

SALES COMPENSATION INFORMATION INDIVIDUAL PRODUCTS

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 your broker of record, or an assignee, until the insurance contract is terminated or the contractholder 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 (except certain Medicare supplement plans) such as individual Portability contracts, Comp One contracts and HMO Conversion contracts.

Commission payments to brokers and sales incentive payments to BCBSAZ employees are components of the costs factored into premiums, but BCBSAZ's premium calculation for specific products is not based on whether it is sold directly or by 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 BEFORE SEPTEMBER 1, 2007

Standard Broker Commission - A standard commission is a percentage of the premium paid by the subscriber as shown 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.

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 Commission - Certain brokers with a high volume of BCBSAZ individual contracts with effective dates before September 1, 2007 receive a different standard commission rate. A different broker commission rate applies to individual contracts sold through a BCBSAZ approved Association or Chamber of Commerce.

Standard Business With Effective Dates Before 9/1/07	
Commission	Months
12%	1 through 12
7%	13 and after
BCBSAZ Approved Association and Chamber of Commerce	
9%	1 through 12
6%	13 and after

UNDER-65 PRODUCTS WITH EFFECTIVE DATES OF SEPTEMBER 1, 2007 AND LATER

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, the commission level will be applied only against premium received for eligible contracts with effective dates of September 1, 2007 and later. A different standard commission rate applies to individual contracts sold through a BCBSAZ approved Association or Chamber of Commerce.

Standard Business With Effective Dates of 9/1/07 and Later	
Eligible Individual Contracts*	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%

*The number of eligible contracts on the last day of each month

MEDICARE SUPPLEMENT PRODUCTS

A broker commission for a Medicare supplement plan is a percentage of the premium paid by the subscriber. As shown 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 BCBSAZ medically underwritten individual contracts with effective dates prior to September 1, 2007 and Medicare supplement plan contracts. 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, the incentive will be applied only against premium received for eligible contracts with effective dates of before September 1, 2007. 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.

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

*The number of eligible contracts on the last day of each month

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 Insides 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 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 selling a certain number of contracts may periodically be given the opportunity to participate in a prize drawing or similar program.

Commission payments 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.

Execucare and BluePreferred (original -non-copay) contracts are no longer sold by BCBSAZ, but eligible brokers may still receive commissions on existing enrollment in those products.