

SALES COMPENSATION INFORMATION INDIVIDUAL PRODUCTS

Blue Cross Blue Shield of Arizona (BCBSAZ) sells health and dental coverage products either directly or through independent licensed insurance brokers. Except on Medicare supplement contracts as described below, BCBSAZ generally pays a sales commission to the eligible broker designated as the broker of record, or an assignee. BCBSAZ pays the commission until the earlier of the date the insurance contract is terminated or the date the contract holder terminates his/her relationship with the broker. Licensed BCBSAZ employees (inside sales representatives) may receive sales incentives as described below.

BCBSAZ does not pay broker commission or sales incentives for non-underwritten products such as individual Portability contracts, Comp One contracts and HMO Conversion contracts. The one exception is that BCBSAZ does pay commission on certain Medicare supplement plans.

BCBSAZ includes commission payments to brokers and sales incentive payments to BCBSAZ employees in calculating premiums. However, with respect to almost all BCBSAZ products, the premium is not affected by whether the product is sold directly by BCBSAZ or through a broker.

In addition to the information provided below, brokers are required under their agreements with BCBSAZ to provide written disclosure to their customers about commission or any other compensation received from BCBSAZ.

UNDER-65 PRODUCTS WITH EFFECTIVE DATES OF MARCH 1, 2011 AND LATER

BCBSAZ Commission Schedule¹

Effective March 1, 2011²

Number of Contracts	Non-association Business		Association Business	
	New Sales	Renewal	New Sales	Renewal
1-9	8.5% CEP ³	4.0% CEP	6.5% CEP	3.0% CEP
10-49	9.0% CEP	5.0% CEP	7.0% CEP	4.0% CEP
50-99	9.5% CEP	5.0% CEP	7.5% CEP	4.0% CEP
100-499	10.0% CEP	5.0% CEP	8.0% CEP	4.0% CEP
500+	10.5% CEP	5.5% CEP	8.5% CEP	4.5% CEP

¹This Commission Schedule does not apply to any BCBSAZ product offered on the Exchange.

²This Commission Schedule is effective only for business written on or after March 1, 2011 and does NOT apply to new or renewing business initially written before March 1, 2011.

³CEP is defined as the BCBSAZ preferred rate at the time of initial enrollment and does not include tobacco surcharges, rate-ups or increases as a result of medical inflation.

**UNDER-65 PRODUCTS WITH EFFECTIVE DATES BETWEEN
SEPTEMBER 1, 2007 AND FEBRUARY 28, 2011**

Standard Broker Commission - A standard commission is a percentage of the premium paid by the subscriber. The commission rate varies based upon the number of eligible individual contracts attributable to each broker or broker agency. Contract counts are based on eligible contracts with effective dates prior to, on and after September 1, 2007. However, BCBSAZ will pay commission (see percentage reflected below) only against premium for eligible contracts with effective dates between September 1, 2007 and February 28, 2011. A different standard commission rate applies to individual contracts sold through a BCBSAZ approved Association or Chamber of Commerce as reflected below.

Standard Business With Effective Dates of 9/1/07 and Later

Eligible Individual Contracts⁴	Commission
0 – 99	10%
100 – 199	10.5%
200 – 299	11%
300 – 399	11.5%
400 – 499	12%
500+	12.5%
BCBSAZ Approved Association and Chamber of Commerce	
0 – 99	7%
100 – 199	7.5%
200 – 299	8%
300 – 399	8.5%
400 – 499	9%
500+	9.5%

⁴ Eligible Individual Contracts means the number of eligible contracts on the last day of each month.

**UNDER-65 PRODUCTS WITH EFFECTIVE DATES BETWEEN
JANUARY 1, 2003 and SEPTEMBER 1, 2007**

Standard Broker Commission - A standard commission is a percentage of the premium paid by the subscriber as stated below. The commission rate varies by the number of months a contract is in effect. A different standard commission rate applies to individual contracts sold through a BCBSAZ approved Association or Chamber of Commerce as stated below.

Standard Business With Effective Dates Before 9/1/07

Commission	Months
12%	1 through 12
7%	13 through 24
5%	25 and after
BCBSAZ Approved Association and Chamber of Commerce	
9%	1 through 12
5%	13 and after

High Production Broker (HPB) Commission - Certain brokers with a high volume of BCBSAZ individual contracts with effective dates before September 1, 2007 receive a standard commission rate different from that BCBSAZ pays other brokers. In addition, for individual contracts sold through a BCBSAZ approved Association or Chamber of Commerce, BCBSAZ pays HPBs as reflected below.

Standard Business for HPBs With Effective Dates Before 9/1/07

Commission	Months
12%	1 through 12
7%	13 and after
BCBSAZ Approved Association and Chamber of Commerce for HPBs	
9%	1 through 12
6%	13 and after

MEDICARE SUPPLEMENT PRODUCTS

A broker commission for a Medicare supplement plan is a percentage of the premium paid by the subscriber. As stated below, the commission paid varies by the number of months a contract is in effect.

Commission	Months
10%	1 through 71
5%	72+

INCENTIVE COMPENSATION PROGRAM

All brokers are eligible to receive an additional incentive commission for sales of: (1) BCBSAZ medically underwritten individual contracts with effective dates prior to January 1, 2003; and (2) all Medicare supplement plan contracts regardless of the effective date and regardless of whether it was medically underwritten. BCBSAZ medically underwritten individual contracts with effective dates of September 1, 2007 and later and DentalPlus contracts are not eligible for incentive commission. An incentive commission is a percentage of the subscriber's premium and is based upon the number of eligible individual contracts attributed to each broker or broker agency on the last day of each month. Contract counts are based on eligible contracts with effective dates prior to, on and after September 1, 2007. However, BCBSAZ will pay commission (see percentage reflected below) only against premium for eligible contracts with effective dates before January 1, 2003. Any change (increase or decrease) in the number of eligible contracts on the last day of the month will result in an adjustment to the incentive percentage paid by BCBSAZ.

Eligible Individual Contract ⁵	Monthly Incentive
100 – 199	.5%
200 – 299	1%
300 – 399	1.5%
400 – 499	2%
500 and above	2.5%

⁵ Eligible Individual Contract means the number of eligible contracts on the last day of each month. "Eligible contract" means an active (i.e., non-terminated) contract on which BCBSAZ pays commission.

ANSWER FORT SMITH COMPENSATION ARRANGEMENT

For applications received by BCBSAZ from Answer Fort Smith, BCBSAZ pays (1) a one-time flat fee of \$100 for Individual Under-65 products⁶ and (2) a \$50 flat fee for all Medicare products regardless of the effective date and regardless of whether or not the Medicare product is medically underwritten.

⁶ Individual Under-65 products do not include Portability, HMO Conversion, and/or Comp One products.

DENTALPLUS DENTAL PRODUCT

The broker commission for a DentalPlus individual contract is 10% of the annual premium while the contract is in effect. DentalPlus contracts are not eligible for additional incentive commission (as described above).

BCBSAZ EMPLOYEES

Licensed inside sales representatives receive a flat-rate, one-time payment for sales of BCBSAZ individual products. The compensation varies slightly by product.

Notes:

From time to time, BCBSAZ holds contests for its contracted brokers and licensed inside sales representatives to encourage production and retention of business. Typically, in these contests, BCBSAZ pays additional incentive compensation such as a set dollar amount for each sale of a BCBSAZ individual contract sold within a defined time period. Additionally, brokers and licensed inside sales representatives selling a certain number of contracts may periodically be given the opportunity to participate in a prize drawing or similar program.

Commission payments to brokers are subject to change in accordance with terms and conditions stated in the Broker Agreement with BCBSAZ.

Commission is based on the number of eligible contracts per payment period and is payable based upon on BCBSAZ's receipt of premium from a subscriber.

Generally, contracts acquired by a broker through acquisition, purchase or merger of another broker's BCBSAZ block of business are not eligible for incentive commission.