

HARVARD PILGRIM HEALTH CARE

2007 Broker Compensation Plan



The Harvard Pilgrim Red Carpet Treatment

At Harvard Pilgrim, we appreciate our broker partners.



That's why we develop a generous commission program, create tools to help simplify health care administration, and practice our "red carpet" approach to showing our appreciation. To remain the most broker-friendly plan in the region, we strive to offer you the best events and services possible.

Take advantage of our online suite of broker tools. The following features are available via *HPHConnect* for Brokers:

- NEW! Easy Online Quoting
- Quote small group prospects online
- Renew small groups online with Easy Online Renewal
- Receive online commission statements
- Get immediate access to commissions via direct deposit
- Calculate your bonus potential with the Online Bonus Estimator
- Administer benefits on behalf of your clients

We offer you events and services throughout the year, including:

- Elite Broker Program – recognizing outstanding contributors
- Annual Broker Golf Tournament
- Bi-annual Broker Breakfasts that feature industry and Harvard Pilgrim updates
- Broker Advisory Groups
- Product training and continuing education courses
- Dedicated Web site: www.harvardpilgrim.org/brokers
- Ongoing broker-specific newsletters and e-mails to keep you informed
- Events for you and your clients

We look forward to working together in 2007 for another successful year.

New Business Commissions

For Massachusetts-based accounts sold with an effective date of January 1, 2007 or later, Harvard Pilgrim will pay commissions to qualified brokers based on the following schedule:

ANNUALIZED PAID PREMIUM	COMMISSION	
	HSA	NON-HSA
1st \$500,000	5%	4%
Next \$500,000	2%	2%
Over \$1 million	1%	1%

NOTES:

- Applies to accounts sold directly through Harvard Pilgrim.
- Applies to groups of six or more eligible subscribers only.
- Applies to fully insured accounts only.
- Applies to non-Medicare products only.
- The New Business Commission Schedule will be paid on the first 12 months' premium only.

Renewal Commissions

Harvard Pilgrim will pay renewal commissions to the broker of record based on the following schedule:

ANNUALIZED PAID PREMIUM	COMMISSION
1st \$500,000	3%
Next \$500,000	2%
Over \$1 million	1%

NOTES:

- Unless otherwise arranged, the Renewal Commission Schedule will be implemented at the account's renewal date.

First Seniority Freedom

Non-Group

\$200 per subscriber (one time payout)

Group

\$10 per subscriber per month

NOTES:

- If a non-group subscriber disenrolls within 90 days of initial enrollment, the \$200 commission will be retracted in its entirety.

INSURANCE PLAN - Massachusetts

Broker of Record Takeover Commissions

If an account on which commissions are not being paid names a qualified broker as its broker of record, Harvard Pilgrim will pay commissions to that broker based on the Renewal Commissions described previously.

NOTES:

- A valid and dated Broker of Record letter on the account's letterhead and signed by an officer of the account must be presented.
- Commission payments will be payable beginning on the next anniversary date after Harvard Pilgrim receives the Broker of Record letter.
- Applies to accounts sold directly through Harvard Pilgrim.
- Premiums generated on Broker of Record Takeover accounts do not qualify as new business for bonus programs.

Change in Broker of Record

Upon receipt of a valid and dated letter on the account's letterhead and signed by an officer of the account changing the Broker of Record, Harvard Pilgrim will make the change effective the first day of the month following receipt of the letter.

Standard and Elite Broker Bonus

Brokers will be eligible for Standard or Elite bonus levels based on selling New Business and/or Retention of Existing Business, using the following criteria:

- Ending Block of Business as of 12/31/2006:
 - less than \$5,000,000 = Standard Level;
 - \$5,000,000 and above = Elite Level
- Selling at least 3 new direct-written accounts (i.e., not written through intermediaries) in 2007
- Existing account Retention of at least 90% during 2007
- Having a minimum of 10 direct-written accounts (i.e., not written through intermediaries)
- *First Seniority Freedom* groups/members do not count toward bonus programs.

STANDARD:

Ending BOB as of 12/31/06 < \$5,000,000,
Minimum of 10 Accounts

New Business Bonus

NEW CASES SOLD	ANNUALIZED NEW PREMIUMS	BONUS
3	\$1,000,000	0.75%
4-7	\$2,000,000	1.00%
8+	\$2,500,000	1.25%

* Bonus paid on Actual Premiums received from Accounts sold in 2007.

Retention Bonus

RETENTION	BONUS
95%	0.75%
90%	0.50%

* Bonus paid on Actual Premiums received during 2006 on accounts in Ending BOB as of 12/31/2006.

* Minimum of 10 accounts in Ending BOB as of 12/31/2006.

ELITE:

Ending BOB as of 12/31/06 = \$5,000,000+,
Minimum of 10 Accounts

New Business Bonus

NEW CASES SOLD	ANNUALIZED NEW PREMIUMS	BONUS
3	\$1,000,000	1.00%
4-7	\$2,000,000	1.25%
8+	\$2,500,000	1.50%

* Bonus paid on Actual Premiums received from Accounts sold in 2007.

Retention Bonus

RETENTION	BONUS
95%	1.50%
90%	1.00%

* Bonus paid on Actual Premiums received during 2006 on accounts in Ending BOB as of 12/31/2006.

* Minimum of 10 accounts in Ending BOB as of 12/31/2006.

Determining Retention Rate

Retention rates will be determined by establishing a baseline amount of premium in the broker's block of business as of December 31, 2006 ("Beginning Block") as well as a determination of the broker's block of business as of December 31, 2007 ("Ending Block"). The Beginning Block will be calculated by adding the annualized premiums for each fully insured commissioned account in the broker's block of business as of December 31, 2006. A factor of 10% will then be applied to this amount to account for anticipated rate increases in 2007. The Ending Block will be calculated by adding the premiums for each fully insured commissioned account (**excluding premiums for accounts sold in 2007**) in the producer's block of business as of December 31, 2007.

The Retention Rate is the Ending Block divided by the Beginning Block.

NOTES:

- Bonuses apply only to accounts sold directly through Harvard Pilgrim.
- Brokers with a retention rate of less than 90% do not qualify for a bonus.
- Bonuses will be paid based on premiums *received* in 2007.

Terms and Conditions

- The commission and bonus plans described in this brochure are available only to qualified brokers who are licensed by the Massachusetts Division of Insurance and who have signed the Harvard Pilgrim Health Care Broker Agreement and Business Associate Agreement.
- Small group accounts written through intermediaries are not eligible for the plans described in this compensation plan.
- Non-group products are not covered by this compensation plan.
- Harvard Pilgrim may pay commissions retroactively if a Broker of Record letter is not processed correctly. However, no commissions will be paid retroactively more than 12 months.
- Harvard Pilgrim reserves the right to change or modify this plan without prior notice.
- If Harvard Pilgrim receives multiple broker of record takeover letters on the same account, the most current letter will be honored.
- If there are disputes regarding the interpretation of any of the details of this Broker Compensation Plan, Harvard Pilgrim reserves the right to final interpretations.

The commission and bonus plans described herein apply to fully insured groups with up to 1,000 eligible employees. For groups with 1,000 or more eligible employees, Harvard Pilgrim reserves the right to negotiate a client-specific commission schedule with the broker.



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