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EMPLOYEE BENEFITS

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Employee Benefits

DRC Company

Study after study shows that prospective Employees weigh the benefits that an Employer offers in making their decision regarding an Employer. Employees believe that an Employer's benefit package is a direct reflection of that Employer's level of commitment towards their Employees.

The primary purpose of your consultant is to provide representation to various insurance carriers, on the behalf of your company. Whether it is the employees, benefit administration or the union connection with end representation, DRC will provide excellent service.

- Participate in benefit planning meetings with management.
- Represent the company to various insurance carriers to provide recommendations that achieve business objectives.
- Provide various cost efficient benefit plans such as Life, Medical, HMO's (POS and Indemnity), Dental (Comprehensive and DMO) and Vision.
- Monitor Loss Ratio Reports of all benefit plans, and make recommendations that are conducive to the company objective.
- Provide assistance to your benefit administrator and employees for benefit questions, claims disputes, and administrative issues with the various insurance carriers.
- Coordinate and participate in annual open enrollment meetings.
- Provide annual report, which summarizes the cost effectiveness of each plan.



Employee Benefits



Areas of Services

- Supplemental Income Plans
- Deferred Compensation Plans
- Private Retirement Plans (Discriminating Plan)
- Non-Qualified Plans
- Qualified Retirement Plans
- Insured Plans (Medical, Dental, Vision, Life) Self-Insured Plans
- Tax Preferred Life Plans
- Disability Income Plans
- Buy-Sell Arrangements
- Business Continuity Planning
- Charitable Techniques
- Proper Banking Relationships
- Venture Capital or Growth Capital
- Business Acquisition/Sale, Merger of Businesses
- COBRA and ERISA Analysis and Recommendations

Specific products implemented include, but are not limited:

- Term Insurance
- Sensitive Whole Life
- Single Premium Life
- Annuities, Immediate, Fixed, Deferred & Index Funds
- Structured Settlements
- Guaranteed Contracts (GIC's)
- Direct Recognition Life
- Group Life
- Special Risk Underwriting
- Retirement Minimum/Maximum Distribution Annuities

Group/Individual Insurance

- Comprehensive Major Medical
- Self Insured Administration Plans
- Dental, Vision & Rx Card
- Supplemental Accident
- Medicare Supplements
- Long Term Care
- Special Risk Underwriting
- HMO's/PPO's/POS/EOP

Disability Insurance

- Individual Disability
- Group Short Term/Long Term
- Business Overhead Expense Reimbursement
- Excess Limits
- Special Risk Underwriting
- Disability But Out



EMPLOYEE BENEFITS CASE STUDIES



DRC Company compiled a group of case studies to accentuate different areas of services rendered. The services that DRC provides are healthcare plans with vision, dental, disability and group life, employee assistance programs, and assistance in administrative services.

Employee Benefits Services and Case Studies

City of Inglewood

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San Francisco Unified School District

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Elk Grove Unified School District

(page 7)

The California State Legislature

(page 8)

Executive Summary

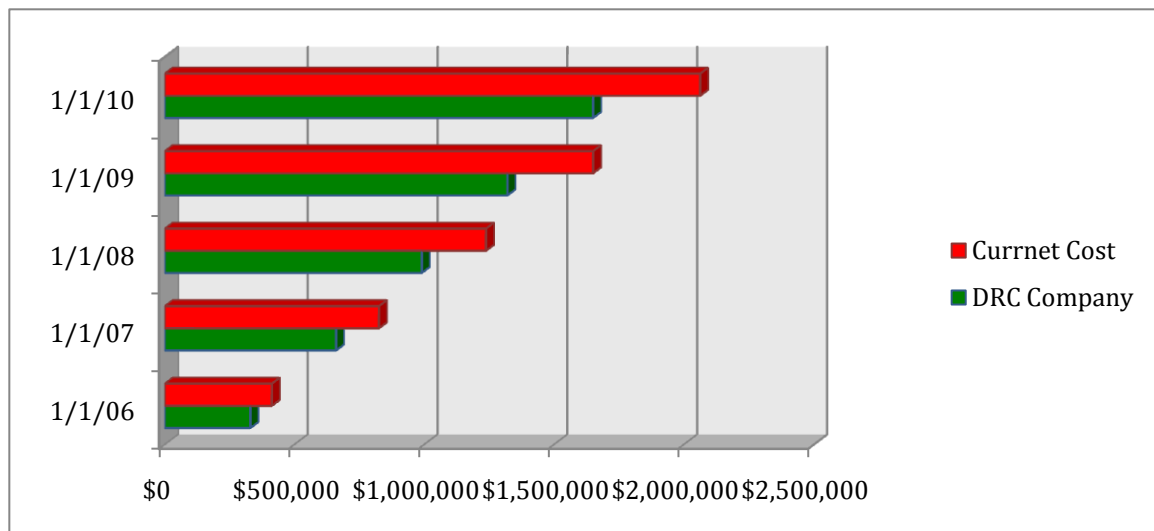
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Case Study 1: City of Inglewood

After obtaining a hefty increase on the group Life and Disability rates DRC began strategizing cost cutting without losing current benefits. The disability premium was \$1.11 per hundred and was expected to increase to \$1.16 upon renewal. DRC compiled all the census data necessary to evaluate, ages, genders, job occupations and utilization. All of these factors were thoroughly analyzed for a fair quoted rate. Inconsistencies were discovered in the utilization numbers. By analyzing the inconsistencies of all the factors DRC negotiated a new rate of \$0.95 cents per hundred with a new carrier that resulted in the City of Inglewood saving \$0.21 cents per hundred. This equals a savings of \$240,000 over 3 years.

How did DRC provide savings? By compiling and analyzing the census data DRC discovered the utilization wasn't driving the rate up, but should have been driving the rate down. The number of claims paid out compared to premiums paid in proved utilization was down and cost was un-proportionally up. Based on employee analysis DRC was able to leverage a 25% savings on both the Disability and Life Insurance. In addition DRC implemented a 4-5 year rate guarantee based on low utilization analysis, thus providing approximately half a million dollars in savings over 5 years.

Additional Services: In addition to the in-force coverage DRC sponsored an optional Employee paid Addition Life plan for all City of Inglewood employees to elect. Providing group Additional Life will enable employees the opportunity to purchase Life insurance at an extremely low price with the ability to convert the coverage in the future.

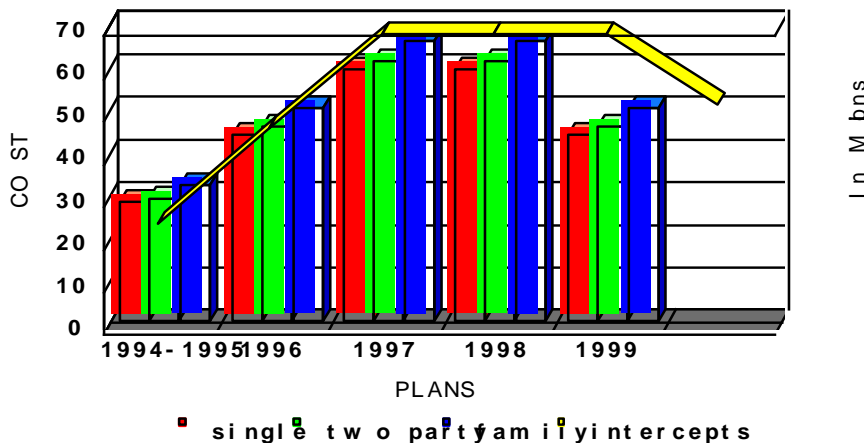


Case Study 2: San Francisco Unified School District

At the request of the CFO, William Coleman, DRC compiled a complete employee benefits analysis of San Francisco Unified School District's healthcare plans. Upon completion of the analysis, William Coleman requested DRC to review other health plans and submit proposals from various carriers. DRC was responsible for evaluating the current plan and stabilizing the rates. DRC assisted management in achieving new benefit plans and the product that was acceptable to both. This resulted in a cost savings of \$3.9 million dollars per year, reducing their employee premium from \$26 million dollars per year to \$22 million dollars per year.

Pharmaceutical Overview and Optional Cost Savings

To be used in conjunction with, or completely separate from the wellness proposal, DRC is also proposing a different system for prescription drugs. Our goal was to alleviate SFUSD of unnecessary costs of providing prescriptions to its members. The inefficient nature of the current system should be overhauled to more effectively monitor the prescriptions being provided. Prescription drugs can cost as much as 26% of PM PM Cost. DRC completed a performance review with current plans and found several ways to enhance benefits with a better network and decreasing overlapping demographics.



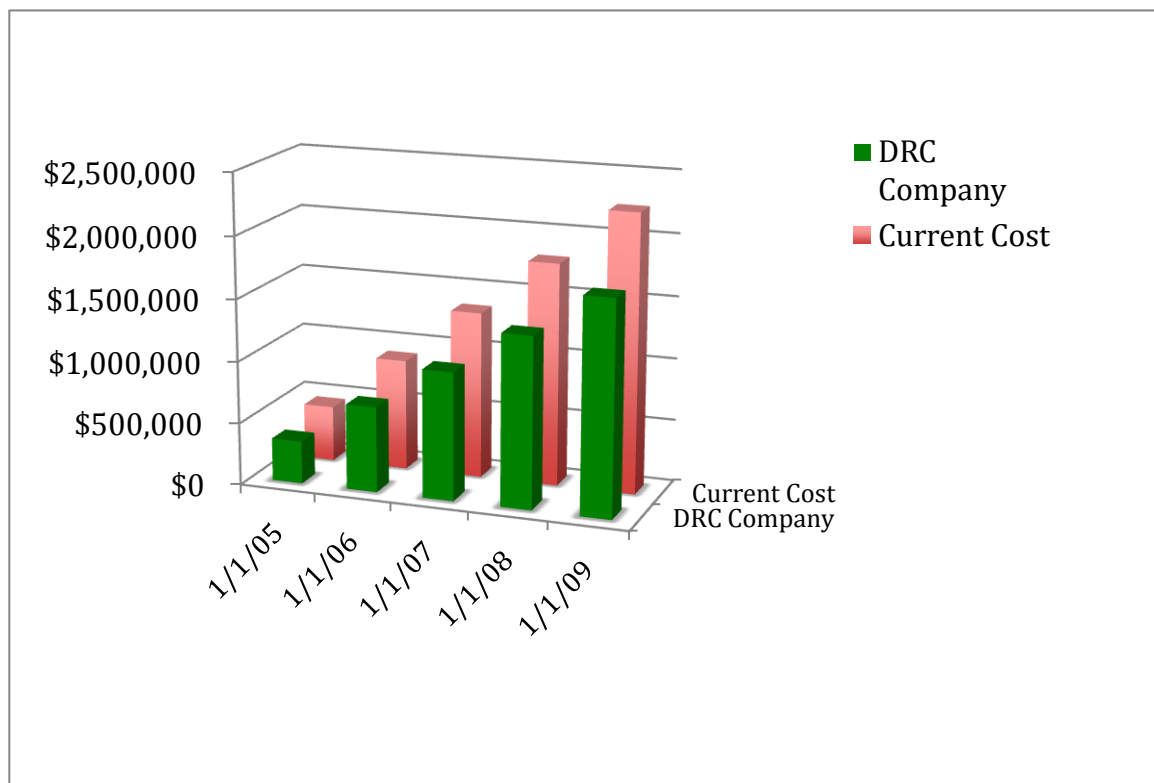
Case Study 3: Elk Grove Unified School District

DRC revisited Elk Grove Unified School District's Life and AD&D group benefits and compiled an employee analysis study to support cost savings and to alleviate the current rates. Currently, Elk Grove Unified School District was paying \$0.100 for Life Insurance and \$0.015 for AD&D, an annual premium of \$447,147.60. DRC implemented a plan design, which supported a high percentage in savings.

DRC presented a Life rate of \$0.063 and an AD&D rate of \$0.015, with an annual premium of \$344,109.24; awarding Elk Grove Unified School District an estimated 35% deduction from the current rate. DRC provided premium savings in excess of \$291,000 over a 3-year period, and a projected \$490,000 over a 4-5 yr period.

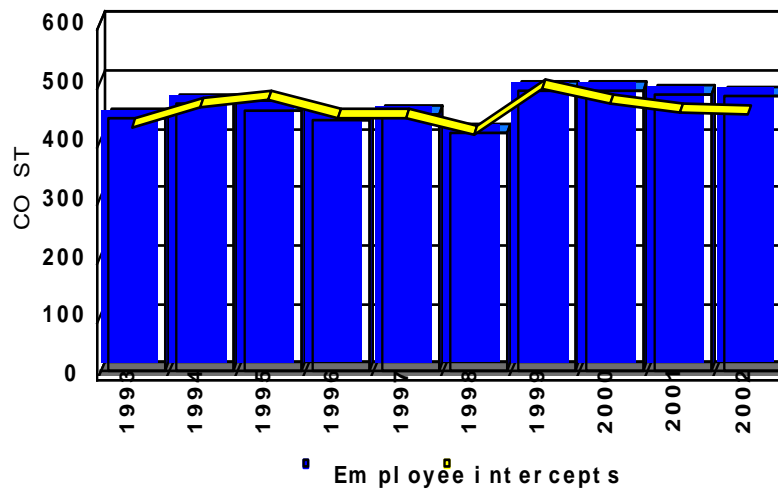
Obtained Goal: By applying Employee Benefit Analysis to case studies DRC provided cost savings and accurate rates based on the group's utilization of their benefits and the composition changes and stability of enrollment. DRC negotiated with highest-rated carriers to present rates compatible to the employee analysis and leveraged cost savings without jeopardizing the employee benefits.

Elk Grove Unified School District



Case Study 4: The California State Legislature

This is a group disability case. DRC was called in to do employee benefit analysis. Upon completion of the analysis, we concluded that the group disability premiums were excessive. DRC was asked to obtain several quotes on group disability insurance. DRC negotiated and secured rates on behalf of California State Legislature that resulted in a 19% rate reduction on group disability insurance. This allowed the legislature to save \$150,000 and provide them with a 3-year rate guarantee.





EXECUTIVE SUMMARY

Employee Benefits Consulting Services

■ **Data Collection; Research and Analysis**

1. Employee Enrollment and Demographic Data
2. Review of Employment Trends; potential changes in workforce
3. Plan Utilization Data Review
4. Employee Survey Instrument Design and Implementation

■ **Review of Plan Design and Rates**

1. Evaluation of Current Benefits Program; impact of managed care initiatives
2. Develop Carrier Specifications
3. Eligibility, Contributions, Cost Trends
4. Claims Experience
5. Assessment of Cost Containment Strategies

■ **Financial Projections**

1. Using Forecasting Models; to project costs associated with various plan options
2. Funding Methodologies / Contribution Strategies
3. Effectiveness of Flexible Spending Accounts

■ **Cost Containment Strategies / Risk Management**

1. Integrated Health Data Management System
2. Health Promotion; comprehensive health risk & lifestyle assessment
3. Claims Profile (medical, disability, Workers' Comp, MH/EAP)
4. Employee Communications
5. Healthcare innovation



Executive Summary

- A.** DRC is a nationwide firm specializing in Employee Benefit analysis in Health, Life, AD&D, Long-term and Short-term disability. DRC continually pursues marketing emphasis in the California area and holds high expectations to expand nationwide. Charles Daniel, President and CEO, worked in the area of Health care over 15 years with Prudential and alongside with Congress on healthcare issues.
- B.** DRC consults a variety of municipalities, schools, government entities, and corporations. As represented in the 4 of many case studies presented.
- C.** DRC sets a part from other industry Producers by specializing in large volume and premium employee benefit groups and achieves cost-savings by an employee benefit analysis agreement. Through this agreement DRC's diligent negotiation, complete evaluation of usage, and larger volume-premium of current clients, influences health, and ancillary carriers to provide better rates.
- D.** DRC estimates Group Life every 600-1,000 employees equals a half a million in savings over a 5-year period. In addition to Life and AD&D, Long-term and Short-term disability will save another 10%-15% in savings

