RSL Risk Solutions™

RELIANCE STANDARD

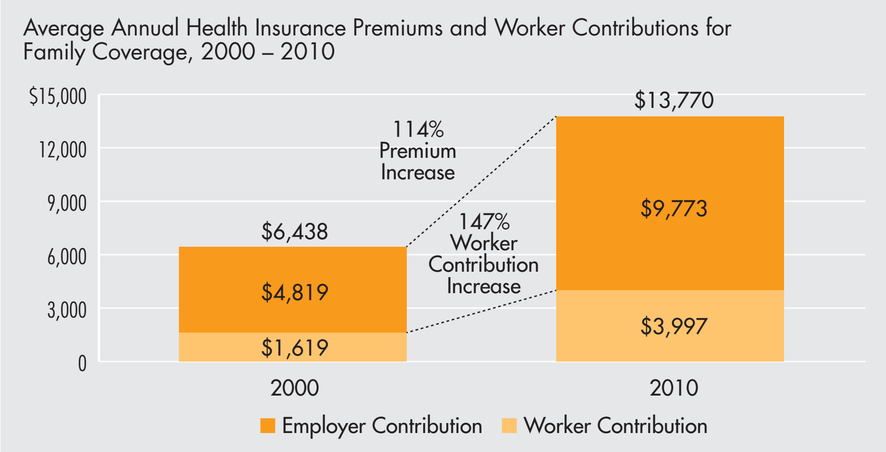
The New Reality in Health Care

Rising health care costs are nothing new; neither are well-meaning measures to combat them. However, in no point in history has the health care delivery landscape been in more turmoil than today, when government, employers and insurers all jockey for position in a race to save health care from economic flat-line.

With the introduction of early features of the landmark Patient Protection and Affordable Care Act (PPACA), the die has been cast. Promised savings are not yet forthcoming—nor will they be for employer plan sponsors. Health plan spending continues to rise, thanks in part to PPACA-mandated initiatives like the removal of lifetime benefit limits.

As health plans consolidate in this environment and others move toward mandated designs, there are fewer options for the employer shopping a fully-insured plan. And fewer choices typically equals higher cost.

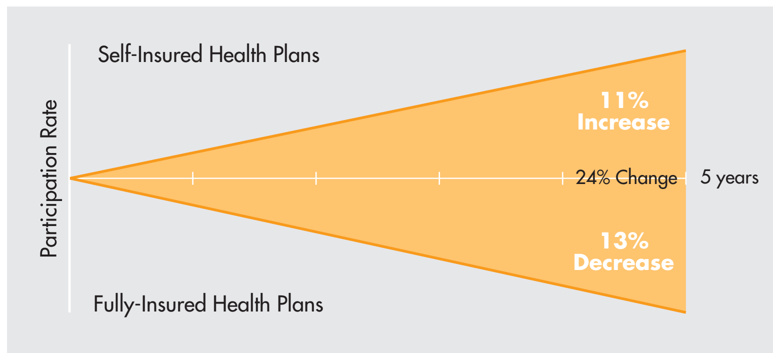
Health premiums have more than doubled in the last decade.



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2000 – 2010.

Faced with little actionable information about what's to come and virtually no control over actual health care spending, many large employers have elected to self-insure their benefits plans. In this model, the employer underwrites all medical claims (and often dental, pharmacy, disability and other benefits) and pays a third party to administer and pay the claims. There are several advantages to this model, not the least of which is a deeper and growing understanding of the cost of health care delivery itself, its drivers, and how to meaningfully improve results.

Data is the most important element in realizing the benefits of self-insuring. When trying to effect meaningful change through plan design or wellness initiatives, it helps to have specific information about the employees within a single group—and the ability to act on this information to impact direct health care spending. With fully-insured plans, any real impact to the premium cost is prevented because of the size and characteristics of the shared risk pool.



According to an industry analyst, this move toward self-insurance has seen the market grow by 11 percent over the last five years, while enrollment in fully-insured health plans has fallen in almost exact proportion: 13 percent.*

Once only open to the largest employer groups, the self-insured solution has become more appropriate for middle market companies as well—thanks to data, technology and market demand. The key is finding a qualified, trustworthy partner to help protect the bottom line while growing intellectual capital and moderating costs.

*Dow Jones Newswires, March 22, 2011.

Why Consider Self-Funding Your Benefits Plan?

Self-insuring is not for everyone. Risk tolerance and business objectives vary by employer. But many groups are taking a second look at self-insuring health plans.

- Costs can often be mitigated by several means:
  – Paying a fraction of the insurance premium compared to fully insured benefit plan premium
  – Lowering premium tax liability on the smaller stop-loss premium
  – Paying administrative costs to a TPA, which are typically lower than those an insurance carrier factors into fully insured premium
  – Having greater control over plan design provisions, which can lead to savings
- By self-insuring, an employer has unlimited access to and control over its own claims and related data. Analysis of this data, especially with the right partner, can lead to smarter benefit decisions—including wellness, disease management and productivity programs—that can result in direct savings.
- A self-insured plan is completely transparent: The employer sees all claims as well as all related claims costs. There are no hidden fees, margins or charges.
- Employers can sponsor and maintain a single health plan across multiple states, potentially reducing administrative costs.
- Through Stop-Loss coverage, an employer can limit overall risk and financial exposure, just like in a fully insured program, but at a potentially lower price point.

Once only open to the largest employer groups, the self-insured solution has become more appropriate for middle market companies, thanks to data, technology and market demand.

For those companies seeking the benefits of self insured risk, including controlled costs and improved information, stop-loss coverage is a financial safety net.

RSL Risk Solutions™ from Reliance Standard

There are several levels of risk that come with self-insuring a company benefit plan. The assumption of financial risk from potentially volatile medical claims is among the largest, and for this reason it is essential for the employer to safeguard the bottom line by limiting financial obligations arising from care and treatment. This tool, called stop-loss coverage, is a form of insurance whereby the group assigns a portion of the assumed risk of claims payments to an insurance carrier in consideration of an annual per-employee premium.

For those companies seeking the benefits of self insured risk, including controlled costs and improved information, stop-loss coverage is a financial safety net.

RSL Risk Solutions™ is a flexible program of stop-loss insurance designed to help employers maximize their control over health care spending. RSL Risk Solutions offers both specific risk (individual) and aggregate risk (total) stop-loss coverage for groups as low as 50 lives. Most often these coverage options work together, as follows:

- Specific risk coverage helps protect a self-funded plan sponsor against catastrophic claims of an individual above the specific deductible, which can be as low as $25,000 and as high as appropriate to the group and plan.
- Aggregate risk coverage helps protect a self-funded plan sponsor in the event that actual claims for the self-funded plan as a whole exceed a planned, budgeted amount.

Stop-loss coverage is available for medical plans, including integrated medical/dental/prescription card plans. Typical plan designs include:

12/12	Includes all claims incurred and paid within the 12-month policy term
15/12	Includes all claims incurred up to 90 days prior to the start of the 12-month policy term, and paid within the 12-month term (called a "run-in" plan)
12/15	Includes all claims incurred within the 12-month policy term and paid up to 90 days following the end of the 12-month term (called a "run-out" plan)
24/12	Includes all claims incurred up to 12 months prior to the start of the 12-month policy term, and paid within the 12-month term

We serve the following markets:

Opportunity Segment:
50 – 250 employees

Reliance Standard applies our small group rating model and philosophy and delivers:

- Deductible levels starting at $25,000 per individual
- Small group specific rating and cover
- Small group aggregate rating and cover
- No mandatory lasering at renewal
- Access to complementary group ancillary products, including Voluntary Group Term Life. Short- and Long-Term Disability, Critical Illness, Accident, etc.

Core Segment:
250 – 2,000 employees

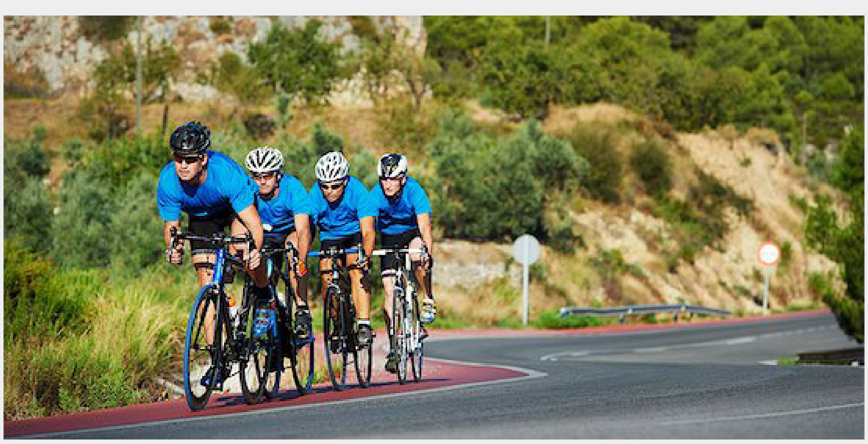
Reliance Standard applies our middle market rating model and philosophy, blending limited claims experience with a flexible underwriting manual. We provide:

- Deductible levels starting at $50,000 per individual
- Specific rating and cover
- Aggregate rating and cover
- No mandatory lasering at renewal
- Access to complementary group ancillary products, including Voluntary Group Term Life. Short- and Long-Term Disability, Critical Illness, Accident, etc.

Traditional Segment:
2,000+ employees

Reliance Standard utilizes detailed claim experience, network evaluation and our large group rating model and philosophy to deliver a superior product and customized service experience for national accounts. We provide:

- Typical deductible levels from $200,000 and higher per individual
- Specific rating and cover
- Aggregate rating and cover
- No mandatory lasering at renewal
- Dedicated national account management and enhanced reporting
- Optional access to RelianceONE™ health and productivity management services to help establish and maintain a culture of health and measure ROI through both productivity gain and medical spending
- Access to a full complement of group ancillary products, including Voluntary Group Term Life. Short- and Long-Term Disability, Critical Illness, Accident, etc.



RSL Risk Solutions offers employers the ability to gain the benefits of self-insurance while mitigating risk. The result may be an effective business solution in the face of increasing reform, economic challenges and government intervention. An effective stop-loss strategy should be approached as a multi-year solution, and many group characteristics must be considered. There are risks and requirements of any self-funding program; speak to your broker or Reliance Standard representative.

Other Tools for a Strong Financial Future

RelianceONE™ Health and Productivity Management
RelianceONE is a strategic initiative of Reliance Standard and AllOne Health℠, a strategic program created to improve the health of employees and the corporate bottom line through integrated workforce health and productivity management (HPM) services. Services include wellness, disease management and employee assistance programs, disability and absence management services. Because RelianceONE is not limited to specific physicians or health plans, all employees—regardless of where they live, their health insurance plan or whether they are currently sick or well—can become and stay healthy, engaged and productive.

Absence Solutions® Integrated Employee Benefits
This proprietary integrated disability service combines single source claims management and return-to-work services with flexible, high-quality disability and/or workers' compensation insurance products. The integrated approach is proven to lower premiums, but also addresses the larger operational problems associated with loss of productivity.

Core and Voluntary Lines of Coverage
Reliance Standard offers a portfolio of employer paid and Voluntary group benefits designed to help employers attract, retain and provide value to their most valuable asset—their work force. Insurance products include:

- Group Term Life
- Short Term Disability
- Long Term Disability
- Dental/Eye Care
- Voluntary Group Term Life, STD, LTD, Accident, AD&D, Critical Illness
- Limited Benefit Medical
- Business Travel Accident
- Insured Medical Reimbursement

About Reliance Standard

Reliance Standard is a top-ranked group benefits carrier with a legacy of providing service and value to employers of all sizes. Core products include group disability, group term life, dental/vision and a full complement of Voluntary lines of coverage, as well as total absence management and integrated health and productivity management services.

With over $144 billion of insurance in force and assets of almost $4 billion, Reliance Standard Life Insurance Company has provided a full spectrum of innovative, high-quality group insurance products to employers for more than 100 years. A.M. Best & Co. awards Reliance Standard a rating of A (Excellent).*

Reliance Standard was incorporated in 1907 as the Central Life Insurance Company of Illinois. In 1965, the company was renamed Reliance Standard Life Insurance Company. It is domiciled in Illinois and is headquartered in Philadelphia, PA. Reliance Standard is licensed in all states (except New York), the District of Columbia and the U.S. Virgin Islands.

Reliance Standard is owned by Delphi Financial Group, Inc., a financial services company focused on specialty insurance and insurance-related businesses. Delphi is a leader in managing all aspects of employee absence to enhance the productivity of its clients and provides the related group insurance coverages: long-term and short-term disability, life, excess workers' compensation for self-insured employers, large casualty programs including large deductible workers' compensation, travel accident, dental and limited benefit health insurance. Delphi's asset accumulation business emphasizes individual annuity products. Delphi's common stock is listed on the New York Stock Exchange under the symbol DFG and its corporate website address is www.delphifin.com.

For more information, please contact your Reliance Standard representative or visit www.RelianceStandard.com.

*Affirmed 12/10

Stop Loss coverage is provided under Excess Loss Indemnity Group Policy, Form #LRS-9101, et al.

Insurance products and services are provided through Reliance Standard Life Insurance Company in all states (except New York), the District of Columbia, Puerto Rico and the U.S. Virgin Islands. In New York, insurance products and services are provided through First Reliance Standard Life Insurance Company, home office: New York NY. Product availability and features may vary by state.

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www.RelianceStandard.com

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