligibility requirements and special enrollment events upon request.

SRIMG may promulgate rules related to available dental Coverage and restrictions on such coverage. SRIMG will provide these rules at least once annually or upon request. All Participating Districts agree to adhere to these rules.

### 3. **Vision Coverage**

SRIMG offers self-funded vision Coverage. Eligibility for employees and their dependents is set by each Participating District, subject to the terms of any applicable Master Contract between SRIMG and the vision provider. Generally, employees may only make changes to his or her vision Coverage during open enrollment or a special enrollment period pursuant to the terms of any applicable Master Contract and the Participating District's District Plan. SRIMG will provide information regarding vision Coverage eligibility requirements and special enrollment events upon request.

SRIMG may promulgate rules related to available vision Coverage and restrictions on such coverage. SRIMG will provide these rules at least once annually or upon request. All Participating Districts agree to adhere to these rules.

### 4. **Life Insurance**

Participating Districts may opt to provide life insurance Coverage to its current employees, a select group of employees (e.g., specific bargaining group),. Such life insurance shall be provided pursuant to the terms of the applicable Master Contract in place negotiated by SRIMG and the life insurance Coverage carrier.

### 5. **Cafeteria Plans**

Participating Districts may offer the Coverages to its employees via a Section 125 plan (i.e., a cafeteria plan). A Section 125 plan maintained by a Participating District is a District Plan. Each Participating District is responsible for its own Section 125 plan, and must ensure that it complies with applicable legal requirements.

### 6. **Policies, Practices, and Principals**

(a) Policies and Practices of Participating Districts. As noted above, it is crucial that SRIMG have a large pool of employees in order to ensure the procurement of the most stable and cost efficient premiums. In order to facilitate this objective, Participating Districts agree not to adopt policies and practices that will encourage employees to decline Coverages offered by SRIMG.

Each Participating District shall ensure that the terms of its District Plan(s) are consistent with the terms of any applicable Master Contract(s).

(b) Policies and Practices of SRIMG. In addition to negotiating the terms of all Master Contracts, SRIMG can develop policies and principles related to the breadth and scope of

coverage in order to minimize adverse selection. SRIMG will share these policies and principals with all Participating Districts, and such Participating Districts shall adhere to the same.

## 7. Penalties

It is understood that past practices in some districts have created existing exceptions to these regulations. It is also understood that unusual situations (outside of normal policies or practices) may occur which force a district into violating these regulations for a small group of employees (lawsuits, grievances or layoffs may create this kind of situation). If the sum total of these exceptions (by program) exceeds 5% of the number of eligible employees, then the district will be in a penalty situation.

These small percentages may be difficult to apply to districts with less than 20 employees. These small districts may request an exception to these percentage levels. The Executive Committee will consider each request on a case-by-case basis.

If a district is in a penalty situation, the district will be assessed an amount which, when added to the district's current contributions, will bring the district's total contributions up to the level equal to 95% of eligible employees. In other words, a district's total contribution for a program cannot drop below the level equal to 95% of eligible employees regardless of the number of eligible employees actually enrolled in the program.

## 8. Waiver

Bargaining Groups within the participating districts that are members of SRIMG's Policies cannot offer competing medical, dental and/or vision plans. Only SRIMG-sponsored plans may be offered.

Individual full-time employees may waive benefits, provided they can prove that they have group insurance through another source. They must waive the whole benefit package offered to their Employee Group. In addition, they cannot receive cash or other benefits in lieu of employee benefits.

These waiver provisions do not relieve the participating district's financial responsibility to SRIMG for either a full waiver fee or coverage premium for all eligible employees (*see* Section 2).

For additional information regarding any items covered in this Regulation, please contact:

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