

Special Instructions

Sample Summary Plan Description (SPD “Wrap”) Template

Line 1.a. Plan Name

List the name of the plan, and if different, the name by which the plan is commonly known by its participants and beneficiaries.

Line 1.d. Plan Number

List the plan number assigned to the plan by the plan sponsor, e.g. 501.¹

Line 1.e. Funding Medium

Describe the source or sources of contributions to the plan--for example, employer, employee organization, employees--and the method by which the amount of contribution is calculated.

- E.g., Insurance Premiums for you and your family are paid in part by the Plan Sponsor out of its general assets, and in part by your <pre-tax><after-tax> payroll deductions. The Plan Sponsor and employees each pay 50% of the premiums.
- E.g., Insurance Premiums for you and your family are paid in total by the Plan Sponsor from its general assets.

Line 1.f. Plan Sponsor Name and Address

- *In the case of a single employer plan* - List the employer whose employees are covered by the plan;
- *In the case of a plan maintained by an employee organization for its members* - List the employee organization that maintains the plan; or
- *In the case of a plan established or maintained by two or more employers* - List the association, committee, joint board of trustees, parent, or most significant employer of a group of employers all of which contribute to the same plan, or other similar representative of the parties who established or maintain the plan, as well as: (1) a statement that a complete list of the employers sponsoring the plan may be obtained by participants and beneficiaries upon written request to the plan administrator, and is available for examination by participants and beneficiaries, as required by §§2520.104b-1 and 2520.104b-30, or, (2) a statement that participants and beneficiaries may receive from the plan administrator, upon

¹ The plan number is a three-digit number assigned by the plan sponsor to differentiate between plans that are maintained by the same plan sponsor. Numbering for welfare plans starts at "501" and proceeds consecutively. Once a plan number is assigned to a plan, its sponsor must use the same number consistently to identify that plan. See IRS Publication 1004 if you need further explanation of plan numbers.

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written request, information as to whether a particular employer is a sponsor of the plan and, if the employer is a plan sponsor, the sponsor's address.

Line 1.i. Plan Administrator, Address and Business Telephone Number

List the corporation, partnership, association, individual etc. that will serve as plan administrator for your group's health insurance plan. Section 3(16)(A) of ERISA defines the "administrator," in pertinent part, as (i) the person specifically so designated by the terms of the instrument under which the plan is operated; (ii) if an administrator is not so designated, the plan sponsor.

In part, the plan administrator is the party responsible for most items of legal compliance, including Form 5500 filings, plan disclosures, etc. In this case, as is standard in most cases, the plan sponsor is responsible for such legal compliance and, thereby, is the plan administrator.

Priority Health should not be designated the Plan Administrator of the plan. This does not mean, however, that Priority Health does not have a role in administering the plan.

Line 1.j. Named Fiduciary

A Named Fiduciary is the person or entity that has the authority to control and manage the operation and administration of the plan. An employee benefit plan that covers employees of a corporation may designate the corporation as the Named Fiduciary. Named fiduciaries are not liable for acts or omissions properly allocated to other fiduciaries.

Priority Health should not be designated the Named Fiduciary of the plan. This does not mean, however, that Priority Health does not act as a fiduciary with respect to the operation and administration of the plan.

Additional Informational Items

Who must receive an SPD?

SPDs must be provided to the following parties:

- Covered participants - Department of Labor regulations specifically exclude plan beneficiaries (i.e. spouses and dependents) from the distribution requirement;
- A child added to the plan through a Qualified Medical Child Support Order and his or her parent-guardian
- Spouse and/or dependent(s) of a deceased retiree (if your plan provides retiree coverage)
- COBRA Qualified Beneficiaries (including the guardian of an incapacitated COBRA Qualified Beneficiary)

What methods can you use to distribute SPDs?

SPDs must be furnished in a way “reasonably calculated to ensure actual receipt of the material.” The Department of Labor has issued regulations discussing the following methods:

- **First-Class Mail** - Delivery by first-class mail is specifically approved so long as the mailing list is comprehensive and up to date.
- **Second and Third-Class Mail** - Second and third-class mail delivery is specifically approved so long as the mailing list is comprehensive and up to date, and return/forwarding postage is guaranteed and address correction is requested.
- **Insert to Company Publication** - SPDs can be delivered as a special insert in a union or company publication so long as the mailing list is comprehensive and up to date, there is a notice prominently displayed on the cover stating that an SPD is contained in that issue, and steps are taken to insure delivery to participants who may not be on the mailing list.
- **By Hand** - Delivery of SPDs by hand at a worksite has been approved; however, you cannot merely place copies of the SPD in a location frequented by participants.
- **By Electronic Means** - Delivery of SPDs by electronic means is acceptable; however the Department of Labor requires that a number of requirements be met. Please ask your legal counsel if you are able to meet these requirements.

How often must you distribute SPDs?

When your plan is established, a summary plan description must be provided to plan participants (covered employees) within 120 days of the plan’s effective date. Thereafter, new participants must receive an SPD within 90 days of joining the plan. If you make a material change to the employer-specific information contained in the SPD Wrap, you will need to distribute a Summary of Material Modifications describing the change within 210 days after the end of the plan year in which the modification is adopted. If the modification is a material reduction in services or benefits, covered participants must be notified within 60 days of the date the modification is adopted.

In general, if there have been any plan amendments, the plan administrator must furnish an updated SPD every five years. Otherwise, an updated SPD must be furnished every 10 years even if no plan amendments have been made.

If you have non-English language employees

Although there is no legal obligation to provide non-English language SPDs, plans that cover certain minimum numbers of participants who are literate only in the same non-English language must provide some minimal assistance in that non-English language. Specifically, this applies to (a) large plans, covering 100 or more participants, that have 10% or, if less, 500 or more covered participants literate only in the same non-English language; and (b) small plans, covering fewer than 100 participants, if 25% or more of the participants are literate only in the same non-English language.

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The offer of assistance must tell how, when, and where participants can receive an explanation of the plan in the non-English language. The assistance does not need to involve written materials but must provide participants a reasonable opportunity to become informed of their rights and obligations under the plan, for example a contact with a person fluent in the same non-English language who can explain the plan. Since the SPD will be in English, in order to be effective, the non-English-language offer of assistance should appear at the beginning of the SPD or on the cover.

Example (to Be Written in the Non-English Language): *This Summary Plan Description contains a summary in English of your rights and benefits under your employer's health plan. If you have difficulty understanding any part of this document, contact the Plan Administrator at _____ for assistance.*

Legal Disclaimer

The Priority Health COC does not contain employer-specific information, e.g., group health plan name, plan number, plan sponsor EIN, employer contact information, eligibility and contribution information, etc. Federal law requires that an SPD contain this employer-specific information. This means that without employer-specific information, Priority Health's COC may not qualify as an SPD in the view of the Department of Labor or the IRS.

Because neither insurers nor TPAs are legally responsible for furnishing SPDs to plan participants, the industry standard is for insurers to issue COCs or other benefit certificates without employer-specific information. However, at Priority Health, we are always looking to raise the industry standard and to meet our employer groups' needs. That is why we have created the "SPD Wrap." In our estimation, the SPD Wrap contains the employer-specific information, as well as a few other pieces of information, that the Department of Labor requires.

Please note that Priority Health does not guarantee that the SPD Wrap, when read in conjunction with the COC, will meet the Internal Revenue Service's or the Department of Labor's criteria for SPDs. Priority Health is not issuing you legal advice by providing you with the SPD Wrap, nor will Priority Health be liable to you for any penalties, taxes, etc. related to use the SPD Wrap. The SPD Wrap and the Special Instructions are not intended to replace legal counsel.

**<GROUP NAME>
GROUP HEALTH INSURANCE PLAN**

This document, together with the most recent Certificate of Coverage, Schedule of Copayments, and Benefit Riders issued to you by Priority Health, will constitute your ERISA Summary Plan Description.

** Indicates that the item is described in more detail in the Special Instructions.

1. Plan Identification

- a. Plan Name: **<Health Insurance Plan Name ... e.g., ABC Company Health Plan** >**
- b. Type of Plan: Group Health Plan (Welfare Benefit Plan)
- c. Plan Year: **<Plan Year ... e.g., January 1 – December 31>**
- d. Plan Number: **<Plan Number ... e.g., 501**>**
- e. Funding Medium and Type of Plan Administration: This Plan is fully insured. Benefits are provided under a group insurance contract entered into by **<Group Name>** and Priority Health. While Priority Health and the **<Group Name>** share responsibility for administering the terms of the Plan, Priority Health is responsible for processing and paying benefit claims. The Plan is funded by insurance premiums received by Priority Health. **<Describe the source or sources of contributions to the Plan -- for example, employer, employee organization, employees -- and the method by which the amount of contribution is calculated.**>**
- f. Plan Sponsor: **<Plan Sponsor Name and Address**>**
- g. Plan Sponsor's EIN: **<e.g., 99-9999999>**
- h. Insurance Company: Priority Health, 1231 E. Beltline, NE, Grand Rapids, Michigan 49525.
- i. Plan Administrator: **<Plan Sponsor, Business Address and Business Telephone Number**>**
- j. Named Fiduciary: **<Plan Sponsor**>**
- k. Agent for Service of Legal Process: **<Name of person or title of person at Plan Sponsor, Address ... e.g., Mr. John Smith, or VP of Human Resources, or General Counsel, etc.>** Service of legal process may also be made upon the plan administrator.
- l. **<Collective Bargaining Agreements: If your Plan is maintained pursuant to one or more collective bargaining agreements, you must include a statement that the Plan is so maintained, and that a copy of any such agreement may**

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be obtained by participants and beneficiaries upon written request to the plan administrator, and is available for examination by participants and beneficiaries, as required by Labor regulation 2520.104(b)-1 and 2520.104b-30. >

- m. <Participating Employers: List any other related employers (in the same controlled group as the Plan Sponsor) whose employees also participate in the Plan.>

2. Eligibility

<Include your Plan's requirements with respect to eligibility to participate and any conditions that must be met in order to receive benefits, such as any waiting period before coverage begins. (You can refer to your riders and Group Agreement Exhibit B for such information.) You should also include special situations such as retiree eligibility, eligibility during severance, FMLA, etc. >

<If there is more than one class of employees eligible to participate in your Plan (e.g., salaried and hourly) but the eligibility requirements are different, you may want separate SPD Wraps for each group. >

- <For example: Salaried employees of ABC Company and their dependents may enroll as Members in the ABC Company Health Plan on the first of the month following 30 days of full-time employment so long as they meet the eligibility requirements set forth in Section 3 of the Certificate of Coverage issued by Priority Health. Hourly employees of ABC Company and their dependents may also enroll as Members in the ABC Company Health Plan; however, their eligibility requirements are set forth in a separate Summary Plan Description. In order for a Member to receive benefits under the ABC Company Health Plan, he or she must follow the terms and conditions of coverage set forth in the Certificate of Coverage issued by Priority Health. >

3. Plan Benefits

<Group Name> has contracted with Priority Health to provide you and your dependents with certain health insurance benefits. These benefits are outlined in the Certificate of Coverage, Schedule of Copayments, and Benefit Riders issued to you by Priority Health. You will need to refer to these documents in order to determine the terms and conditions of your benefits under the Plan, including any cost-sharing provisions, annual or lifetime caps or other limits on benefits that apply to your coverage. The Certificate of Coverage also identifies circumstances that may result in termination, reduction, loss or denial of benefits under the Plan.

4. Termination and Amendment

<Include a reservation of the Plan Sponsor's rights to terminate and/or amend the Plan.>

- <For example: Benefits under this Plan are not vested. ABC Company reserves the right to terminate the Plan or amend or eliminate benefits under the ABC Company Health Plan at any time in its discretion.>

Sample Summary Plan Description

<Please note that the benefits contained in the Priority Health Certificate of Coverage can only be amended in limited circumstances, and only with the written approval of Priority Health. We recommend that you consult with your legal counsel for language if any of the terms of your Plan's benefits are controlled by a collective bargaining agreement.>

5. Statement of ERISA Rights

As a participant in the **<Health Insurance Plan Name>** you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, such as at a worksite, all documents governing the Plan, including insurance contracts **<and collective bargaining agreements>** and, if the Plan covers more than 100 participants at the beginning of the plan year, a copy of the latest annual report (Form 5500 Series) filed by the plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the plan, including insurance contracts **<and collective bargaining agreements>** and copies of the latest annual report (Form 5500 Series), if any, and updated summary plan description. The administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report, if one is required. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Continue Group Health Plan Coverage

- Continue health care coverage for yourself, spouse or dependents if there is a loss of coverage under the Plan as a result of a qualifying event, and if your Plan, because of the size and nature of your employer, is subject to the COBRA regulations. You or your dependents may have to pay for such coverage. Review this summary plan description and the documents governing the Plan on the rules governing your COBRA continuation coverage rights.
- Reduction or elimination of exclusionary periods of coverage for preexisting conditions under your group health plan, if you have creditable coverage from another plan. You should be provided a certificate of creditable coverage, free of charge, from your group health plan or health insurance issuer when you lose coverage under the plan, when you become entitled to elect COBRA continuation coverage, when your COBRA continuation coverage ceases, if you request it before losing coverage, or if you request it up to 24 months after losing coverage. Without evidence of creditable coverage, you may be subject to a preexisting condition exclusion for 12 months (18 months for late enrollees) after your enrollment date in your coverage.

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Prudent Actions by Plan Fiduciaries

In addition to creating rights for plan participants ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order or a medical child support order, you may file suit in Federal court. If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance with Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

<This Section 5 contains mandatory language that is set forth in the Department of Labor regulations.>