LOCKTON

Alcohol Company, Inc.

Response to RFP for Employee Benefits Insurance Broker and Consulting Services

March 27, 2020

CONTENTS

COVER LETTER

Amanda,

Thank you again for including Lockton in your benefit consulting services RFP. My hope is this process will speak for itself as to our commitment and added value, and that we can convey that we are passionate about our company, our business model and our clients.

I did want to take this opportunity to personally commit to ensuring we deliver. If, at the end of this process you decide Lockton is the right partner for Alcohol Company, let me share what you will experience:

- You will have a very proactive global business and community partner that will bring you the cutting edge programs and services in our industry.
- We will do the little things, the basic blocking and tackling of the service model for Alcohol Company, better than anyone in our industry. We pride ourselves on doing things the right way the first time and providing exceptional service year-round.
- We will work hard to streamline your benefit programs and bring specialized resources to help manage your growing organization.
- We will hold ourselves accountable for what we have committed to do for you.
- If we make a mistake, we will bring it to your attention and try not to repeat the error.
- We will be relentless with regard to managing your health and welfare insurance program costs.
- We will communicate effectively and often, and do everything we can so there are no surprises.
- You will have the strongest team advocating for Alcohol Company in the US, Canada, US Virgin Islands, and around the globe.

There are some things you will not experience if you choose Lockton:

- We will not change our model or cost structure to accommodate Wall Street's or a private equity company's demands.
- We will not just be transactional and reactive.
- We will not gratuitously move people on and off your service team.

Finally, in addition to the formal performance guarantee alternatives we can share for your consideration, I can guarantee that our benefits consulting team will deliver unparalleled results for Alcohol Company. I'm speaking from my heart now, because of equal importance, in my opinion, is our commitment to a broader partnership with Alcohol Company. This includes NEAG (www.northeastexecutives.com) and many other altruistic collaborations. All of which is not part of a trendy, check the box corporate initiative. It's everything to us. It's who we are. We insist on aligning our commitment to the communities we serve with Lockton business objectives and our heartfelt personal values; because we know that alignment defines us every day. And, by the way, we're really proud of the fact that it's worked from a business perspective. I know that's been the case for Alcohol Company since 1997.

Our marketing team put together this video that truly captures our culture and brand. It's runs for one minute and fifteen seconds, please take a peek and let me know what you think.

Amidst all the craziness, I hope you and your colleagues stay safe.

My very best,

Ted Pizzo
Managing Executive
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Mobile: 860-751-9805
tpizzo@lockton.com

Also, learn more about the great stuff Northeast Executive Advisory Group is doing for businesses, the community and those in transition www.northeastexecutives.com.

COMPANY OVERVIEW

Provide an overview of your company, including a brief description of your company's history, growth, ownership structure, philosophy/culture and number of employees.

ABOUT LOCKTON

The 7,500+ professionals of Lockton Companies serve several thousands of clients around the world with risk management, insurance, and employee benefits consulting services. Founded in 1966, Lockton is the world's largest privately owned, independent insurance broker, with 2019 revenue of $1.72+ billion and 100+ offices on five continents. We are the 8th largest commercial insurance broker in the world, and Employee Benefits is a growing and significant part of our overall business accounting for 27% of our total revenue. Lockton is recognized for its leadership, innovation in client service, expertise, and passion for our work.

Lockton's philosophy, supported by our service model, is very different than our competitors. We have the essential resources and tools including compliance, actuarial, wellness solutions, data and pharmacy analytics practices. What makes Lockton unique is our practices are not profit centers and we do not push products. Our solutions are focused on our clients' needs and circumstances. We have daily access to all of our resources; we work collaboratively to find the best solution for each client's situation. As the world's largest privately owned insurance brokerage, Lockton will provide Alcohol Company the right balance: large enough to offer deep resources to meet your employee benefit needs, yet entrepreneurial, nimble, and responsive enough to derive the best results from a team of experts that delivers exceptional customer service at a fair price. Our private ownership allows our Associates to focus on our clients rather than be distracted by quarterly earnings or outside investors.

Your dedicated Lockton team was hand selected and is uniquely qualified to help Alcohol Company achieve its overall objectives in the design, implementation, maintenance, compliance, and improvement of the employee benefit insurance programs. The unique setting and culture that Lockton provides allow our consultants to provide a higher level of service specifically tailored to our clients' needs.

Lockton at a Glance

$1.72B
Revenue

96%
Client retention
11% above the industry average

7,500+
Associates

100+
Offices

52,000+
Clients

$29+ BILLION
In premium volume worldwide

Lockton is recognized for its leadership and innovation in client service. Clients value our expertise and passion for our work. Lockton's motto, WE LIVE SERVICE!®, sums up our entrepreneurial culture — a culture that helps us retain 96 percent of our U.S. clients annually, the best record in the business. The loyalty of our clients contributes to our organic growth at a rate that is higher than any of our competitors. Lockton's private ownership allows us to invest more in our clients than any other broker/consulting firm. Under our model, we take a 10 percent profit margin versus 20-30 percent for publicly traded and bank-owned competitors. Additionally, we enjoy a 5-10 percentage point advantage in corporate overhead, so our business model provides for a 15-30 percent efficiency that allows for greater reinvestment into the services our clients have come to expect and rely on. We think long term, not quarter to quarter. Lockton offers a unique combination of the best qualities of large publicly-traded consulting brokers and smaller regional firms. Lockton brings the very best in expertise and resources, yet we are private, entrepreneurial and dedicated to high-touch service for our clients.

Lockton's focus will be on acting as a true extension of Alcohol Company's HR team. This phrase is often used in our business but not typically executed upon - the key is open and honest communication across our organizations. It will be the responsibility of your Account Executive, Julie Gurney, to ensure that our team understands your objectives and is executing upon Alcohol Company's specific strategy. Julie will "connect the dots" and adjust accordingly as our partnership evolves.

Lockton's Canadian division, BFL Canada, is the largest privately held broker in Canada, with over 850 associates across 17 offices across the country. BFL is one of the founding partners of Lockton Global, LLP and has been an exclusive global partner to Lockton in Canada since 2009. With close to 1,000 mutual clients between BFL and Lockton, our teams interact daily with one another providing creative solutions and exceptional service to our clients. We understand that a sound employee benefits program is derived from an organization's philosophy, global benefits strategy, its operational and structural constraints and its objectives in employee retention and morale.

Our approach to servicing Alcohol Company's Canadian benefits program would be to ensure the needs and desires of Alcohol Company's H.R. and Finance team are accomplished without the concern of whether or not it is in or out-of-scope. Our approach is to align the Canadian benefits program with Alcohol Company's global benefits philosophy and to help you achieve your business objectives. Alcohol Company's Canadian operations will receive outstanding services, including, but not limited to the following:

- Plan member education
- Plan design consultation
- Benchmarking and market analysis
- Periodic claims review
- Comprehensive annual renewal review
- On-call access during collective bargaining
- Legislative updates

Describe your organizations philosophy and approach to client services.

OUR MISSION

To be the worldwide value and service leader in insurance brokerage risk management, employee benefits, and retirement services.

Lockton Philosophies

Lockton's has established a set of core values/philosophies for our associates that reflect our motto, "WE LIVE SERVICE!®"

- Be committed to the highest standards of excellence in everything we do
- Practice the Golden Rule, and sustain a highly ethical, moral and caring culture
- Recognize our associates as our most valuable assets
- Maintain our independence and private ownership
- Provide the opportunity and support that allows associates to grow, improve and achieve their ultimate potential
- Recognize and substantially reward exemplary associate performance
- Respect, value and nurture each client and carrier relationship
- Be composed of people who demonstrate a passion for delivering unparalleled service--internally and externally
- Make a recognizable difference to our clients' businesses through innovative solutions to their insurance needs
- Be proactive in sustaining a meaningful corporate, social and civic responsibility
- Manage our business for consistent and orderly growth
- Be a fiercely competitive and aggressive sales organization
- Generate fair and healthy financial returns

STRATEGY DEVELOPMENT

What is your recommended approach for helping Alcohol Company develop a comprehensive, multi-year benefits strategy?

We believe that the development of fluid multi-year strategies is a core competency of our consulting teams. We work with each of our clients to develop a three-year strategy that focuses on six key areas:

1. PLAN MANAGEMENT – efficiently purchasing the components of your program
2. PARTICIPANT COST SHARING – plan design and payroll contribution options
3. ELIGIBILITY MANAGEMENT – managing who is covered on the plan
4. HEALTH RISK SOLUTIONS – clinical programs and well-being
5. EMPLOYEE ENGAGEMENT – communications and employee participation
6. COMPLIANCE – Federal and State regulations, filings, reporting, etc.

We will deploy two proprietary tools during the strategy development process. Our IDEAL Profile tool is a twelve question survey that helps identify the collective belief system around how benefits should be offered to employees. This belief system drives what benefits you offer, and the overall strategy you use to get the most value out of your investment.

Once we have identified Alcohol Company's IDEAL Profile, we utilize our GPS tool to review all the cost management strategies that align with your profile and discuss any additional options that may make sense given your priorities. GPS is presented as a bulls-eye with four cost management quadrants. The placement of a tactic on the bulls-eye allows us to determine the value of the cost savings (high, medium, low) and the impact on your employees (high, medium, low). Please see a visual illustration on the upcoming pages:

Benefits Philosophy: IDEAL Profile

Given the current corona virus crisis, should Alcohol Company enhance employees and incentives to access to telemedicine as well as other self service and remote prevention and health awareness initiatives?

Based on this information, we create a multi-year strategy specific to Alcohol Company's profile and objectives. A sample is included on the following page. We do not typically look beyond three years given the dynamic nature of the employee benefits marketplace. We also believe it is difficult to look too far out on the legislative front given the volatility of each election cycle. The potential for changes to the legislative landscape and Affordable Care Act, and the costs associated with various proposals would have a dramatic impact on the current employer sponsored healthcare benefit landscape.

By utilizing the data driven strategic planning process described on the previous page, we are able to develop an incremental, multi-year plan such as the one below.

Sample Three-Year Strategic Plan

	Strategic Decision Area	Current Situation	2021	2022	2023
COST	Purchasing Efficiency	■ Self-funded Cigna comprehensive medical ■ Broad network ■ Multi-year pharmacy deal with ESI ■ Self-funded CHC ACA plans	■ Review plan design structure ■ Lockton Stop Loss team review of current reinsurance ■ Evaluate current pharmacy pricing – renegotiate terms as appropriate	■ Evaluate alternative medical and Rx networks ■ Evaluate PBM ESI versus other options	■ Centers of Excellence incentives
	Eligibility Management	■ 3 tiered benefit strategy for field associates (CHC medical, core vendors for other lines of coverage) ■ Cigna plan contributions are family friendly in most cases	■ Increase cost on Dependent Tiers	■ Spousal surcharge ■ FMLA Outsourcing	■ Spousal Exclusion
	Health Promotion and Risk Improvement	■ Cigna offers a number of programs – not sure if they are utilized or communicated ■ Wellness and data mining questions included in RFP – current tool in place? ■ Limeade	■ Incentive HRA, biometrics and preventive care (one-time activity-based) ■ Introduce contribution incentive/reward ■ Tobacco surcharge ■ Implement InfoLock	■ Intensify activities and increase incentives; build in fitness tests and coaching plans ■ Leverage HUB capability to integrate programs, SSO	■ Introduce outcomes-based incentives ■ Enhanced financial well-being; Deploy Mental Health First Aid
	Participant Cost-Sharing	■ 3 Medical plans ■ 2 Dental and 1 Vision plan ■ Cigna Cost varies by subgroup, most are 30/70 split ■ $500 Individual/$1,000 Dependent HRA contribution ■ Salon Professional varies by Tier	■ Review current contribution strategy – HRA highest ER cost ■ Evaluate current Voluntary Benefits (Critical Illness, Accident, Whole Life etc.) ■ Other Voluntary Benefits – Auto/ Home, ID Theft, Legal, Purchasing Power, etc.)	■ HSA alternative/ addition to HRA ■ Price Transparency/ Care Concierge Vendor (Zest)	■ Defined Contribution
	Engagement	■ OE call center funded by Voluntary Benefits ■ Lawson enrollment system off-cycle ■ Paper, internal Sample Company Apps	■ Add benefits mobile app ■ "Push Communications" – texting ■ Topical Periodic Communications ■ Year round call center	■ Eldercare, Concierge, Childcare, Money Management, Stress Management, Sleep Management, etc.	■ Team challenges ■ Benefits stories (i.e. wellness program successes) ■ Expand social app

Provide an overview of your reporting and analytics capabilities.

The health and welfare benefits landscape has become more complex than ever. Rising costs and increased regulation create a critical need for partnership with a highly technical and informed business consultant. The Lockton Associates selected to partner with Alcohol Company have the capabilities to build a data-driven approach that brings clarity and confidence to your business through the following avenues:

- Lockton Actuarial Tools
- Financial Reporting Packages
- Actuarial Services

Each client service unit has a Financial Consultant with an underwriting background and access to a dedicated actuary. The Financial Consultant is responsible for measuring and managing all activity detailed above, and that role will be served by Brenton Milardo. Brenton has experience working with complex organizations ranging from 300 to 15,000 employees across a wide range of industries. As a seasoned advocate for his clients, Brenton is knowledgeable in all areas of benefit plan management and is focused on delivering results for his clients.

Lockton's team, supported by dedicated actuarial resources will develop financial and contribution models to illustrate plan and cost-sharing options. We will provide short-term and long-range financial impacts of all options. Lockton's proprietary tools such as Group Plan Strategy (GPS) and our data driven analytical approach will provide a customized insight into both employee and employer impact as options are evaluated to help achieve your fiscal and human capital goals. Once this final plan is determined, Lockton will provide projections, budget rates, COBRA rates, and any imputed income rates as needed. Lockton also will provide attestations for IBNR and claim fluctuation reserves calculations.

All of these services are standard and included in our proposal.

ACTUARIAL

Certified Actuaries FSA, FCA, MAAAA

FINANCIAL

Benefits Financial Analysts Technical Consultants

UNDERWRITING

Funding and Risk Management Specialists

SERVICE HIGHLIGHTS

- Forecasting/Budgeting
- Demo Analysis
- Contribution Modeling
- Plan-Change Analysis
- Health Reform
- Network Evaluation
- IBNR Calculation
- COBRA Rate Certification
- Self-Funding Feasibility
- Simulation
- Captive Modeling
- ROI Calculation
- Claims Review
- Group Planning Strategy (GPS)

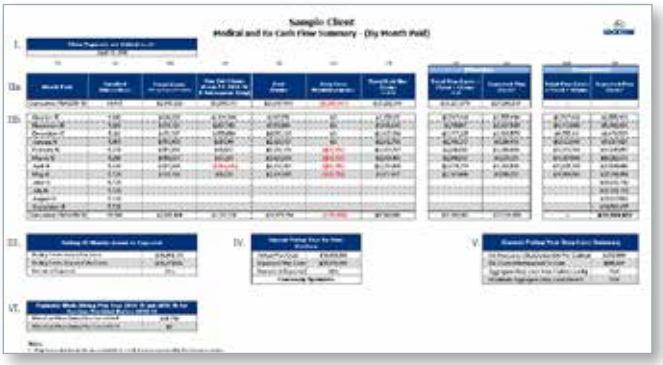
Financial Reporting Packages

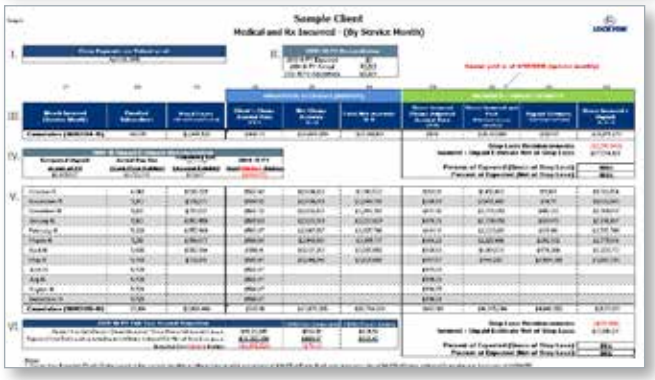
Our monthly reporting keeps all financial management in play at all times. They are established such that you have insight - at any given time - as to where you stand from underwriting and financial management purposes. These reports include large claims activity, comparison of claims to accruals on a YTD basis, and monthly enrollment. We have extensive reporting capabilities; however, can accommodate ad hoc and customization on existing reports.

We offer the following reports standardly for all self-insured clients:

- Financial Reporting Package Sample Financial Reporting
- Benchmark Reports (cost, plan design, program design, etc.)
- Demographic Analysis
- Enrollment & Premium Reporting
- Network Accessibility Reports
- Network Discount Reports
- Utilization & Disease Management Reports (InfoLock®)
- Network Disruption Reports
- Carrier/TPA Performance Measures
- Plan Design Modeling
- Contribution Analysis

Sample Financial Reporting*





* We would be happy to provide full sample financial reporting packages if selected as a finalist.

Below are reports self-funded clients receive monthly:

- Plan Management Report (PMR) – The PMR is an HR-based report which identifies monthly and cumulative plan utilization:
  - By plan
  - Gross and net of employee contribution
  - By expense category (administration, stop loss, medical & pharmacy claims)
  - Rolling 12 months trends
  - Large claims
- Cash & Accrual (C&A) – The C&A report is a two page "at-a glance" report designed for financial management. Once familiarized to this powerful report, Finance and Human Resource professionals can easily identify planyear performance on both cash and an accrual basis, including large claims activity as it relates to specific and aggregate stop loss coverage.

Embedded in our Stop Loss Unit, our internal clinical team will flag and audit any claim that reaches 50% of Alcohol Company's individual stop loss level. We will monitor these claims as they persist and will look at ways to favorably impact cost, efficacy, member experience, and overall compliance. Our early detection and overall clinical approach to pending large claims will ensure the least disruption possible to ongoing plan performance.

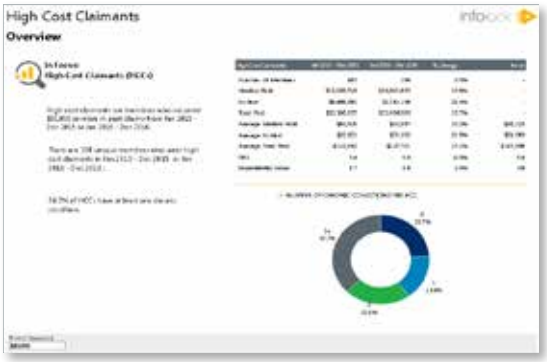
We incorporate vendor reporting and our own InfoLock® reporting to evaluate our clients healthcare plan utilization.

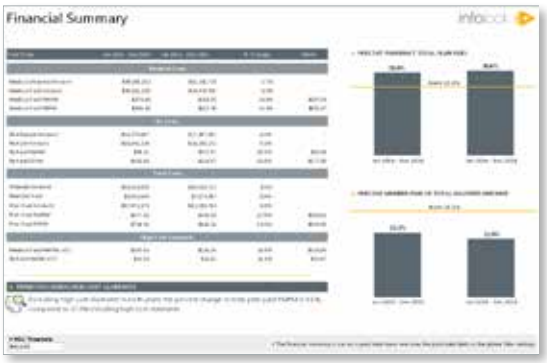
Vendors today tend to have fairly good reporting on financial and utilization metrics, and our role is primarily to focus them on delivering solutions and recommendations specifically tied to your data, rather than rehashing what has already happened. We ask them to model the effect of any proposed solutions prior to our meetings, so we can make informed recommendations efficiently.

We use our proprietary data mining tool **InfoLock®** to import historical ASO claim files and create an unlimited number of ad hoc reports to analyze health risks, utilization and clinical patterns. InfoLock® affords us the ability to deliver powerful data analysis, predictive modeling tools and solutions for wellness and disease management.

The InfoLock® longitudinal warehouse takes on even greater significance if you have multiple medical carriers or transition from your existing carrier, as we maintain full claim history for 36 months.

Most importantly, we use InfoLock® to measure the effect of your wellness and health management strategies over time to determine what is working. By incorporating biometrics and health assessment, we can see health risks before they translate to claims and can determine whether we are getting people to reduce their health risks.

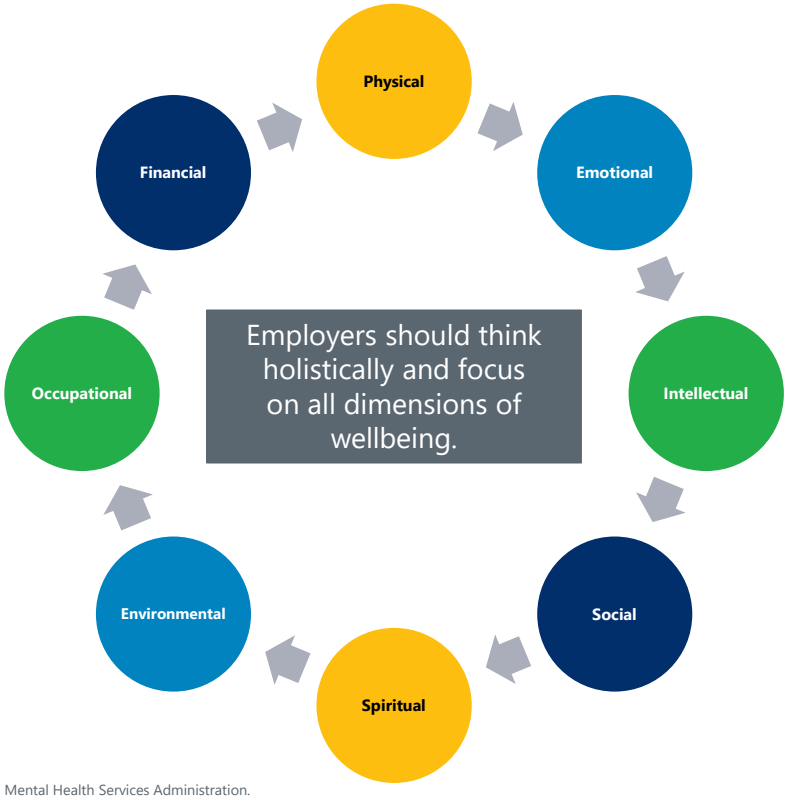




Describe your organization's resources and/or approach to wellness and health outcomes with regard to both employee health and your client organization's cost.

The following pages describe Lockton's approach to health risk solutions, our views regarding employee well-being, and wellness consulting services we provide:

The dimensions of well-being



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Source: HHS Substance Abuse and Mental Health Services Administration.

Program priorities

What does FM Global want to accomplish through a well-being program?

- Lower medical costs through plan design.
- Lower medical costs with targeted strategies.
- Build a culture of health.
- Improve business performance.
- Impact employee recruitment and retention.

Evidence-based best practices

Sustainability

Policies that support healthy lifestyles;
enhance workplace environment; program evaluation.

Strategic

Data-driven goals and objectives; consistent and diverse communication;
wellbeing committee; meaningful incentives.

Foundational

Visible commitment, championship and participation from all levels of leadership;
supportive culture; focus on all dimensions of wellbeing.

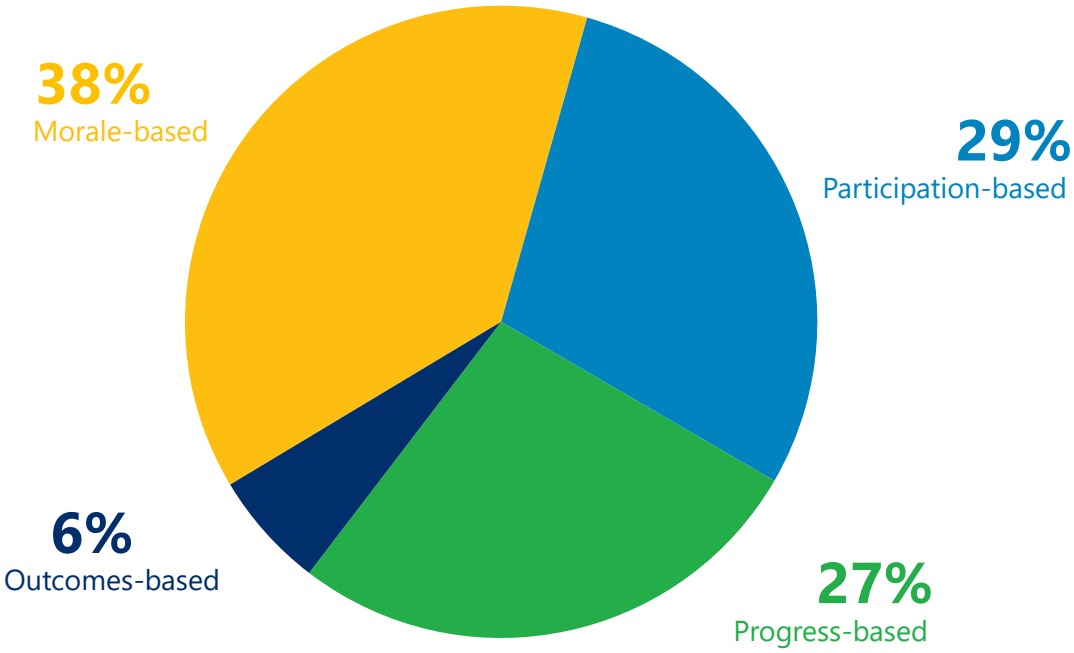
Activities across the dimensions of wellbeing

	Sample activities	
Physical	■ Biometric screening/health assessment. ■ Preventive care and age-related screenings.	■ Physical activity, nutrition and weight loss. ■ Targeted programs (diabetes, heart disease).
Emotional	■ Work-life balance initiatives. ■ Mental health stigma reduction campaign.	■ On-site EAP services. ■ Navigation for behavioral health needs.
Intellectual	■ Tuition reimbursement. ■ Continuing education and certifications.	■ Professional mentoring programs. ■ TED talks for business matters.
Social	■ Corporate and peer challenges. ■ Group-based classes and education.	■ Community service and volunteer activities. ■ Corporate sports teams.
Spiritual	■ Resiliency and mindfulness programs. ■ On-site meditation and yoga classes.	■ Quiet rooms. ■ Dedicated quiet time during workday.
Environmental	■ On-site fitness center. ■ On-site cafeteria, healthy catering/vending.	■ On-site clinic. ■ Tobacco-free campus.
Occupational	■ Employee development and mentoring. ■ Career paths/advancement.	■ Recognition among peers. ■ Employee appreciation.
Financial	■ Financial education workshops. ■ 1:1 financial planning with advisor.	■ Employer match for 401(k). ■ Student loan repayment.

The spectrum of wellbeing programs

	Morale-based program	**Participation-based program**	**Progress-based program**	**Outcomes-based program**
Program focus	Education	Participation and engagement	Participation and engagement	Employee accountability
Sample activities				
Annual physical	✓	✓	✓	✓
Health fair	✓			
Lunch and learns	✓	✓		
Health risk assessment	✓	✓	✓	✓
Biometric screening	✓	✓	✓	✓
Health coaching		✓	✓	✓
Challenges and activities		✓	✓	Optional add-on
Health metrics bonus			✓	✓
Achieve or improve biometric measures; results-driven				✓
Targeted condition-specific disease management			✓	✓
Robust case and disease management			✓	✓
Incentives/disincentives	N/A	Generic activity completion	Targeted activity completion	Tied to outcomes

Lockton clients across the spectrum



Strategic approach: Culture or cost containment

Culture

- Inclusive of all dimensions of wellbeing.
- Work environment and corporate policies promote healthy lifestyles.
- Programs designed with consideration to intrinsic motivation.
- Support both work and personal life.
- Employees are empowered.
- Incentives tailored to the population.
- Can include clinical programs as a part of the broader initiatives.

Cost containment

- Focus mainly on physical aspects of health.
- Strong integration of clinical programs.
- Leans toward extrinsic motivation.
- Rewards based on achievement of health outcomes.
- Incentives tied to health plan.

Markers of success: VOI or ROI

Value on investment (VOI)

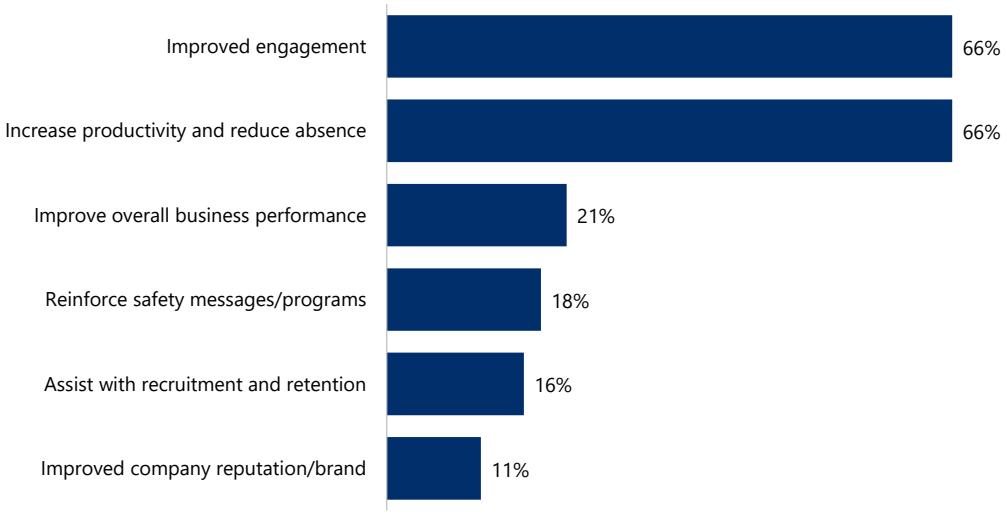
- Benefits arising as a result of the program, unrelated to cost savings.
- Key concept: Healthier employees are better for business.
- Focus is on People's United Bank business performance.
- VOI metrics can include:
  - Absenteeism.
  - Attracting talent.
  - Engagement.
  - Morale.
  - Presenteeism.
  - Productivity.
  - Safety performance.
  - Turnover.
  - Workers' compensation.

Return on investment (ROI)

- Ratio of dollars saved to dollars invested.
- Focus is on managing risk and health plan cost savings.
- ROI from wellness programs require:
  - Outcomes-based program design.
  - Targeted disease management.
- More likely to see a positive ROI with:
  - 70%+ program engagement with same participants engaged for 3+ years.

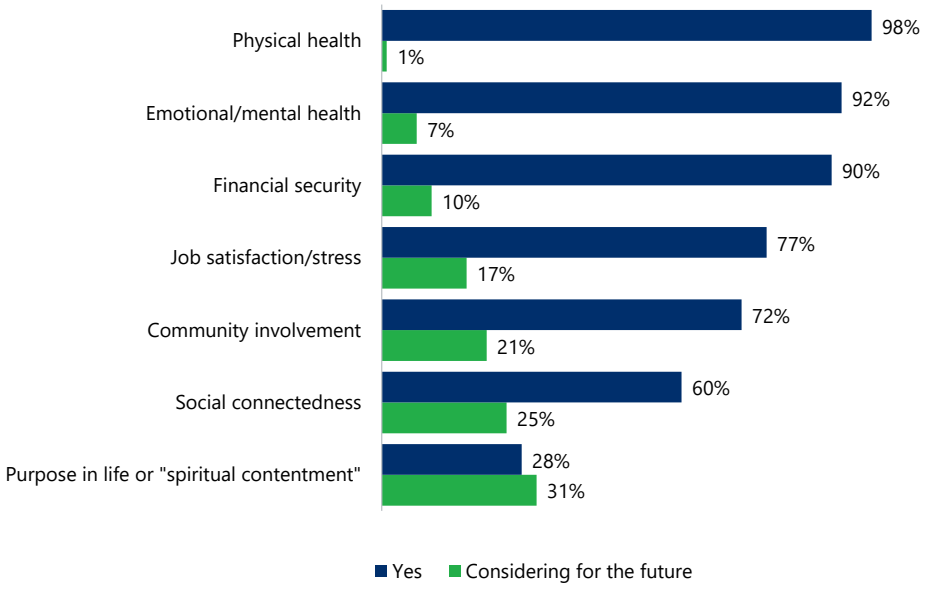
Top objectives for employers

Engagement and productivity are key considerations for employers when implementing well-being programs.



Shifting to wellbeing

Employers are increasingly offering programs that address behavioral/mental, financial and social health.



The drivers of medical cost

High-risk claims
~20% of the total population drives 80% of the costs.

High-risk claimants have chronic conditions (such as coronary artery disease, diabetes, hypertension, smoking-related illness and obesity) but also include maternity, behavioral health and orthopedic conditions.

High-cost claimants
~2% of the total population drives 50% of the costs.

High-cost claimants are associated with specialty medicines, cancers, back conditions, trauma, premature births and complications of hospitalization and surgeries.

Healthcare inflation is driven by price increases, not utilization (new medical and pharmacy technologies).

Severity and frequency of catastrophic claims continue to increase.

Specialty medications are the fastest growing driver of high cost.

Lockton's approach to population health management

Data analytics

- Medical and pharmacy claims.
- Biometric screening.
- Health risk assessment.
- Cultural assessment.
- Engagement surveys.

Strategy development

- Annual program plan.
- 3-5 year long-term strategic vision.
- SMART[1] goals.

Measure success

- Employee surveys.
- Focus groups.
- Infolock.
- Cohort studies.

Population health approach

- Access to care solutions.
- Targeted care solutions.
- Well-being solutions.

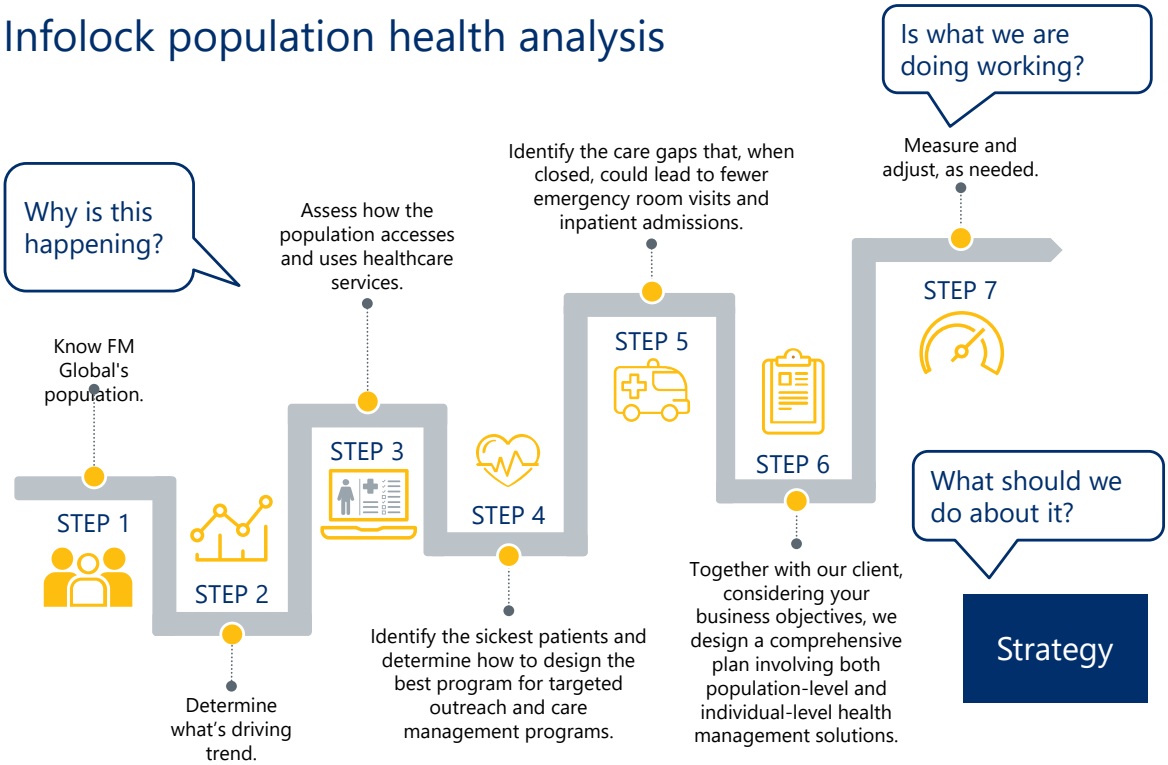
Infolock makes it simple

Infolock uses big data in combination with FM Global's population data to help you meet your business objectives and improve employee health and well-being through better predictive analytics than ever before.

- InfoLock is Lockton's proprietary Data Analytics platform.

Consultative analytics

Infolock population health analysis



Given current trends and legislation, what recommendations do you have for us as we develop our benefits strategy for 2021?

Healthcare costs continue to be the driving force in benefits and therefore present the most compelling issue (and opportunities) as noted below. Most current healthcare cost containment innovation is centered on a move to pay for performance, network management, and targeted care innovation. It is also worth noting that the tightening labor market places even greater pressure on effective cost management so employers do not lose traction in being able to competitive for talent. As part of our strategic planning process, we will bring innovative ideas and solutions that address healthcare costs and other key benefit related topics. Some of the key factors we believe will continue to impact costs include:

Factor	Description	Lockton Support
Future of the Affordable Care Act	There have been several changes to the ACA over the last several years. The largest being the termination of the individual mandate. Each election cycle has the potential to enhance or erode this legislation. Some changes have downstream effects on the Public Exchanges, which in turn impact carrier profitability.	Our internal Compliance Practice works with our clients and consulting team to understand the impact of the changing regulatory environment. They help our clients stay ahead of the curve and remain compliant.
Large claimants	The number and severity of large claimants continues to increase. Fewer plan participants are accounting for a larger part of total plan costs. According to statistics provided by SunLife: ■ 2% of catastrophic claimants produced claims over $1M, but those claimants accounted for 20% of overall stop loss reimbursements ■ 49% of large claimants (over $1M) are under 20 years old which makes it more difficult to catch claims early and take preventive measures. Data from Lockton's proprietary InfoLock database shows: ■ In 2017, 1.36% of members had claims over $50k and accounted for 41.4% of total costs ■ High claimants often receive lesser discounts than routine claims ■ Higher incidence of large claims attributed to Specialty Rx	Our Complex Claim Management Stop Loss team provides a differentiator when approaching the reinsurance marketplace. They help manage large claimant costs and achieve employer risk management goals and reduce budget volatility.
Specialty drugs	New and more expensive pharmaceuticals come to market each year. New drugs treat conditions that were previously untreated and there are new more expensive prescriptions in other therapeutic classes. These costs continue to be a larger portion of the overall healthcare spend and that will continue.	Our Pharmacy Analytics Team helps our client negotiate the best pharmacy pricing and audits the pharmacy vendors to ensure they meet their financial obligations. They also track the drug pipeline and utilize our InfoLock data to help understand and estimate the impact of future product availability.
Health company consolidation	We continue to see increased consolidation in the healthcare industry. Most recently, consolidation includes different aspects of the healthcare value chain that will change the way healthcare is priced and delivered. The CVS/Aetna and ESI/CIGNA mergers will create new distribution channels, pricing structures, and delivery rules/requirements. We will have to wait and see if they also bring lower costs.	We sit on several carrier advisory boards and carrier consortiums. We receive advanced information on program changes and carrier strategies. These groups give us an opportunity to provide feedback and advocate for our clients.

COMPETITIVE BENCHMARKING, TRENDS, AND PLAN DESIGNS

What surveys and tools do you use to perform competitive benchmarking analysis, best practices assessment, analyze emerging trends, and translate those ideas into plan design recommendations?

Benchmarking Process

Lockton analyzes benchmarks and market trends from generous samples of companies such as yours to identify opportunities to improve your existing program. We start by reviewing Alcohol Company's business and key issues while asking thorough questions to understand your business needs. Then we design custom reports to accomplish the following:

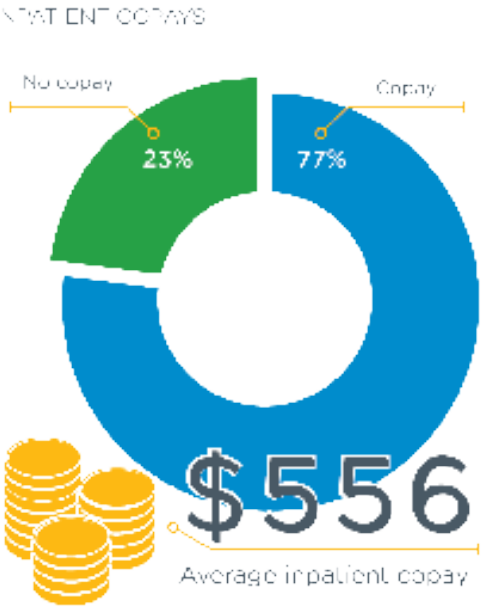
- Establish level of comparability
  - Costs
  - Plan design features
  - Initiatives (CDHP, marketing, etc.)
  - By region
  - By size
  - By industry
- Understand normative practices
- Make better-informed decisions
- Make meaningful comparisons of Alcohol Company's data to Lockton's book of business information

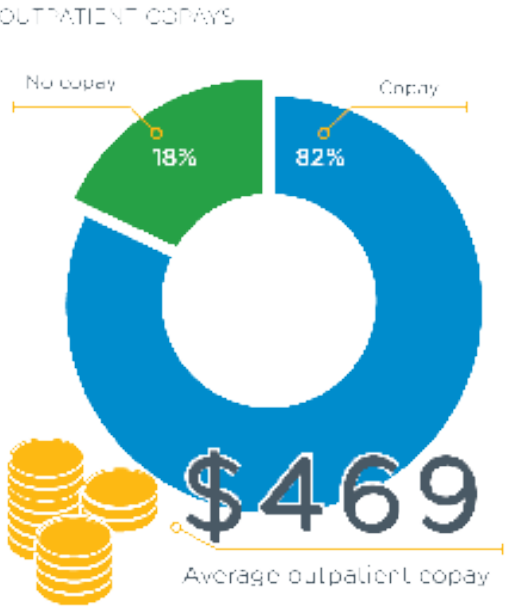
Lockton's book of business reporting offers a variety of benchmarking reports. We compare your plans in real terms, using data analyzed from similar peers in the following areas:

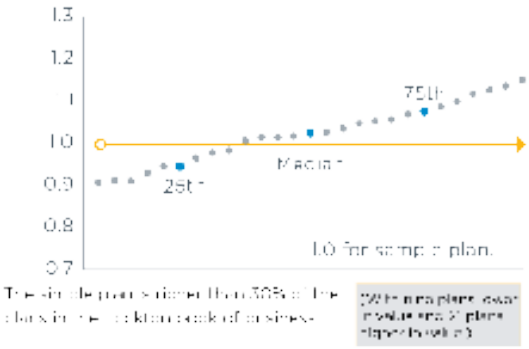
- Medical HMO and PPO plan designs and contributions
- Consumer-driven health plans:
  - HSAs versus HRAs
  - Percent of employers contributing to HSAs
  - Annual employer contribution to HSAs and HRAs
- Medical cost sharing:
  - Employee contributions
  - Employee cost through plan design
  - Employer cost
- Medical HMO and PPO PEPY and PMPY plan costs
- Medical plans' fixed costs
- Medical plans by funding type
- Types of medical plans

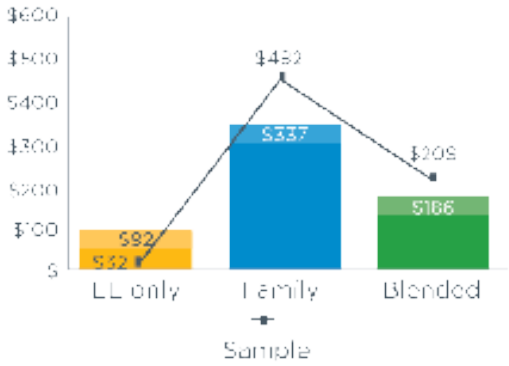
Business Process

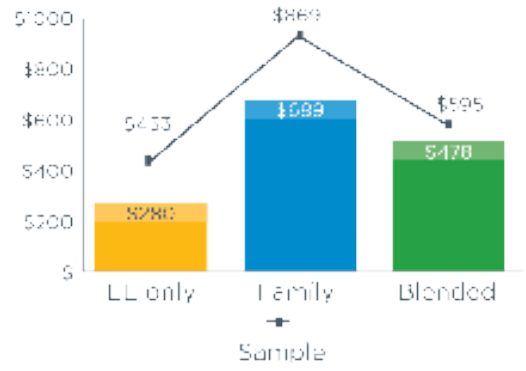
Benchmarking Samples

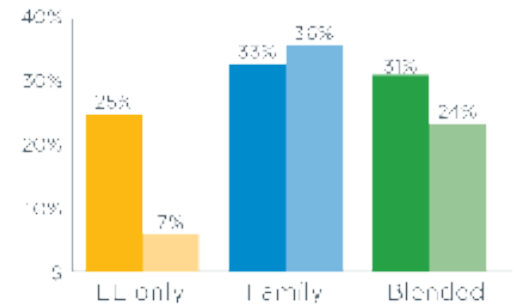












U.S. Benchmarking

Benchmarking is a key part of the annual strategy and planning process. We provide every client with a benchmarking report that becomes the baseline for plan review and offers guidance as we set a multi-year strategy. While most consultants focus on benchmarking plan design and payroll contributions, we believe there are a number of areas where benchmark data can provide insights into emerging program management trends. We look at a number of the following areas as we benchmark our clients' programs:

Benchmark Topic	Resources	What We Learn
Plan offerings and benefit design features	■ National and Regional surveys – we subscribe to a number of surveys to broaden the perspective ■ EDGE – our proprietary benchmarking tool that includes data from all of our clients across the country, data is available by SIC code and employer size	■ Compare key plan provisions (copays, deductibles, coinsurance, etc.) to industry, geographic, and similarly sized employer figures
Payroll contributions	■ National and Regional surveys – we subscribe to a number of surveys to broaden the perspective ■ EDGE – our proprietary benchmarking tool that includes data from all of our clients across the country, data is available by SIC code and employer size	■ Compare monthly payroll contributions in dollars and as a percentage of monthly premium to industry, geographic, and similarly sized employer figures
Healthcare plan actuarial values	■ Lockton MedLite tool	■ Compare the actuarial value of a specific plan and the monthly contribution to market plan values ■ Demonstrates the actual monthly payroll contribution based on the value of a plan
Employee benefit strategic initiatives	■ Lockton 2020 Survey of Benefit Strategies and Trends	■ Identify the current and future adoption of strategic benefit initiatives ■ Insight into future trends that employers will need to address to attract talent ■ Topics include cost management strategies, parental leave, communications, Private Exchanges, etc.
Clinical metrics	■ Lockton proprietary InfoLock® tool – provided to all self-funded clients	■ Compare stratification of employee risk, overall organization risk profile, and prevalence of specific conditions to InfoLock database
Specific reinsurance level and pricing	■ Lockton Monte Carlo tool	■ Tool conducts 10,000 plan year simulations based on client specific demographic and cost data ■ Identifies the appropriate specific deductible and provides benchmark premium figures

Global Benchmarking

We are able to prepare and provide benefits benchmarking reports based both on survey data and on local market knowledge and do so frequently for our existing clients. Within Lockton Global Benefits, our Intellectual Capital Practice provides data resources and analysis that we pair with on-the-ground knowledge from our local brokers in order to deliver comprehensive and timely benchmarking reports. These reports are typically comprised of information around mandatory/statutory benefits, typical market practice, and our recommendations for your group specifically. The scope of these reports is flexible but is usually focused on risk and retirement benefits. Other benefits (perquisites, allowances, etc.) can be included in many instances. We will work with third-party sources for industry-specific data, as appropriate and where available.

Global Benchmarking reviews are a critical component of our engagements and central to ensuring our clients are aligned to market.

Our benefits benchmarking reports are based on survey data we buy and maintain, local market knowledge working with our local brokers in country and our global experience as a leading international benefits consultant.

Within Lockton Global Benefits, our Intellectual Capital Practice provides data resources and analysis that we pair with on-the-ground knowledge from our local brokers to deliver comprehensive and timely benchmarking reports. These reports are comprised of information around mandatory/statutory benefits, typical market practice, and our recommendations for your group specifically. The scope of these reports is flexible but is usually focused on risk and retirement benefits. Other benefits (perquisites, allowances, etc.) can be included in many instances.

We understand the cost pressure that clients like Alcohol Company face and that complete benchmarking exercises are not always cost efficient for smaller populations. As a partner to Alcohol Company, Lockton will provide you with our country profiles and compliance updates including:

- Lockton GlobalView country benefits reports: These reports provide a comprehensive overview of mandatory/statutory and typical market practice in more than 70 countries around the world.
- Lockton Global Benefits Compliance Updates: These monthly global legislative updates provide you with a timely review of both contemplated and recently enacted changes in the local law impacting your global benefits programs.

Lockton is pleased to offer our Global Benefits Navigator® (Navigator) portal, an online platform that allows multinational organizations to store, analyze, and report their worldwide employee benefits program information. In addition to the dozens of reports available via Navigator, we will also provide you with several types of standard and bespoke metrics. This includes annual renewal financial summaries, market practice score cards and market practice reports, year-over-year benefit cost comparisons, multinational pool performance reports, and others. We also provide custom metrics for many clients where internal approval processes may require benefits data to be presented in a specific format. We are glad to provide these for Alcohol Company as well.

Do you publish newsletters and other informative publications that are routinely provided to your clients? Provide sample copies.

Yes, Lockton employs a rigorous process to ensure that our clients are keenly aware of current issues and emerging trends in the industry. We are constantly researching issues and opportunities for our clients using a variety of resources, both internal and external. Lockton is committed to formal interaction with all clients at scheduled meetings where updates on industry developments are part of the agenda. Additionally, we discuss emerging topics of interest and relevance in our daily informal client interactions.

Lockton shares knowledge of industry trends and emerging issues with clients through the following methods:

- Health Reform Advisories, categorized by:
  - Adult Child Coverage
  - Benefit Limits
  - Claims and Appeals
  - Congressional Testimony
  - Employer Mandate
  - Essential Health Benefits
  - Health Reform
  - Grandfathered Rules
  - Individual Mandate
  - Insurance Exchanges
  - Medical Loss Ratio
  - Misc Health Reform
  - Non-Discrimination
  - Over-the-Counter Rx
  - Reimbursement Programs
  - Reporting & Disclosure
  - Taxes and Fees
  - Wellness
- Legislative and Compliance
  - Benefit Law source
  - Compliance Alert
  - Compliance Insight
  - Compliance Newsletter
  - Compliance Views
  - E-Blasts
  - Employer Guides
- Health Risk Solutions
  - White Papers (e.g. The Obesity Crisis and Its Management Options)
  - Health Risk Solutions Update (e.g. March 2020 Coronavirus Alert)
  - Benefits Insight and Guidance (e.g. An Overview of Step Therapy)
  - General Newsletter
  - Pharmacy Analytics (e.g. Coaching Clients on Disease Management)
- International Benefits
- White Papers
- Seminars, Webinars and Summits
- Strategic Planning Sessions
- Stop Loss and Complex Claims Management

Describe any services you offer related to employee surveys – to gain understanding of employee perceptions of benefit programs.

The employee perspective is an important one to gather as any employer considers a new strategy and/or change. In working with clients in designing an approach we will discuss employee perception, engagement and impact and often include surveys and/or focus groups to create this important data point. Lockton employs various ways to gauge the thoughts, feelings and engagement of Alcohol Company's employees and their dependents.

Lockton Survey

Our Lockton survey technology is a web-based application that is utilized for surveying particular groups within specific regions or industries or performing an employee survey. A respondent is provided survey access through a login ID and password. Since the survey is completed online in a structured format, analysis of the responses can be completed in a timely and efficient manner. Survey results are then distributed back to the appropriate Management Team for review and consideration.

In the event that your employees do not have access to the internet, rest assured that Lockton has worked with employer groups to ensure that their "voice" is heard as well. Whether it is a kiosk set up on the jobsite or hardcopies provided to the employee, there is a solution.

Our clients have found this to be a powerful, non-invasive tool to determine what is on the minds of their employees.

Focus Groups

Utilizing focus groups provides more in-depth, qualitative insights into a topic and we are able to collect a range of information. Advantages of a focus group include:

- The ability for Lockton to interact with the participants, pose follow-up questions or ask questions that probe more deeply.
- Results can be easier to understand than complicated statistical data.
- Lockton can get information from non-verbal responses, such as facial expressions or body language.

The best managed focus groups typically include 6 to 12 people with participants generally receive a small reward (i.e. lunch, gift cards, time off, etc.). Group members are selected based on certain characteristics or demographic information, such as age, race, income and usage of the benefits. Focus groups are best utilized in conjunction with the survey tool to provide a "deep dive" into a specific topic.

Describe affiliations that your organization has with external organizations promoting health care industry thought leadership.

Lockton stays connected externally across a broad range of outside organizations in order to stay abreast of the latest innovations in healthcare policy and delivery and maintains expertise and leverage in the Employee Benefits industry, specifically in the area of population health improvement and wellness. This includes staying current in trends, survey results and publications, attending webinars, seminars, and conferences, as well as participation in SIGs. We are current members of the below organizations:

- Disability Management Employer Coalition
- Health Enhancement Research Organization
- Institute for Health and Productivity Management
- National Business Coalition on Health
- National Business Group on Health
- National Wellness Institute
- WELCOA
- US Chamber of Commerce Benefits Committee

We also host numerous vendors in the health care innovation space at our Annual Benefits Conference so that all our teams can have exposure to the many leading-edge solutions and ideas.

Lockton also facilitates an employer Healthcare Innovations Group (HIG) — HIG's mission is to collaboratively identify and discuss strategies that enhance delivery of high-quality, cost-effective healthcare. No solicitations or sales pitches are allowed! We learn from each other and all benefit from lively, interactive discussions. Our November meetings will focus on how and if personalized advocacy can truly solve today's healthcare challenges.

RFP, PLACEMENT OF PLANS AND NEGOTIATIONS WITH CARRIERS/VENDORS

Describe your firm's capabilities to develop RFPs for carrier/vendor services including the managing and consolidating of RFP results and facilitating the RFP process from start to finish including implementation support.

One of Lockton's strongest attributes is our ability and expertise to negotiate with insurance carriers on our client's behalf. Lockton continues to gain competitive advantage in the marketplace to obtain maximum value for our client's benefit. Lockton not only has access to the most competitive markets, but we enjoy an unmatched reputation for honesty and professionalism. We always work on behalf of our clients' best interests. We do not favor any one insurance carrier nor do we have special arrangements with insurance carriers that jeopardize our objective counsel and ability to provide the most competitive rates for our clients.

The formula to ensure employers receive the most competitively priced Health & Welfare insurance programs (including lowest possible administrative fees, pharmacy program costs and stop loss insurance premiums) is comprised of many factors including:

- National and Regional Purchasing Power
- Strong Carrier/TPA Relationships (Sales Underwriting, Underwriting and Actuarial, Broker/ Carrier Executives)
- Market Competition through prudent/ professional RFP process that depicts Alcohol Company as an extremely attractive prospect
- Savvy and effective brokerage team negotiation (client involvement will help)
- Real time benchmark information on carrier admin fees/stop loss premiums for corresponding administrative services and stop loss contracts
- Underwriting and Actuarial Expertise
- Stop Loss Expertise and Brokerage Reputation in the Marketplace
- Detailed Large Claim Analysis with Clinical counsel (Preferably with Medical Directors)
- Stop Loss Purchasing Pools including multiyear rate caps
- Stop Loss Simulation modeling to select optimal individual stop loss levels (and aggregate buy down levels)
- Documented Stop Loss Best Practices
- Overall Claim Analytics and Disease Management Stratification to assess Risk Morbidity Index
- Incorporating Health Risk Management strategies (including Morbidity Risk Index) into rate negotiations
- Pharmacy analytics capabilities to negotiate most favorable Rx pricing terms (discounts, rebates and dispensing fees); contract provisions (to remove PBM gaming) and performance guarantee adherence process

For any renewal/placement, the major factor or technique instrumental in obtaining final rate relief from the insurance underwriter could be any one (or two) of the factors outlined above. It is paramount that the broker who represents Alcohol Company excels in each component identified above and uses a team approach. Final negotiations may involve Alcohol Company senior management if we feel it makes a difference —many times that is the case.

Lockton is absolutely capable of working with Alcohol Company to develop RFPs for carrier/vendor services including managing and consolidating RFP results and facilitating the entire RFP process including implementation support.

We do not recommend conducting evaluations every year as this impacts the potential for competitive responses, and in some cases the ability to get any response at all. Market reviews should be focused on issues associated with customer service, value added services, and cost. In some cases, a market review has to occur in order to keep an incumbent carrier honest or because a renewal is so high a market check is essential.

The first step in the market process is to understand the reason for the review and to identify any key issues/topics that must be addressed. These items are incorporated into a request for proposal and given special attention during the market evaluation. Next, we identify the appropriate vendors to include in the process based on size, target market, and prior experience.

We do not have a standard recommendation as to the number of vendors that should be solicited; instead we discuss each potential vendor with our clients to establish the best possible match. Common factors that are considered during the pre-marketing process include the client's appetite for risk, demographics, wellness interest/initiatives, industry, work locations, internal Human Resource constraints, technology (i.e. HRIS system), managed care networks, discounts and service capabilities, to name a few. Depending on the size and needs of the client, we evaluate the administrative solutions provided by the large national carriers (BCBS, CIGNA, UHC, Aetna), the large carrier TPA alternatives (UMR, CFA, etc.), or stand-alone TPAs.

Once the RFP is returned we evaluate the key financial and technical aspects of each response.

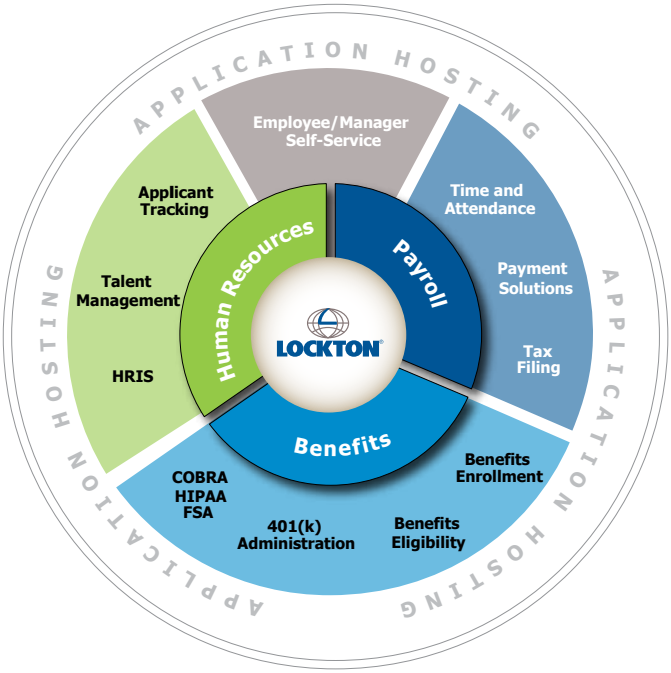
- Technical aspects include access, disruption, customer service metrics, key providers/hospitals, match claims payment metrics, plan design deviations and care management metrics.
- Financial aspects include administrative fees, components of the administrative fees and their cost, network discounts, pharmacy contract terms, reinsurance rates or carve-out reinsurance fees, wellness credits and performance guarantees.

We create a management ready report that we review with our client to select a list of finalists. We recommend meeting with finalists to differentiate respondents and meet the proposed service team. We finalize negotiations and begin the implementation upon the final vendor selection.

Lockton spearheads the implementation process, leveraging the selected vendor(s) to produce and follow a detailed implementation plan. We fully participate with our clients during the implementation process, attending all weekly (or more frequent) implementation calls, following up on outstanding issues, holding vendors accountable, and reviewing contracts and agreements to ensure pricing and terms match what was negotiated. We also peer review any benefit description, SPDs, SBCs, etc. to ensure accuracy before releasing to Alcohol Company.

Lockton's Human Resource Technology and Outsourcing Solutions' Role

- Can include need analysis, customized RFPs, vendor selection, ROI calculation, and implementation of business process technology
- HRIS, benefits enrollment, payroll, time and attendance, CRM, and more
- Objective advisor
  - Lockton is 100% vendor and solution neutral
- Solution matchmaker
  - Our years of industry experience give our clients an insider's perspective on vendors and which solution best fits their needs
- Technology translator
  - Our clients are not at the mercy of industry jargon and tech speak
  - Lockton will come alongside our clients as their technology counterpart for vendor consultation, due diligence, implementation, and project management



ONLINE BENEFIT SYSTEMS

bswift, b-connect, BENEFITFOCUS, benesyst, businessolver, CELERGO, EMPYREAN, PLANSOURCE, SECOVA, SmartBen, TRI-AD

PAYROLL/HRIS SYSTEMS

ADP, CERIDIAN, CLOUDPAY, ExponentHR, InfinityHR, LAWSON, ORACLE, PAYCHEX, Paycor, paylocity, TriNet, Ultimate Software, workday, WORKTERRA

EMPYREAN, EQUIFAX, worxtime, TANGO HEALTH, First Advantage, HEALTH CFX, UNIFYHR

Decades of industry experience:

You benefit from our years of experience both working as HR practitioners and serving as HR vendors.

Vendor-neutral makes all the difference:

Lockton works exclusively on your behalf as your advocate in the marketplace. Our consultation is based upon what will work best for your organization and is informed by the experience of our clients across the nation.

We expand your resources:

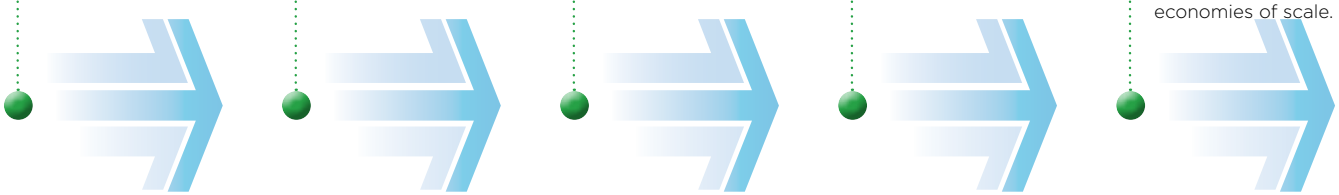
Outsourcing can be an option to offload noncore transactions and to access additional technical resources.

Functional knowledge and expertise:

As HR has become more strategic, it also has become more specialized. Lockton can help you implement and automate cutting-edge HR services.

Reducing costs and risk:

In addition to helping employers improve return on investment (ROI), we also help reduce regulatory-compliance liabilities, disaster recovery, and security by shifting responsibility, where appropriate, to vendors with economies of scale.



SITUATIONAL ANALYSIS

Analysis of in-place technology & processes, as well as current contract review

Strategic project Impact

Business Case Development

VENDOR SELECTION

HR Technology & Outsourcing RFP administration

Due Diligence, Letter of Intent assistance

IMPLEMENTATION PROJECT OVERSIGHT

Your advocate during vendor-led project

Establishment of Project Steering Committee (Participation form the client, Lockton & the Vendor)

Contract negotiation

ON-GOING OUTSOURCING GOVERNANCE

Monitor Service Level & Vendor Agreements

Provide Usage Summaries

Partner with you to promote technology adoption

Support Issue Tracking, Resolution Management

Implementation Oversight

Your advocate during vendor-led implementation.

- Attendance at kickoff and key project reviews.
- Facilitate weekly status meetings.
- Sourcing of third-party expertise as needed.

Deliverables

- Reviews of key vendor deliverables:
  - Statement of work.
  - Project plan.
  - Implementation design documents.
  - Issues/actions log.
  - Risk plan and log.
  - Conversion strategy and plan.
  - Testing strategy and plan.
  - Change management strategy and plan.

Implementation Project Management

Your project manager during vendor-led implementation.

- Own overall implementation project management of tasks.
- Facilitate weekly status meetings.
- Provide guidance and feedback.
- Establish a project steering committee.
- Schedule analysis and review meetings.
- Escalate issues to appropriate resources.

Deliverables

- Own management of the following:
  - Requirements-gathering process.
  - Issues/risk-tracking process.
  - Testing process.
  - Go-live process.
- Reviews of key vendor deliverables:
  - Statement of work.
  - Project plan.
  - Implementation design documents.
  - Issues/actions log.
  - Risk plan and log.
  - Conversion strategy and plan.
  - Testing strategy and plan.
  - Change management strategy and plan.

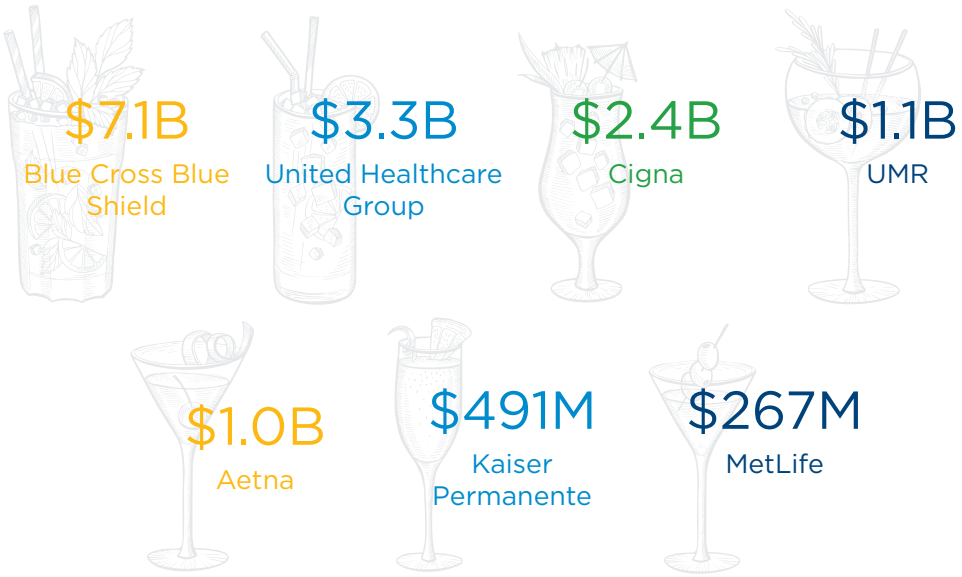
Describe your strategy to negotiating the best possible premium rates and ASO fees with carriers and vendors. What mechanisms do you use to ensure rates are competitive?

Lockton's Size And Culture Provide A Distinct Advantage When It Comes To Marketing And Effective Negotiations.

- As the largest independent and privately-held consulting firm in the world, placing more than $15.4B in healthcare premiums, Lockton has significant clout with all of the major markets.
- Our teams' unfettered access to all resource experts and state of the art tools enables the best analytics to arm client teams with critical information which empowers negotiations.
- Lockton's culture promotes the core service team "owning" the marketing and negotiation process for optimal results.

The exhibit below shows our top medical carriers – the various Blue Cross Blue Shield and Anthem entities were consolidated and labeled "Blues" for illustrative purposes. The vast majority of Lockton's $15.4 billion in medical premium is placed with the top 5 medical carriers.

LOCKTON ANNUAL VOLUME BY CARRIER



Packaging a Best-in-Class Submission

How Alcohol Company is presented to the insurance marketplace is vital. We present complete, accurate, and professional submissions, making it easy for the underwriter.

Negotiating Directly With Decision Makers

Lockton maintains top-level relationships and partnerships with all major carriers to make sure we are getting the best possible deal for our clients.

Our analysis and negotiations with carriers and vendors are driven by our actuaries and financial analysts who routinely evaluate and summarize the pertinent categories listed below.

Scott Bush is the actuary we have proposed to partner with Alcohol Company and Brenton Milardo will lead the day-to-day financial consulting.

Financial Modeling

- Plan-cost projections
- Employee contribution strategies
- Funding rates/COBRA rates by plan option
- Specialized coverage considerations
- Specific and aggregate stop-loss analysis
- Claim reserve/IBNR calculations
- Lockton Health Risk Solutions® VOI/ROI
- Retiree medical plan measures

Network Access and Quality Analysis

- In-house GeoAccess reporting
- Provider disruption/overlap
- Hospital quality measures

Network Feasibility Analysis

- Network discount analysis
- Large consultant consortium
- Billed and allowed charges by three-digit ZIP codes
- Customized discount blend based on employee locations

Plan-Design Modeling

- Advanced plan-design modeling
- Benefit changes
- Impact of network discounts and utilization
- Impact of contribution changes
- Enrollment-migration projections
- Relative-data benchmarking
- Predictive modeling

Plan-Design Support

- Plan relativity model
- Dashboard for consumer product trends
- Budget projections
- Contribution strategies
- COBRA rate calculations
- HSA/HRA plan modeling
- Plan-design migration
- Actuarial Services

Network Evaluation

- Network discounts
- Network access
- Network hospital quality

Self-Funded Plan Support

- Funding-options analysis
- Certified IBNR reserve calculations
- Risk management modeling
- Variability of expected claims
- Stop-loss analysis and large-claim probability
- Financial forecasting
- Retiree medical Medicare Part D actuarial attestation
- Retiree medical FAS 106/GASB 45

While each client's needs dictate the best approach to marketing, we find that a focused or targeted approach to markets assist underwriters in providing their most competitive offers. Asking the markets to price a variety of plans is void of strategy, purpose or objective. Unlike many advisors, Lockton does not believe that a one size solution fits all clients. Alcohol Company will have actuarial and underwriting modeling developed for effective multi-year projections. With an understanding of the economic factors driving the multi-year achievements, Lockton guides market strategy and pricing, rather than the market dictating terms to our clients. The health plan is tailored for Alcohol Company's needs. Lockton has all appropriate models complete – demographic risk, plan selection analysis, scatter-gram, etc. – before approaching the markets. Once the bidding and negotiations begin, the expertise of your core team is key. Each market has strengths and areas of some concern. Knowledge of these particular strengths is critical to the proper negotiations and development of terms and guarantees.

Renewal negotiations

Lockton's preferred status with key vendors supports Alcohol Company's success in developing beyond traditional carrier/vendor products and services. This further enables Lockton to secure the best pricing and terms. In addition to financial and contract results, our negotiations with insurance carriers include specific administration functions, service guarantees, and designation of Group Customer Service and Underwriting representatives for Alcohol Company.

Carrier selection

Every client has their own priorities and selection criteria in evaluating vendors. Lockton's experience with the markets assists Alcohol Company in categorizing vendors who meet and/or exceed expectations in every category of service or product performance. Lockton considers the renewal process one of the most important aspects of our client service. As such, we spend significant time during the year analyzing financial information, monitoring carrier satisfaction, and exchanging information with you, our client, to ensure we all have the same expectations. The following describes the primary steps we go through in our negotiation process.

Preparations

- Analyze all aspects of trend and risk
- Pre-underwrite the account to determine pricing targets
- Share the pricing targets with Alcohol Company to determine budget priorities
- Discuss Alcohol Company's satisfaction with the incumbent carriers and address the cost to move to another carrier
- Understand carrier pricing cycles, internal underwriting directives and hidden costs / opportunities
- Develop arguments to support carriers achieving the cost and term targets Lockton established
- Review changes in carrier networks that may negatively or positively impact physician and midlevel relationships
- Assess quality metrics

- Determine future reporting and analytical needs

Group purchasing coalitions

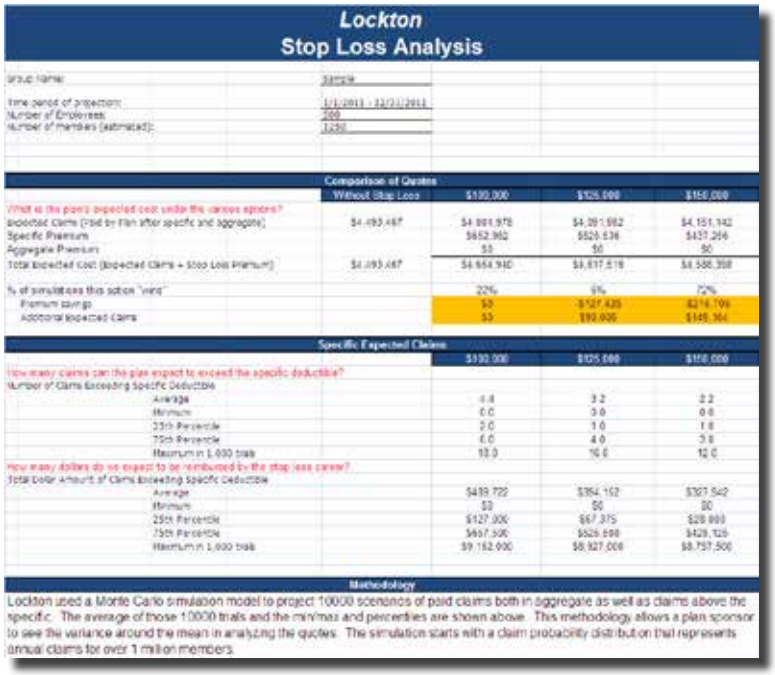
Lockton delivers group purchasing benefits (savings, favorable contract terms) without the contractual or data transparency limitations of many of our competitors' coalitions. For example, our stop loss purchasing program (should Alcohol Company wish to consider implementing this coverage) gives clients access to 3-year caps, no-laser provisions, etc., but our clients still retain an individual contract and we still pursue open market solutions to ensure they get the best value. On pharmacy, we leverage our base of almost 30 million lives and have a proven track record of delivering savings greater than those of our competitors' coalitions, while still allowing the client to have an independent contract with the ability to audit the PBMs results – no fox watching the hen house. We can provide numerous case studies for your review at the appropriate time.

Lockton's Stop Loss Specialty Practice

Our stop loss division is staffed with clinicians who have the ability to review large claims for appropriateness and secure best-in-class contract provisions that include no new lasers and second year rate caps.

With respect to stop loss modeling, our proprietary resources and tools in this area will allow for the most informed and data driven and supported approach. Given the complexities of the stop loss markets, increased scrutiny around high-cost claims, and resource demands due to healthcare reform, Lockton has added stop loss specialty resources. We incorporate best practices around renewal marketing; implementation and post-placement services for our clients; and are leaders in the industry by adding stop loss clinical staff to manage high-cost claims and identify claim savings opportunities.

Our stop loss analysis and counsel for self-funding incorporates Monte Carlo simulation software that estimates the difference in risk between various stop loss levels; helps select optimal individual stop loss levels; provides expected number and


Lockton
Stop Loss Analysis

Group Name:

Time period of projection: 1/1/2013 - 12/31/2013
Number of Employees: 200
Number of members (estimated): 1,550

Comparison of Quotes

	Without Stop Loss	$100,000	$125,000	$150,000
What is the plan's expected cost under the various options?				
Expected Claims (Paid by Plan after specific and aggregate)	$4,093,487	$4,881,978	$4,281,992	$4,151,142
Specific Premium		$652,962	$520,536	$437,266
Aggregate Premium		$0	$0	$0
Total Expected Cost (Expected Claims + Stop Loss Premium)	$4,093,487	$5,534,940	$4,817,519	$4,588,398
% of simulations this option "wins"		22%	6%	72%
Premium savings		$0	-$527,423	-$216,799
Additional Expected Claims		$0	$90,908	$149,964

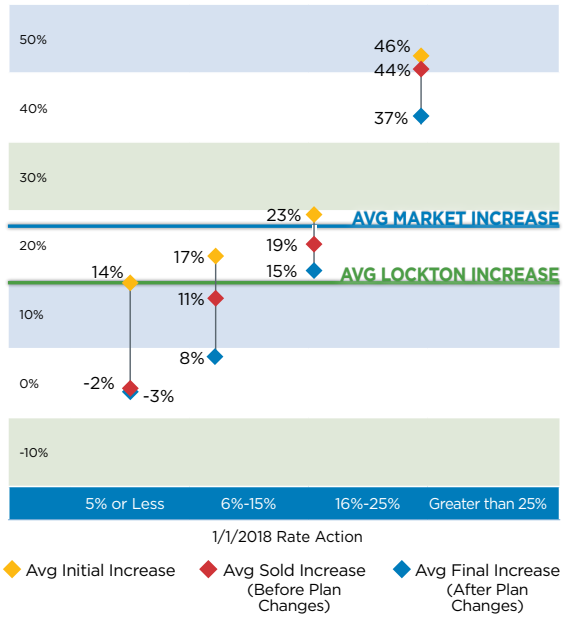
Specific Expected Claims

	$100,000	$125,000	$150,000
How many claims can the plan expect to exceed the specific deductible?			
Number of Claims Exceeding Specific Deductible			
Average	4.4	3.2	2.2
Minimum	0.0	0.0	0.0
25th Percentile	2.0	1.0	1.0
75th Percentile	6.0	4.0	3.0
Maximum in 1,000 trials	18.0	16.0	12.0
How many dollars do we expect to be reimbursed by the stop loss carrier?			
Total Dollar Amount of Claims Exceeding Specific Deductible			
Average	$439,722	$364,102	$307,542
Minimum	$0	$0	$0
25th Percentile	$127,006	$67,375	$28,993
75th Percentile	$667,506	$526,688	$429,126
Maximum in 1,000 trials	$9,162,000	$8,927,000	$8,757,500

Methodology

Lockton used a Monte Carlo simulation model to project 10000 scenarios of paid claims both in aggregate as well as claims above the specific. The average of those 10000 trials and the minimas and percentiles are shown above. This methodology allows a plan sponsor to see the variance around the mean in analyzing the quotes. The simulation starts with a claim probability distribution that represents annual claims for over 1 million members.

2018 AVERAGE RENEWAL RANGES - INITIAL, SOLD AND FINAL (APC)

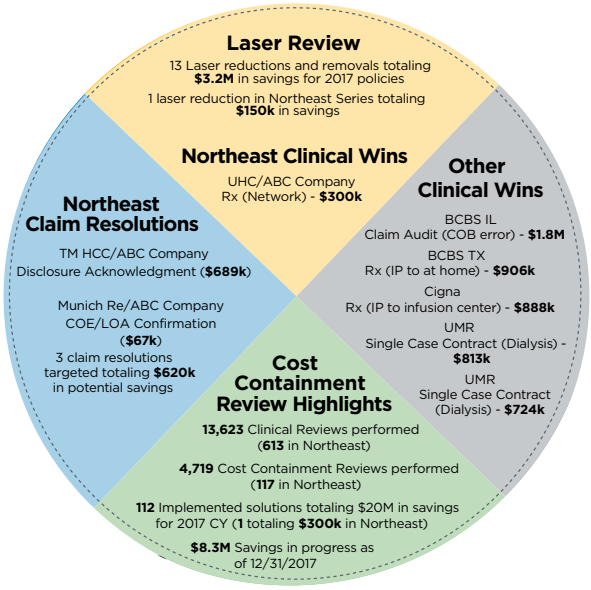


PURCHASING EFFICIENCY

Market is pushing back on multi-year protection

Best Practice (No New Laser/Rate Cap) adherence up to 77% from 73% in 2017

Northeast average premium increase 14% compared to 22% for the market



Lockton's Stop Loss Specialty Practice is the nation's largest dedicated employer stop loss unit. Representing more than 1,000 employers and $1B in stop loss premium, our specialized team of clinicians and seasoned industry experts are dedicated to contract negotiation, marketing, large claim clinical review, and trend management.

All of this effort, and the subsequent specific recommendations, are predicated on understanding your objectives and having a comprehensive risk management strategy. We cannot properly advise Alcohol Company if we don't fully understand your risk tolerance, cost drivers, historical background and financial objectives. As we think about specific ideas, today we only have some of the picture and thus we would need to better understand and discuss the options with you.

Enhanced Clinical Program

- Dedicated Medical Director Leadership
- Additional Clinical Reviews with increased frequency (quarterly)
- Additional Cost Containment with lower threshold, more triggers and specific case referrals
- Pre-Pay Reviews
- Detailed Reporting
- Concurrent Utilization/Case Management
- First Dollar Opportunity Trends
- Usage Pattern and Provider Analysis
- CCU Liaison
- Enhanced Clinical Resources

Stop Loss Specialty Practice

Helping to impact the purchase

Marketing and Purchasing Efficiency

- Largest stop loss specialty practice in US
- Block size allows for carrier leveraging for best pricing and contract provisions
- Consistent best practices around marketing, implementation, and post-placement for all clients
- Mid Year actuarial renewal forecasting

Best Practice Initiatives

- Multi-year rate cap protection and no new laser provision which mitigates year over year volatility and financial exposure
- Laser Review Process by experienced clinical staff reducing employer liability
- First ever Disclosure Risk Elimination process with stop loss carriers to protect employers from disclosure issues at time of claim

Claims and Cost Containment

- Clinical staff managing high-cost claims and identifying claim savings opportunities
- $30 Million in real hard dollars removed out of health plans for 2015
- Over 100 claim escalations totaling $8.5M in captured reimbursements
- Claim reconciliation audit resulting in $1.66M in reimbursement recoveries for 2015
- Growing Specialty drug medication pipeline to treat rare/orphan diseases

Compliance and Education

- Stop Loss carrier contract and plan mirroring identification to illustrate exposure vs. coverage options at point of purchase
- Defined Eligibility and LOA guidelines in Plan Documents to reduce claim delays
- Proper administration of Cobra, LOA and Eligibility policies to avoid claim denials.
- Acquisitions/Divestiture Strategy, build a due diligence process for run out coverage from acquired population

Stop Loss Carrier Trends

- Increased carrier scrutiny on large claims over $200K in reimbursements
- Insurer and TPA market consolidation, potential for negative employer impact with reduced competition
- Carriers are becoming more selective, carrier Decline To Quote ratio increased by 19% in 2017
- Barbell Theory: Extreme market reactions from Stop Loss carriers. Either overly aggressive approach on favorable employer risk, or over-reactive rate action on unfavorable risk.

Employer Stop Loss Trends

- Employer Groups are evaluating risk transfer thresholds, but less than 10% of Plan Sponsors increasing specific deductibles at renewal *(Source: 2016 Lockton Book of Business)*
- Alternative ways to transfer risk, such as captive arrangements, are being discussed, but self-funding with traditional stop loss coverage remains the most prevalent approach to transferring risk for Employers
- Nationally, 13% of employer groups have at least one laser/exclusion. Of those lasered individuals, 30% breach the specific deductible *(Source: Lockton Carrier Poll, March 2016)*
- Large employers who have previously declined stop loss coverage have been evaluating coverage at $750K or higher specific deductible thresholds

dollar of claims above the ISL level; and provides the probability that aggregate claims will exceed various levels.

Every Lockton client requires a slightly different timeline, largely dependent on technology and communication requirements, budget cycles, or other business schedules. The following timeline is illustrative and a similar one would be built to meet Alcohol Company's needs and schedules.

▼ Preparation (post-renewal to 180 days pre-renewal) ▼
■ Pre-underwrite the account to determine assertive pricing targets.
■ Share the pricing targets with Alcohol Company to determine budget priorities.
■ Discuss the company's satisfaction with the incumbent carriers and address the cost to move to another carrier.
■ Understand carrier pricing cycles, internal underwriting directives, and hidden costs/opportunities.
■ Identify ways for vendor(s) to achieve the cost targets we have established.
▼ Process (180 days to 160 days pre-renewal) ▼
■ Having identified pricing realities and reached agreement with Alcohol Company regarding objectives, we would provide the insurers with aggressive pricing, service standards, and renewal timing requirements.
■ We have regular communication with the carrier underwriting teams to eliminate surprises from the renewal process, and address issues that may arise in their underwriting.
■ Lockton will advise the company as to vendor(s) feedback throughout the underwriting process.
Negotiation (160 days to 140 days pre-renewal)
■ If the carrier provides acceptable terms, we proceed forward with completing the renewal.
■ If the carrier provides unacceptable terms, we engage carrier regional management to address flaws in their underwriting and/or to make a business decision on behalf of the company.
■ We encourage in-person meetings at Alcohol Company with incumbent carriers (and any others that are under consideration).
■ We follow the same process with alternate carriers when the client agrees it is in their best interest to consider changing carriers.

From a day-to-day standpoint we will partner with Alcohol Company to determine your specific needs, goals and objectives, decision making process and expectations of us as your partner.

UNDERWRITING/ ACTUARIAL AND FINANCIAL SUPPORT

Describe your process for calculating annual renewal premium rates (both employee rates and employer funding rates) for self-insured plans and the level of support you would provide Alcohol Company in this area.

An employer's payroll contribution strategy is one of the most important components of their benefit and Total Rewards Strategy. Most employees focus more on the amount coming out of their paycheck than on the benefit plan designs. Evaluating and refining our client's payroll contribution strategy is a key part of the annual strategy and renewal process. It is important to consult with you about whether you want your contribution strategy to be a driver of behavior change and accountability through the effective use of premium differentials or to merely reflect industry benchmark averages.

During our initial onboarding process and throughout our relationship, Lockton will invest the time to understand Alcohol Company's desired competitive positioning within the marketplace and its peers. Annually, we will provide independent and proprietary survey resources to compare industry, geographic, and employer size-based benchmarking of your contributions in dollars and as a percentage of monthly premium. In addition to standard benchmarking comparisons, we also review a number of additional technical data points that impact an employer's contribution strategy. These include:

- Plan value – Comparison of the cost and actuarial value of plans versus benchmark data. How does the cost and value equation compare to the marketplace and the employer's intended market position?
- Plan alignment – We conduct an actuarial evaluation of the plan differential to ensure that not only premium equivalents but also employee contributions are set to accurately reflect the plan design differential. Is there an appropriate spread and does it incent the intended enrollment behavior?
- Rate tiering – Reviewing the factors used to set the differential between employee and dependent coverages. How do the factors compare to Lockton's actuarial norms and how does it influence dependent enrollments on the plan(s)?

Once renewal pricing is completed, we create an interactive Excel contribution modeler. The modeler allows clients to adjust enrollment assumptions and contribution levels to see the impact on employee cost annually and on a per paycheck basis. We also provide cost-neutral (defined contribution) modeling to show you areas where the company is over or under subsidizing particular plans, as compared to the plan design valuation and build a multi-year strategy to align the plan value with company subsidies as needed.

For most clients, we meet to review the modeler and adjust it together before the client makes their final decisions. The modeler is also typically linked to an annual budget projection to illustrate the impact of the contribution strategy options on an employer's total benefit cost.

Can you provide forecasts each quarter on health and welfare plan projected expenses that Alcohol Company can use for setting and adjusting its fringe rate/benefits burden rate?

Yes, our monthly reporting process will analyze and interpret ongoing plan performance. We can absolutely provide forecasts and accurate projections quarterly to Alcohol Company and will make corresponding recommendations applicable to fringe and benefits burden rate.

Describe your firm's capabilities to model and project the cost impact of plan design changes. What tools have you developed or purchased to assist your clients in benchmarking alternative strategies? Please outline what resources you have available to assist Alcohol Company in benchmarking its benefit programs.

Plan Analysis

Please see below for a **sample** client analysis of plan designs, demographics, and cost sharing strategy. Other elements of our analysis include:

a. Benchmarking – compared current plan offerings to industry, geographic, and similarly sized employers.

b. Actuarial Value – used our proprietary MedLite tool to calculate and compare the Actuarial Value of Client's four medical plan offerings.

c. Demographic Analysis – used our demographic analysis tool to review the specifics related to the populations enrolled in each of the medical options and review the generational breakdown of Client's participants.

d. Workforce Needs Analysis – used current demographic information to populate our Workforce Needs Analysis tool to identify the potential health, financial, and life issues faced by Client's employees.

Sample Benchmarking Scorecard

Based on the information provided from a client, we created a benchmarking scorecard to summarize the current plan offerings. Overall, the Client provides a comprehensive array of benefit offerings. The one area that is out of line with benchmark data is the medical benefit plan payroll contributions.

Benchmarking Assessment Highlights

- Medical/Rx Plan Design
  - Gold (91%) is better than benchmarks
  - Silver (86%) is on high end of benchmarks, higher than Food Services (82%)
  - Bronze (92%) is in line with benchmarks
  - HSA plan value (74%) is on the lower end of benchmarks,
- Medical/Rx Contributions
  - Gold contributions for employee and family coverage are higher than benchmarks
  - For the remaining three plans – employee coverage is in line to better than benchmarks, family coverage is more expensive than benchmarks
- Dental – offer three plan options (High/Low PPO and DHMO), contributions are better than benchmarks
- Vision – plan design is in line with benchmarks, offer two plans (network driven) and contributions are more generous than benchmarks
- Life Insurance: Term life available, need more information
- Short Term Disability: available, need more information
- Long Term Disability: available, need more information
- Offer both standard types of FSA plans (do no offer limited purpose FSA for HSA participants).
- Voluntary plans – offer an array of products through Colonial, Pet Insurance through Nationwide, Health Advocate

Plan	Feature	Comparison
Medical/Rx	▪ Plan Design	Gold Silver Bronz HSA
	▪ Monthly Payroll Contributions	Gold Silver Bronz HSA
Dental	▪ Plan Design	
	▪ Employee Contributions	
Vision	▪ Plans and contributions	
Life/AD&D	▪ Plan Design	
Short-Term Disability	▪ Plan Design	
Long-Term Disability	▪ Plan Design	
Flexible Spending Accounts	▪ Availability	
Voluntary Plans	▪ Don't appear in Guide	

Better than Benchmarks *In line with benchmarks* *In line to worse than benchmarks* *Worse than benchmarks*

Sample Observations

The table below is a summary of our initial observations based on the analysis of a sample Client.

Topic	Comments
Eligibility	■ Employees are benefits eligible at 20 hours per week, ACA and norms are typically 30 hours for comprehensive benefits ■ Typically see retail, staffing type industries with hourly employees offer tier benefits based on hours worked
Demographics	■ 71% of eligible population and 74% of enrolled population are Millennials ■ 59% of eligible population waives coverage (potential for adverse selection) ■ 54% of enrolled population is in the Silver Plan (24% in Bronze, 13% in HSA, and 9% in the Gold)
Medical – Plan Design	■ Four medical plan designs (Actuarial Value) – Gold (91%) is a Platinum, Silver (86%), Bronze (82%) is a Gold Plan, HSA (74%) is a Silver ■ Lockton 2019 Strategy Survey data – less than 15% of respondents offer four plans or plan to offer four plans (most common is two plans that are a combination of traditional and high deductible plans)
Medical Plan – Renewal Projection	■ UHC medical (11.8%) and Rx (11.8%) trends are higher than Lockton's recommended figures (medical 5% to 7%, Rx 9% to 12%) ■ Rate tier sloping is in line with Lockton's actuarial norms ■ Plan rate tiering appears to over price the PPO and underprice the other plans – not a large issue in a fully insured environment, but would want to address in a self-funded program (impact on contribution strategy if plan costs were to shift)
Medical Plan – Payroll Contributions	■ Gold plan contributions are higher than benchmarks ■ Silver, Bronze, HSA contributions are in line to better than benchmarks for employee coverage, but higher for family coverage
Dental	■ Three dental plans are more than benchmarks – overall plan designs in line with benchmarks ■ Payroll contributions are better than benchmarks (employee pays 29% for Buy-Up, 27% for Based, 23% for DHMO) ■ DHMO is an effective low-cost option
Vision	■ Typically see one plan offering – currently offer two (network driven) ■ Participants pay 23% of the cost of the Visio plan – typically see a higher contribution requirement or offered as a voluntary plan
Life and Disability	■ Colonial Term Life and Disability are voluntary benefit ■ Need additional information on the plan designs
Voluntary	■ Colonial conducts in person enrollment – offer disability, accident, critical illness, term life, medical bridge coverage ■ Nationwide Pet Insurance and Health Advocate available ■ How is revenue generated from voluntary products used to support Client?

*As mentioned earlier in this RFP response, Lockton makes both internal and external Global benchmarking resources available to our clients. We have accessed external studies from sources such as PWC, Kaiser, McKinsey and Deloitte along with internal data sets from thousands of Lockton clients to ensure we are bringing Alcohol Company the most comprehensive benchmarking baseline to help direct our efforts and focus.

Describe the actuarial resources you will use to calculate premium rates and reserves. Does your approach include providing reliable accrual rates, reserve calculations and budgets? Do you employ your own actuary(ies) or do you use a third party?

Actuarial Services

Keeping an eye on your bottom line is crucial as costs rise and plan auditing becomes tighter and more scrupulous. Lockton's **in-house** Actuarial Services gives Alcohol Company additional confidence that your benefit dollars are used productively. In addition to any accountability reporting from vendors and carriers you may already receive, our Actuarial Services team provides independent analysis to verify results and identify opportunities to reduce costs.

Lockton's experts are ready to partner with you to address each challenge presented by health reform so your company can maintain a healthy benefits bottom line. Our on-staff actuaries will suggest money-saving strategies in the ever-changing market.

Health Plans

For Alcohol Company's health plan, our actuarial experts will assist with rate setting and reserving, plan design and contribution modeling, network discount and access analysis, evaluation of stop-loss levels and terms, health reform financial modeling, and the projection of liabilities for retiree medical plans.

Lockton has developed a wealth of actuarial best practices to help make your business better.

Describe your quality assurance processes and standards used for cost projections.

As a strategic business partner, we will work with Alcohol Company to develop a multi-year strategy to manage the short-, mid-, and long-term phases of your benefits plans. A key component of this process is the development of a baseline budget and ongoing budget impact analysis. We've employed sound actuarial and underwriting principals to support this process but are flexible with our clients as to how we illustrate this data based on their preferences.

Our local underwriting teams, with support from our Actuarial team, work together to create cost projections that incorporate historical cost data and the future cost impact of cost shifting, plan management, or employee engagement strategic options. These cost projections include:

- The time horizon for savings – short-, mid-, or long-term
- Amount of projected savings – reflective of employer and employee costs
- Invasiveness of savings – impact on employees and employer cost sharing

Many of our clients include their financial counterparts in our annual or ongoing planning sessions so we can confirm baseline costs, agree on financial assumptions, and determine the organizations desired future budget requirements. The outcome of this process is a client specific budget management tool that can be used for ongoing cost tracking and strategic planning.

We provide cost projections in several ways at Alcohol Company's discretion. Six months prior to the renewal date, we will utilize the most recent 12 months of claims to project forward anticipated renewal costs for the upcoming plan year. We update the projection at least one more time for the renewal meeting and in some cases, clients choose to re-project up to 3 months prior to the renewal to reduce trend months.

Additionally, we provide similar methodology to assist clients with fiscal budgeting that may not align with plan renewal timing.

Last, we have clients where we conduct completion forecasts where costs are projected for the renewal plan year then tracked based on actuals within the year. We re-forecast the remaining part of the renewal year.

We will provide extensive financial tracking and reporting, customized to your needs.

We typically provide at least the following, but will tailor as you need:

- Monthly claims in comparison to expected, budgeted, and aggregate liability
- Large claimant tracking, including acting as liaison for data from TPA to stop loss vendor (if carve out and self-funded).
- Clinical evaluation and medical utilization: quarterly.
- Pharmacy utilization: quarterly.
- Demographic analysis: annually.
- Plan cost management and effect of plan changes (deductibles, copays, coinsurance) annually or as needed
- Post enrollment true up: following each open enrollment.
- Premium equivalent setting: annually (if needed).
- Merger & Acquisitions Due Diligence: as needed.

Our actuarial staff will conduct the following analyses:

- Review plan pricing, value, and spread: annually.
- IBNR development/lag studies: quarterly with 24 months prior data and actual triangulation reports - actuarially certified.
- Network utilization/discounts: semi-annually.
- FAS 106 calculation: annually if needed.

Stop Loss Analysis

We use a Monte Carlo tool to predict the number of claimants over a specific stop loss level by client size and history. We translate these findings into annual stop loss modeling to show the potential savings in premium annually for an increased stop loss level v. increased potential claim risk over a three to five year period of actual client large claim history.

Health Reform Modeling

Lockton actuaries developed a predictive cost modeling tool that will not only project the cost impact of maintaining existing plans with increased enrollment or non-compliant plans but also models both the employer and employee tax implications for exiting the employer sponsored market. The health reform modeling tool has been invaluable in driving targeted client strategies to reduce healthcare costs and/or to realign eligible employee populations and design minimum required plans.

As mentioned earlier, Lockton also uses a proprietary system called InfoLock® to import historical ASO claim files and create an unlimited number of ad hoc reports to analyze utilization and clinical patterns. InfoLock® delivers powerful data analysis, predictive modeling tools and solutions for medical, pharmacy, lost productivity, wellness and disease management.

COMPLIANCE SUPPORT

Do you provide guidance on COBRA, HIPAA, Medicare, FMLA, ADA, IRS, Health Care Reform and other regulatory issues? Provide a sample of legislative updates.

Yes, we provide frequent and specific guidance on all of the regulatory issues and provisions noted above. The regulatory coattails of health reform are growing daily. But the health reform law is just a fraction of the many federal and state laws with which employee benefits programs must comply. Lockton will help Alcohol Company understand and adhere to the dazzling array of rules and regulations governing their benefit offerings. Lockton's Compliance Services supplies clients and the Lockton Associates who serve them with a broad range of compliance-related support for employee benefit issues arising under Healthcare Reform, HIPAA, COBRA, the Internal Revenue Code, and other select federal and state statutes and regulations. Lockton's attorneys, paralegals, and other professionals offer specific recommendations to Alcohol Company by way of:

- Direct Legal Access**
  - As a Lockton client, Alcohol Company will have direct access to our compliance team, led by Mark Holloway, in addition to your knowledgeable team of consultants.
- Health reform updates: Comprehensive coverage presented in a variety of electronic formats that provides information, advice, and assistance with analysis and implementation of health reform legislation requirements.
- WebEx presentations - Online programs presented by our top experts on topics such as:
  - HIPAA privacy training
  - Wellness programs
  - Domestic partner benefits
  - Health reform
  - Many Others
- Compliance alerts and e-blasts:
  - Timely legislative alerts by Lockton experts addressing compliance issues and changing regulations.

Lockton's Compliance Team

Who We Are

- Attorneys with 90+ years of combined experience
- Compliance advisors
- Wellness planners
- Compensation specialists
- Number crunchers
- Technology experts

What We Know

- ACA, ERISA, COBRA, HIPAA, etc.
- Internal Revenue code
- Health reform
- State insurance laws
- Public Health Service Act
- Corporate wellness program compliance

What We Do

- Interpret legislative guidance
- Help you prepare for cost impacts
- Ensure that Alcohol Company is compliant
- Integrate the response to health reform with overall compensation and benefits strategies

- Access to **ThinkHR™** - an online platform providing a broad range of content and support across the HR spectrum, including sample forms, a chat function, access to survey data, etc.
- Compliance newsletters:
  - Online newsletters that go into greater detail about compliance-related developments and information.
- Employer guides:
  - Employer handbooks that cover such diverse topics as wellness, benefits for same-sex spouses and domestic partners, and Medicare benefits.
- Calendars and notice matrices:
  - Tools to pinpoint the many and varied notices and reporting obligations your plan must meet, including deadlines, summary of the notice or report, who gets it, and how they receive it.

Lockton's team of in-house attorneys has decades of experience and training in the areas of ERISA, Tax Code, Affordable Care Act, HIPAA, COBRA, USERRA, Section 125, all areas of benefits, discrimination testing, state insurance laws, and legislative regulatory issues at the state and federal levels, etc. Members of the team frequently speak to groups on employee benefits and HR topics, publish articles, author textbooks and appear before federal regulatory and legislative bodies to represent and testify regarding benefit and HR issues. The team is also represented by a former Senior Investigator for the U.S. Department of Labor. As a Lockton client, Alcohol Company will be supported and have direct access to this team of compliance experts in addition to your account management team, subject matter experts and executives. This team will serve as your Trusted Advisor to help ensure Alcohol Company is compliant. Please see the Appendix for a sample legislative update.

**While Lockton is not licensed to offer legal advice, our compliance attorneys remain active, as a dedicated resource, to provide situation support as needed.

Access. Comply. Empower. "ACE" is a simulated Department of Labor (DOL) investigation performed by former DOL investigators & powered by Lockton Compliance Services.

Describe your organization's policy around maintaining client records in a HIPAA-secure environment.

Security Overview

Lockton uses commercially reasonable efforts to protect client information. We diligently maintain policies, procedures and training on internal security measures to prevent unauthorized access to data residing on our information networks. For example, each Lockton Associate signs a nondisclosure agreement that provides guidelines and requirements for the protection of sensitive client information. In addition, all Lockton Associates receive training on data privacy and records and information governance policies, procedures and best practices. Access to information, either in our possession or under our control, is provided based on a strict need-to-know basis. We will disclose information only to parties with a legitimate business need to know. Associates must not attempt to access any information, intentionally or unintentionally, unless the information owner has granted them specific access rights.

We also take several technology-related security measures to protect sensitive data from both inside and outside threats. For example:

- Each “tunnel” into the network is encrypted.
- Enterprise firewalls monitor traffic at a packet level on each high-speed connection to the internet.
- VPNs are encrypted and require authentication keys that are distributed in a controlled manner.
- Citrix remote access is provided to Lockton Associates and requires strong encryption and passwords.
- Lockton addresses inside threats by regulating user access to information.
- All file servers use NTFS file security to control access to sensitive information.
- Application-level security measures also help control access to sensitive information.
- Access to all network servers is limited to a small, core group of technology professionals based on a need-to-know basis. User logins are monitored for inappropriate logins or failed login attempts.
- We use a hosted security information and event management (SIEM) system and intrusion detection system that are monitored 24/7 year-round through a managed services contract.
- We use antivirus tools to detect and quarantine known malware.

The majority of our Associates access a virtual desktop infrastructure from a thin client or thin PC. They cannot install software in this environment. All laptops have PGP whole-disk encryption installed. All mobile devices are managed by a mobile device management (MDM) system that enforces local device security policies. Lost or stolen devices are remotely wiped to protect the data on them.

Password Protection

Passwords must be at least 8 characters in length, and they are changed every 90 days. The last 12 passwords used must be unique, may not contain any part of your user name or any part of your full name and must contain three of the following four classes: upper case, lower case, numbers and special characters. User accounts are locked after five failed attempts. Workstations lock after 15 minutes of idle time.

Email Encryption

Lockton offers three options for email encryption.

If our clients support it, we prefer to enable transport layer security (TLS) for email encryption with that client. This option requires some expertise to configure, so it is often used by our larger clients with an internal IT support staff.

We also provide Symantec Email Encryption. This option allows Associates to encrypt emails with the click of a button or by including special terms in the subject line. Recipients receive an email directing them to a secure portal, where they log in to retrieve their email. They can also respond to emails through the same portal.

For emailing large files, we use Citrix ShareFile.

Security Patches

All identified and applicable security patches are deployed to a test group on the fourth Sunday of every month. Patches released the prior month are deployed to production on the fourth Sunday of every month. Critical emergency vulnerabilities (e.g., zero day) are deployed within 24 hours of approval by our SVP, Director Global Technology or his designate.

HIPAA

When Lockton serves as a business associate for clients who are covered entities under HIPAA, all Associates with access to individually identifiable health information must comply with our HIPAA Privacy Policy. Lockton has specific protocols and safeguard guidelines for all protected health information.

Physical Security Controls

Physical controls include those used to prevent physical access to equipment, servers, networks or paper-based information. Controls are in the form of building guards, reception areas, visitor control, door locks, controlled security zones with badged access, locked file cabinets and security cameras. Physical access is typically managed by the building management or Lockton's Facilities organization, with the approval of access levels by the Information Technology team and senior management. Physical access is granted on as-needed basis.

Data Centers

Data centers have appropriate environmental controls, including monitored alarms for fire, heat and smoke, fluid, and water, which are tested annually.

Records Retention

Information is kept in accordance with our records retention schedule, which specifies that client information (including records containing such information) are to be retained by Lockton for a period of 7 to 10 years depending on the type of record. If requested, data is disposed of in a secure manner. Physical records are destroyed by our contracted secure paper shredding vendor. All drives being disposed of are shredded.

Security Incident Response Plan

We maintain a security incident response plan (SIRP) that includes a process for analysis, containment, eradication, recovery and notification.

Disaster Recovery

We maintain a disaster recovery plan to help our Associates be prepared to respond positively to a disaster event, thereby reducing the impact of the event on our Associates and continued business at Lockton. The plan follows a disaster recovery lifecycle, including preparedness, response, recovery and test. To minimize the impact, system backups for all production-class network servers and other network storage areas occur using an established schedule. The plan defines different levels of disaster events, presents steps to take in disaster event situations, and defines roles and responsibilities. It helps our Associates be prepared to take definitive action to lessen the effect of a disaster and enables Lockton to continue doing business and serving our clients.

The disaster recovery plan is either tested at least once a year with a simulated disaster or the disaster recovery plan is thoroughly reviewed. The execution of the plan test is observed by the IT Manager and the SVP of IT. Any discrepancies that are observed during the test are recorded, and steps are taken to correct any inefficiency. Any updates or corrections that are needed for this disaster recovery plan will be made.

Business Continuity Plan

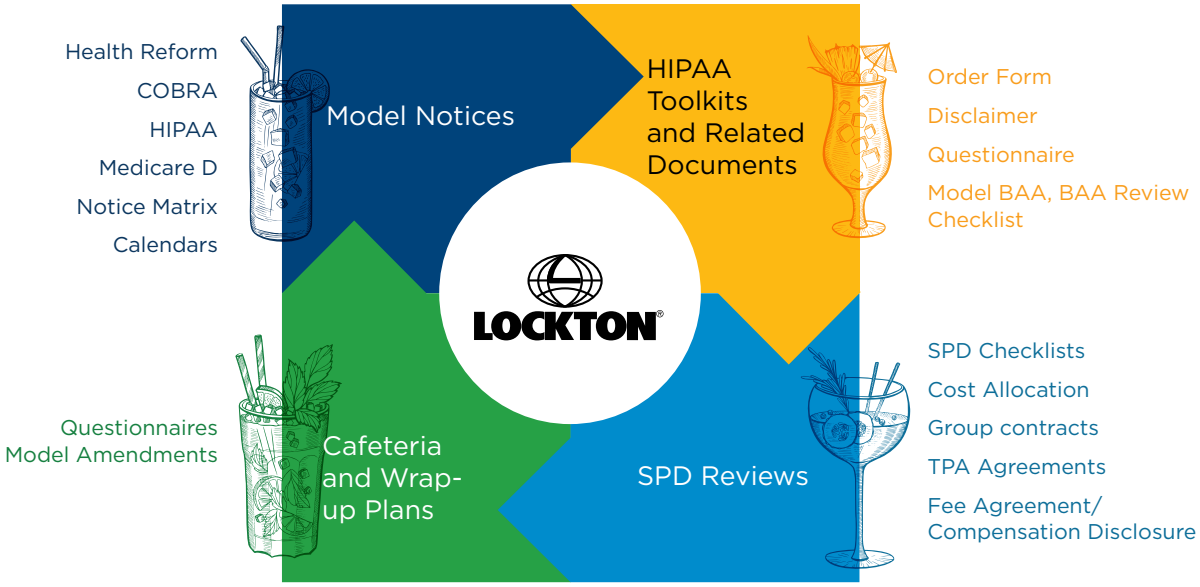
Lockton maintains a business continuity plan that provides a method for us to establish formal procedures to coordinate recovery operations with our vendors and our clients. It also serves as a tool to test our preparedness and capability to respond in the event of a disaster. By working through the process without the stress of a crisis situation, executive management can learn to respond, not just react, to a potentially devastating event.

A business continuity team has been appointed by senior management to identify and mitigate hazards, maintain and implement a comprehensive disaster recovery plan, and keep our Associates and facilities in an effective state of readiness to respond to and recover from emergencies or disasters that may occur.

As an additional precaution, Lockton has a contract with a third-party recovery company that provides comprehensive, packaged solutions. Our contract provides power (portable power generation), technology (computer servers), office space and connectivity (phone and internet).

Do you prepare 5500 and SAR reports for US health and welfare plans? Describe your capabilities.

Lockton will assist Alcohol Company with the preparation, review and updating of documents, SPDs, SAR Reports, and 5500 filings. Some of the areas in which we provide additional assistance are as follows:



If selected as your partner, Lockton will work with Alcohol Company to assess your overall compliance readiness as one aspect of our initial diagnostic and inventory of all your health and welfare plans.

However, from an ongoing standpoint we will continue to partner to ensure you remain in compliance and that is predicated on having a solid process in place to not only keep Alcohol Company apprised of key compliance dates, legislation and form deadlines but also to understand the potential impact of changes and policy discussions.

To that end we will develop annually a compliance calendar that is embedded in our broader service calendar recognizing the importance of compliance in a rapidly changing environment. We will not only disseminate information to you but quickly react and proactively initiate discussion when your firm will be specifically impacted. This will include proactive reminders and status updates.

Describe your organization's services to directly assist our organization in maintaining compliance with federal and Provincial regulations related to health and welfare plans.

Lockton maintains "in-house" compliance attorneys and resources to provide compliance support, analysis and recommendations to ensure all plans are in full compliance with requirements of state and federal regulations, statutes, mandates and laws. This includes assistance with compliance such as DOL benefit audits, COBRA administration, HIPAA privacy and security requirements, Form 5500s including new mandatory electronic filing requirements (EFAST2) and recent health reform legislation.

Lockton will keep you informed of trends, recent insurance/benefits developments, labor, public sector and legislative changes through newsletters, bulletins, and other venues provided through our internal Compliance Department.

The benefits attorney that supports Lockton Northeast who would work directly with Alcohol Company is Mark Holloway. Mark possesses more than 25 years of experience as an attorney, 20 of them as employee benefit specialist. He has extensive experience in dealing with the complex regulatory and other compliance issues that arise under federal and statutory legislation for health and welfare benefit plans.

For a specific compliance issue, we discuss the compliance situation with our client and then notify and discuss it with Mark if we (Lockton):

1. Can exclusively help solve the problem (local core team with specialty attorneys);
2. Can work in conjunction with outside labor/benefit attorney or
3. Determine it is best for Alcohol Company to work with their outside counsel.

Many times Lockton compliance attorneys can be involved, which helps minimize costs of using outside counsel. **In-house compliance services are a value added service performed for our clients at no additional cost.**

Our approach to the Canadian Provinces will be to align with Alcohol Company's US, USVI and global benefits philosophy.

We invest in and continuously improve on an array of global technological tools to help our clients. These include:

- Lockton GlobalView country benefit reports. These reports provide a comprehensive overview of mandatory/statutory and typical market practice in more than 70 countries around the world.
- Market practice reports. We can provide comprehensive, client-specific benefits market practice reports in most key countries around the world. These are written specifically for you with your benefits in mind and include our comments/recommendations for change based on your current benefits and current market practice.
- Lockton Global Benefits compliance updates. These monthly global legislative updates provide you with a timely review of both contemplated and recently enacted changes in the local law impacting your global benefits programs.
- Global Benefits Navigator. Navigator is an online platform that allows multinational organizations to store, analyze, and report their worldwide employee benefit program information. Designed for corporate teams with HR, Finance, and Legal responsibilities, Navigator provides ready access to centralized plan data needed to better manage benefit programs, improve M&A readiness, leverage regional and global plan financing opportunities, and enhance corporate governance. More information on Navigator can be found by visiting https://vimeo.com/299952526.

Please reference the appendix for additional information regarding our Global resources and service model.

VENDOR MANAGEMENT

What level of support do you provide in resolving claims and plan administration issues, contract and plan interpretation, as well as working with Alcohol Company and their vendors to facilitate and resolve day-to-day issues?

Supporting our clients with day-to-day issues, complex issues, implementations, etc. is at the core of what we do. We consider these services “table stakes” that should be offered at a high level by all consulting partners.

Our teams are highly knowledgeable and responsive and are trained to provide excellent service to our customers. In addition, our teams will regularly provide status updates from onset through resolution, so our clients are constantly aware of our progress.

Additional details and samples of open items logs, implementation schedules, etc. will be provided as requested or during a finalist presentation.

For all clients, we will establish a regular, recurring status call, either weekly or bi-weekly, depending on the client’s preference. Our consulting team will establish an open items log that will be delivered prior to each call. We will also create an annual service delivery plan that will highlight

ABC Company
Open Items List
4/5/2019
Dial In Number: ; Access Code: ; Moderator Code:

High Priority
Medium Priority
Low Priority

Vendor/Item	Responsible Party	Status	Notes	Start Date	Target Completion Date	Actual Completion Date
Communications						
Benefits At A Glance Flyers		Open	Lockton to draft flyer and sent for review.			
2019 Communication Strategy		Open	Tentative date for call with Lockton's Marcomm team to discuss strategy, planning, and timeline.			
Benefits Administration/Annual Enrollment						
Hodges-Mace Agreement Review & Execution		Open	Followed up w/all parties on status of review	3/20/2019	4/17/2019	
SmartBen - Mobile Application Launch		Open	Implementation & Communication of Mobile App	3/20/2019	7/1/2019	
Voluntary Benefits Mid-Yr Rollout & OE		Open	Implementation & Communication of Cigna VB Benefits in SmartBen	3/20/2019	8/1/2019	
Cigna Implementation						
Cigna Target Go Live		Open	Cigna confirmed currently on target for a 5/1 go live.		5/1/2019	
Completed Not Actively At Work Disclosure		Open		3/14/2019	5/15/2019	
MetLife Termination Letter		Open	3/27: Adjusted target from 4/15 to 3/27 to accommodate for the 60 day term notice for NJTDB - Lockton to draft once decision has been made on plans and vendor.	3/14/2019	3/27/2019	
Prudential Termination Letter		Open	3/27: Adjusted target from 4/15 to 3/27 to accommodate for the 60 day term notice for NJTDB. Lockton to draft once decision has been made on plans and vendor.	3/14/2019	3/27/2019	
AFLAC Termination Letter		Open	Lockton to draft once decision has been made on plans and vendor.	3/14/2019	4/15/2019	
Manhattan Life Termination Letter		Open	Lockton to draft once decision has been made on plans and vendor.	3/14/2019	4/15/2019	
Other Items						
5500 Filing		Open	Worksheets submitted in Wrangle. Schedule A collection in progress.	1/30/2019	7/31/2019	
2019 IBNR Calculation Review		Open	Lockton will review the2019 IBNR calculation	3/20/2019	3/28/2019	
Schedule & Develop 2019 Strategy Calendar		Open	Internal meeting scheduled for 4/17.Strategy Presentation with full Benefits & Executive team 5/2	01/30/209	4/30/2019	

Vendor/Item	Responsible Party	Status	Notes	Start Date	Target Completion Date	Actual Completion Date
Billing/Eligibility						
Billing Audit/ Termed Groups		Open				
Billing Audit/Eligibility Audit		Open		3/1/2019		
Guardian Stop Loss Premium		Open		3/20/2019	4/3/2019	
MetLife - Portal Statement Access		Open				
2018 Run-Out		Open		3/1/2019	6/30/2019	
HM Life - Stop loss		Open	Continue to monitor stop loss for Rx for 2017 incurred claims			
Express Scripts Eligibility		Open			2/8/2019	
Weekly Enrollment Log		Open	Reviewed 4/2			
Open Enrollment Eligiblity Items						
		Closed	Finalizing info needed from Discovery to IA. Enrollment complete.	3/22/2019	3/29/2019	3/29/2019
Marketing/RFP						
Acquisitions (Please note that vendors can re-rate)						
		Suspended	MetLife Vision Enrollment discrepancies	1/23/2019		

Describe your approach for managing vendor performance? This should include your process for working with suppliers who are underperforming for Alcohol Company.

The most important aspects of vendor selection are to be clear about your goals, negotiate aggressively to meet them, and to select the best fit for you based on those goals. Within that framework, performance guarantees on service commitments should provide a level of alignment between the commitments made and actual delivery so that Alcohol Company is protected.

Financial performance guarantees (discount levels, pharmacy pricing, etc.) are fundamental to the evaluation of each vendor. We evaluate the guarantees to ensure they are “apples to apples” and also compare them to our other clients’ results to determine that they are achievable as well for that particular vendor.

We also have unique situations which require alternative forms of guarantees, particularly when there are complex M&A transactions or significant plan consolidation or change and financial impact is uncertain. In these instances, we’ve introduced two-way discount guarantees and retroactive premium refunds to name a few.

Describe your firm's marketplace leverage in negotiating with carriers regarding rates, contract/policy terms and plan design. What percentage of the national carriers' and mid-market and national account book of business does your firm represent?

Marketplace Leverage

Maximizing Insurance Underwriting Results

One of Lockton's strongest attributes is our ability and expertise to negotiate with insurance carriers on our client's behalf. Lockton continues to gain competitive advantage in the marketplace to obtain maximum value for our client's benefit. Lockton not only has access to the most competitive markets, but we enjoy an unmatched reputation for honesty and professionalism. We always work on behalf of our clients' best interests. We do not favor any one insurance carrier nor do we have special arrangements with insurance carriers that jeopardize our objective counsel and ability to provide the most competitive rates for our clients.

The formula to ensure employers receive the most competitively priced Health & Welfare insurance programs (including lowest possible administrative fees, pharmacy program costs and stop loss insurance premiums) is comprised of many factors including:

- National and Regional Purchasing Power
- Strong Carrier/TPA Relationships (Sales Underwriting, Underwriting and Actuarial, Broker/Carrier Executives)
- Market Competition through prudent/professional RFP process that depicts Alcohol Company as an extremely attractive prospect
- Savvy and effective brokerage team negotiation (client involvement may help)
- Real time benchmark information on carrier admin fees/stop loss premiums for corresponding administrative services and stop loss contracts
- Underwriting and Actuarial Expertise
- Stop Loss Expertise and Brokerage Reputation in the Marketplace
- Detailed Large Claim Analysis with Clinical counsel (Preferably with Medical Directors)
- Stop Loss Purchasing Pools including multiyear rate caps
- Stop Loss Simulation modeling to select optimal individual stop loss levels (and aggregate buy down levels)
- Documented Stop Loss Best Practices
- Overall Claim Analytics and Disease Management Stratification to assess Risk Morbidity Index
- Incorporating Health Risk Management strategies (including Morbidity Risk Index) into rate negotiations
- Pharmacy analytics capabilities to negotiate most favorable Rx pricing terms (discounts, rebates and dispensing fees); contract provisions (to remove PBM gaming) and performance guarantee adherence process

For any renewal/placement, the major factor or technique instrumental in obtaining final rate relief from the insurance underwriter could be any one (or two) of the factors outlined above. It is paramount that the broker who represents Alcohol Company excels in each component identified above and uses a team approach. Final negotiations may involve Alcohol Company senior management if we feel it makes a difference —many times that is the case.

Being Your Advocate In The Marketplace

Our relationships with the carriers are based upon mutual trust and respect. The insurers know Lockton and trust us to deal with them in a fair, open and professional manner. Maintaining our focus on the importance of this relationship provides a solid foundation to work with your insurers as your advocate, and to resolve concerns before problems arise. We will engage the insurers early in the planning process to ensure there are no surprises or last-minute changes which could prove disruptive to Alcohol Company or your employees. We will work closely with them to manage each stage of a program roll-out to a smooth and successful conclusion. Whether we are solving problems, reviewing plan material, negotiating contracts, or managing day-to-day performance, we will never lose sight of the fact that we are acting as your advocate to drive results for Alcohol Company and its employees.

Lockton approaches the marketplace in an agnostic fashion. This means that we have relationships with all financially sound vendor partners. However, based upon competitiveness, contract provisions, and network access, some carriers have more premium associated with Lockton.

Importantly we are often one of the largest, if not the largest, broker/consultant in a market for a particular carrier. This creates broad leverage and allows for deep relationships across all levels that benefit our clients, whether that is financially or from a service standpoint when a difficult issue arises, implementation, etc.

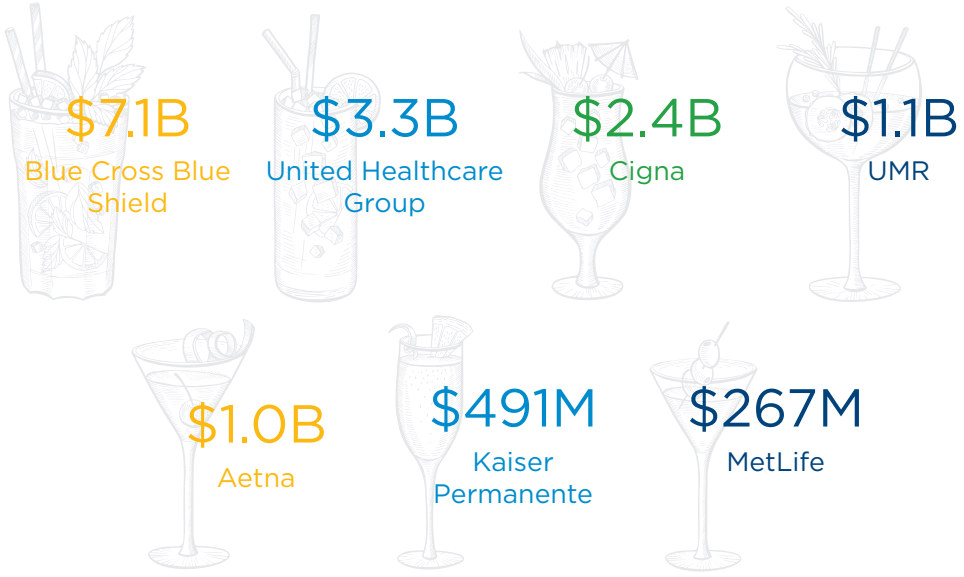
Lockton is recognized by both national and regional carriers as a leader in the industry. A Lockton representative sits on the National carrier's executive advisory boards for United HealthCare, Aetna, CIGNA, Anthem, and the Blue Cross National consortium.

At a local level we have significant relationships with all the major carriers and have frequent "state of the union" meetings with local, national and global leadership.

We work closely with our carrier partners to avoid surprises and mitigate issues that arise. Our leverage and approach to partnership create the platform to achieve these goals.

As stated in a previous answer, the exhibit below shows our top medical carriers – the various Blue Cross Blue Shield and Anthem entities were consolidated and labeled "Blues" for illustrative purposes. The vast majority of Lockton's $15.4 billion in medical premium is placed with the top 5 medical carriers. As the 8th largest broker in the world and largest privately held firm, Lockton represents a sizable portion of both mid-market and national account business for all of the major medical insurance carriers.

LOCKTON ANNUAL VOLUME BY CARRIER



Packaging a Best-in-Class Submission

How Alcohol Company is presented to the insurance marketplace is vital. We present complete, accurate, and professional submissions, making it easy for the underwriter.

Negotiating Directly With Decision Makers

Lockton maintains top-level relationships and partnerships with all major carriers to make sure we are getting the best possible deal for our clients.

Lockton Pharmacy Consulting and Procurement

Lockton Pharmacy Benefit Management Consulting

Leverage Scale to Optimize Contractual Pricing and Terms

- Leverage Lockton's scale – more than 27 million members
- Reduce pharmacy spend through rebate enhancements and improved discounts

Clinical Cost-Containment Strategies

- Proactively assess the impact of specialty drugs
- Implement clinically appropriate drugs protocols
- Address pharmacy claims paid through the medical plan

Maintain Independence

- Independently evaluate all alternatives
- Avoid economic conflicts of interest
- Maintain design flexibility and audit rights

With our help, clients can achieve an average savings of 15-22% of Rx spend

Lockton Pharmacy Services

Contract Reviews

- Ensure appropriate definitions for brand, generic, and AWP
- Structure dollar-for-dollar pricing guarantees
- Structure objective audit procedures
- Define clear algorithms for guarantee and penalty calculations

Diagnostic

- Assesses performance of current Contract
- Pricing terms, disease state and drug mix analysis with drug interchange opportunities
- Project employer savings if we shopped PBMs today
- Specialty drug review

PBM Procurement & Renewals

- Objective approach with transparency and no carrier/PBM specific incentives
- Rigorous financial valuation of all proposals, quantify drug mix savings and pricing terms savings
- PBM must submit to certain contract provisions, guarantees, and annual audits prior to being awarded business
- Implementation support and ongoing maintenance

Independent Annual Audits

- Annual pricing reconciliation based on all Rx claims
- Based on all information affecting employer cost: discounts, dispensing fees, rebates, admin fees, brand vs. generic classification, and formulary lists
- Employers receive penalty check if guarantees were not met

Clinical Pharmacy Consulting

- Performance management of PBM vendor to ensure delivery of plan reporting and quick resolution of issues
- Comprehensive review and recommendations on clinical program opportunities
- Employers receive penalty check if guarantees were not met

Vendor Options for Pharmacy Benefit Management

Carve-In

Bundled

- Medical and Rx are both provided by Carrier/TPA
- Value of integration between medical and pharmacy benefits may allow for enhanced disease and care management programs
- 1 member ID card
- Ease of integration of data files for HDHP and/or HSA administration
- Specialty pharmacy management across medical and pharmacy benefits

Carve-Out

Direct to PBM

- Pharmacy is the primary service
- Multiple players in the market with variety of models
- Full ownership of pharmacy contract and terms
- Ability to fully audit
- Greater flexibility with formulary, plan design and clinical programs
- May require 2 ID cards
- Typically there is a pricing advantage of a direct contract with a PBM

Through Coalition

- May be owned/managed by employee benefits broker, however some independent coalitions with transparent contracts and pricing
- Potential for hidden fees and misaligned incentives leading to higher overall pharmacy costs – important to evaluate and understand contractual terms
- Some do not allow ability to audit financial guarantees
- Limits on ability to customize
- Additional middleman involved in the benefits

How do you monitor evolving health plan provider/network models (e.g. ACOs, PCMHs) across distinct geographic regions of the country? What metrics do you track?

Value Based Health Plans (VBID) is an evolving topic in Connecticut and there is precedence in other parts of the country for VBID's success in impacting healthcare costs and improving quality.

Lockton is closely connected to the evolution of VBID locally and nationally through our client relationships in Healthcare as well as our partnerships with the following:

- Connecticut Health Council
- Trinity Health System Broker Advisory Board
- Pro Health Physician Broker Advisory Board
- Local and national presence on all major -medical carrier Broker Advisory Boards

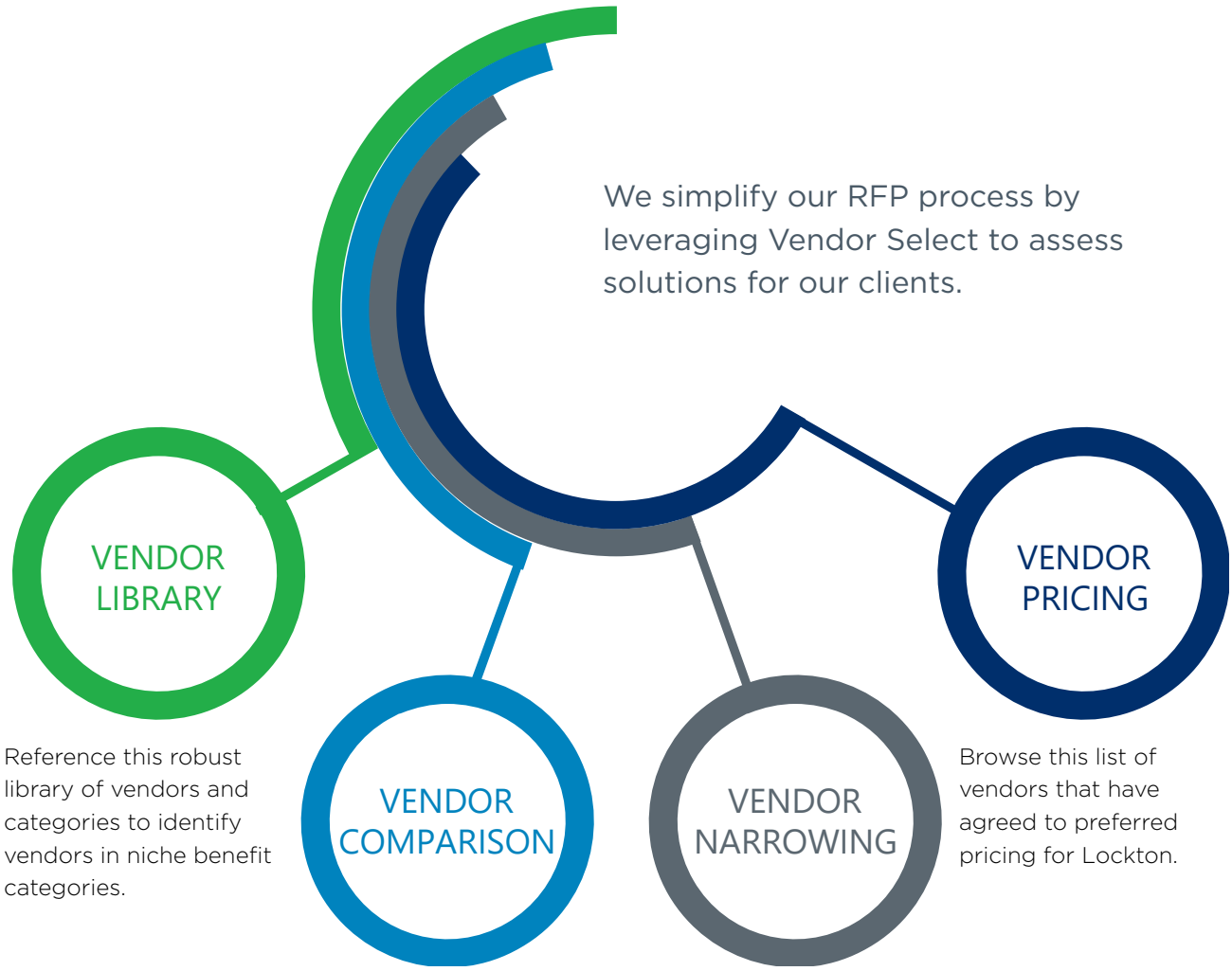
We are prepared to speak to Alcohol Company about strategies to implement VBID on a national level.

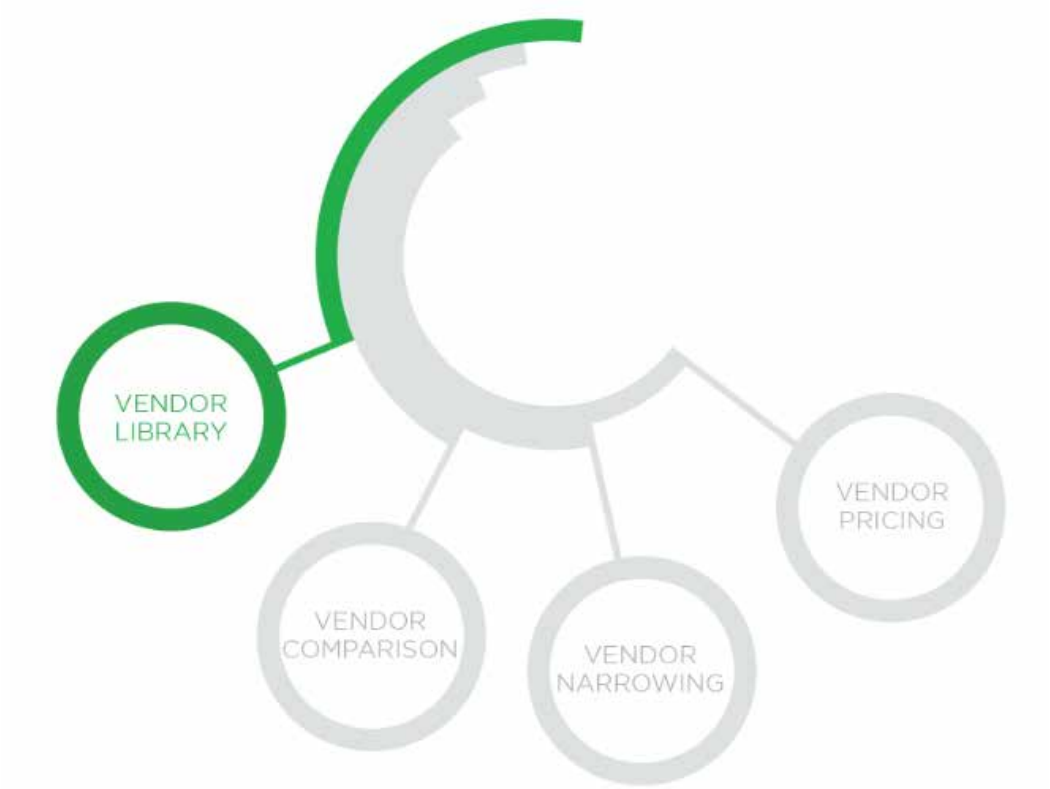
Other examples of Value Based Healthcare Strategies and Purchasing Efficiencies include:

- Accountable Care Organization (ACO)
- Captive Stop-Loss Management
- Carve-out Subrogation
- Centers of Excellence
- Decision Support
- Direct Contracting
- Narrow Network — Full or Partial Replacement
- Pharmacy Discount & Terms Optimization and Annual Audit
- Reference-Based Pricing: Medicare Plus on Out of Network Services Only
- Reference-Based Pricing: Medicare Plus Pricing on Broad Range of Services
- Reference-Based Pricing: Targeted Services
- Specialty Pharmacy Management and Pricing
- Stop-Loss Best Practices Marketing, Contracting, Clinical Review

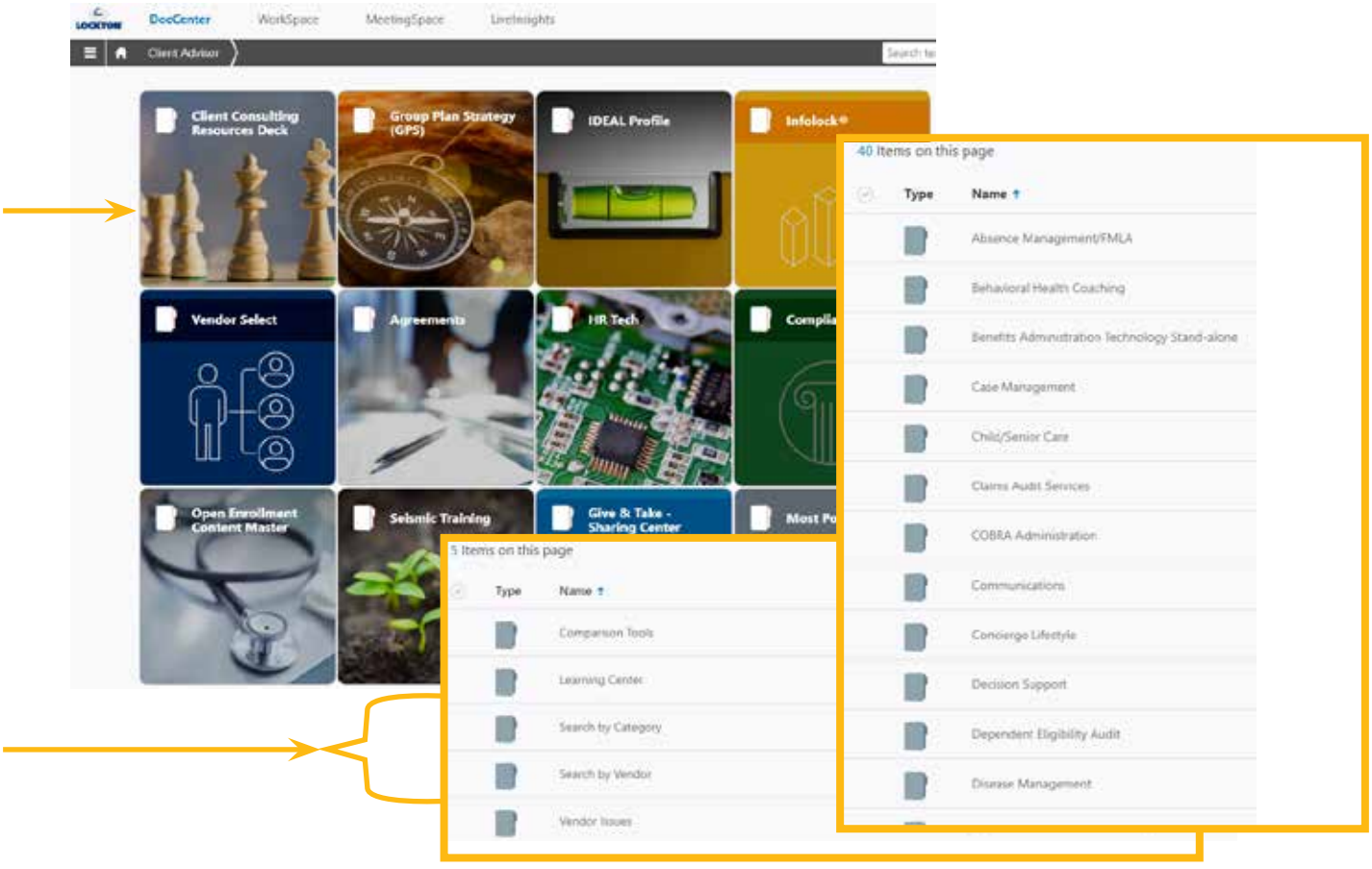
Describe tools and "due diligence" processes that your firm would utilize in conducting vendor procurement initiatives. Do you utilize specialized sourcing tools or software?

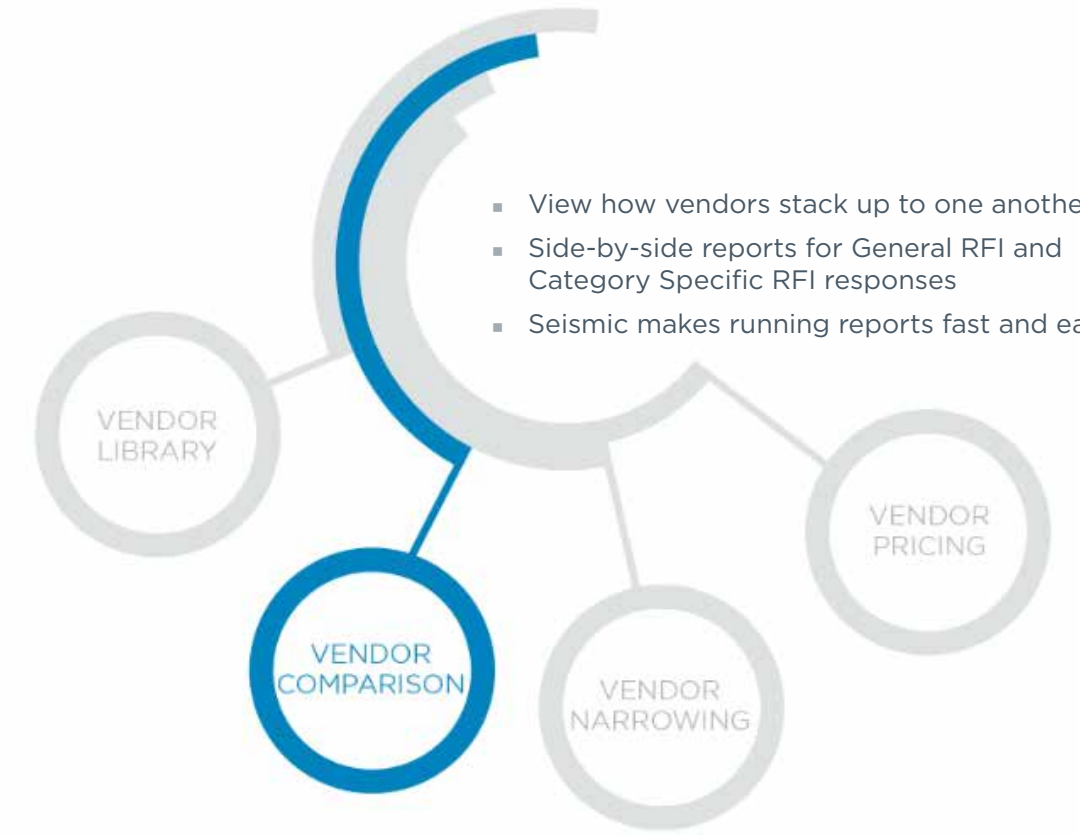
The Vendor Select Approach





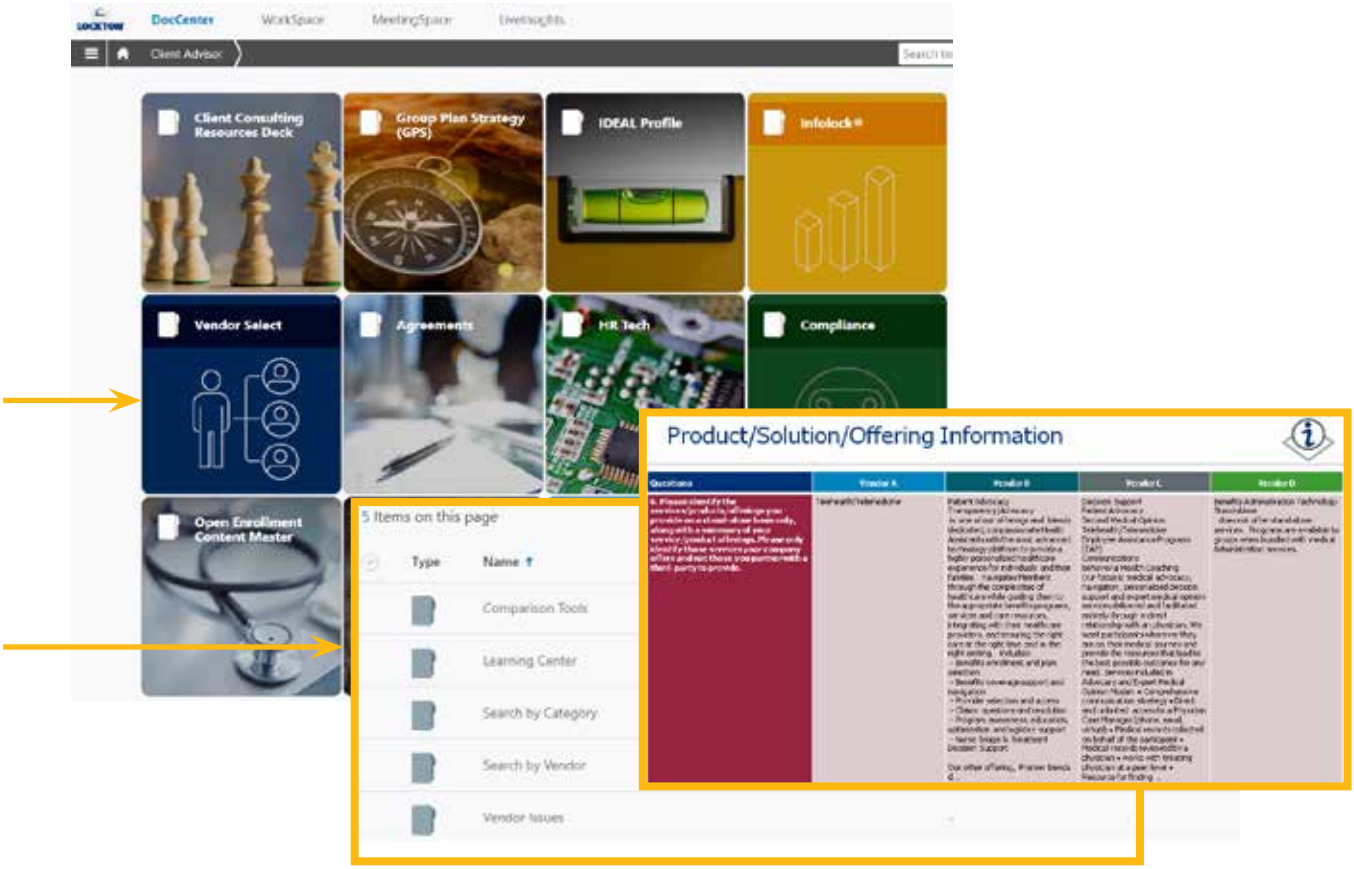
Vendor Library: view and search vendors and categories

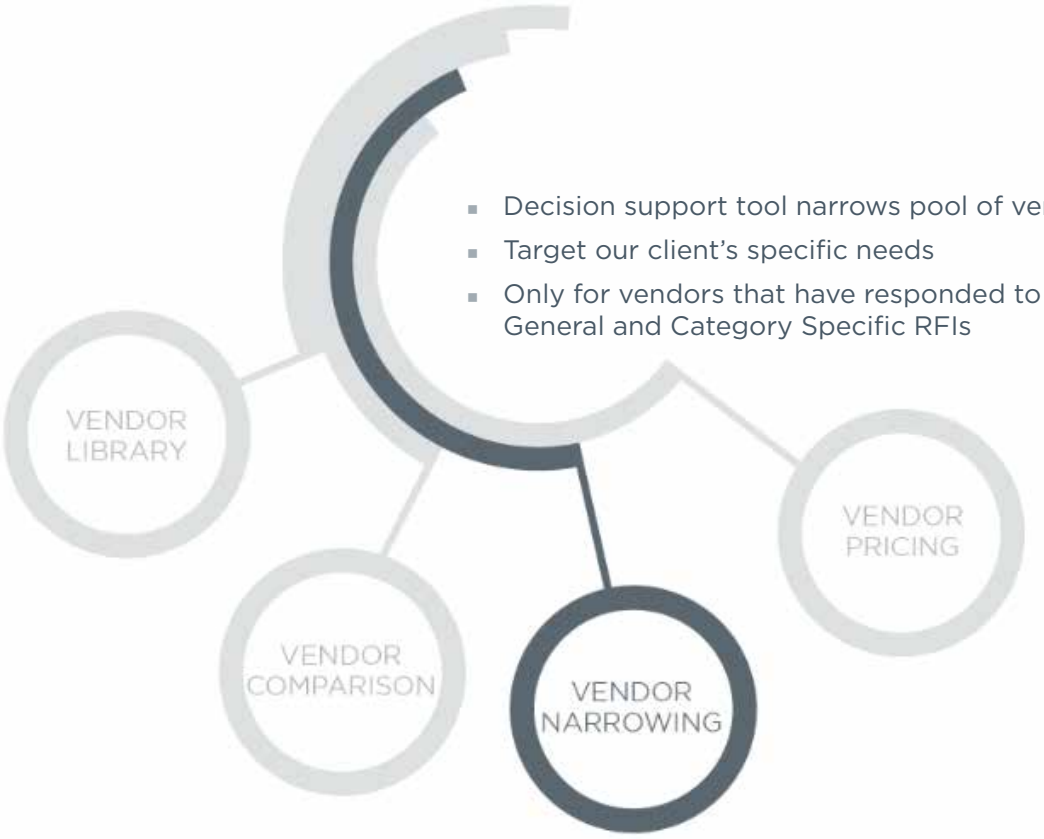




- View how vendors stack up to one another
- Side-by-side reports for General RFI and Category Specific RFI responses
- Seismic makes running reports fast and easy

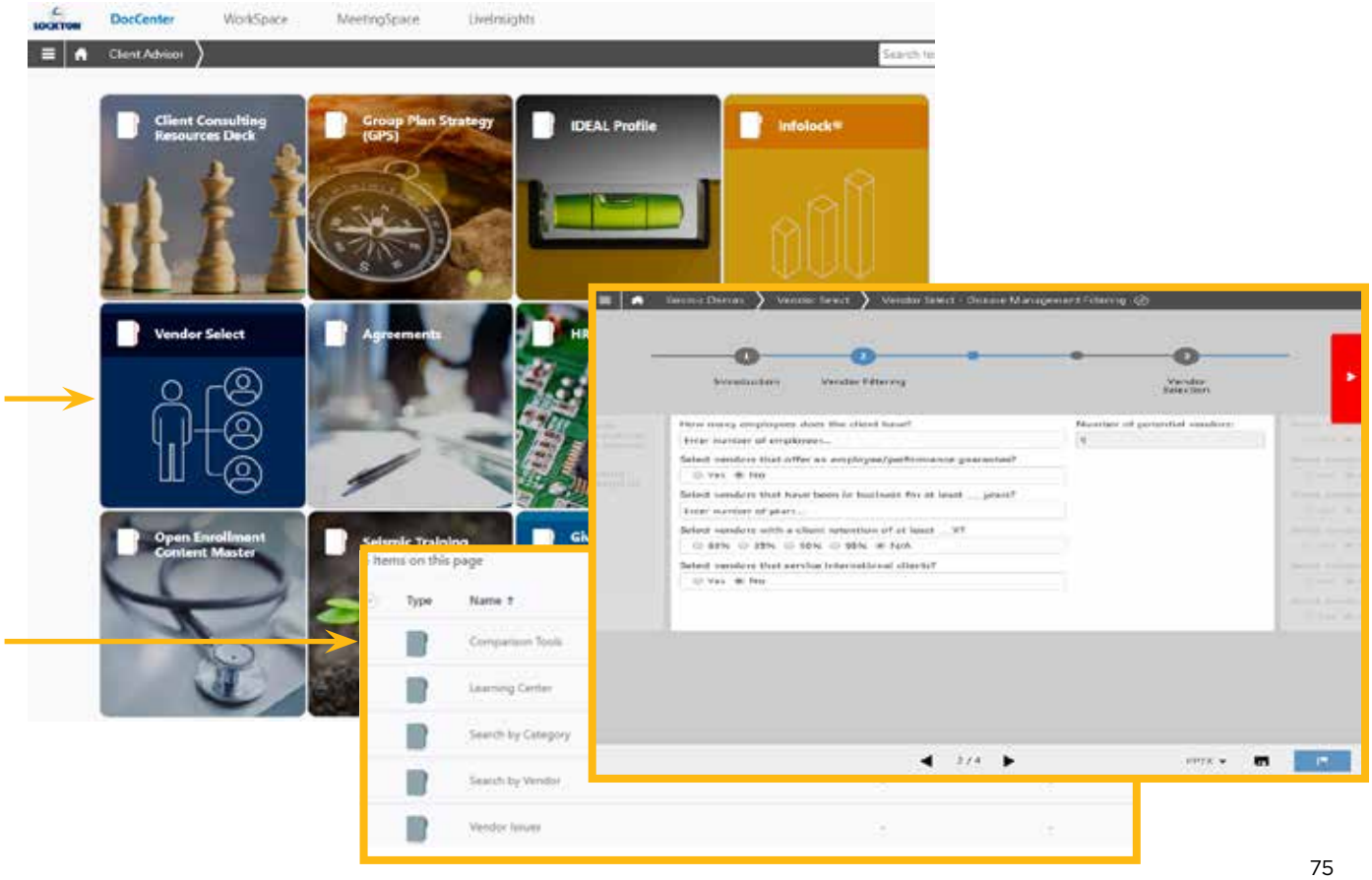
Vendor Comparison: generate side-by-side reports

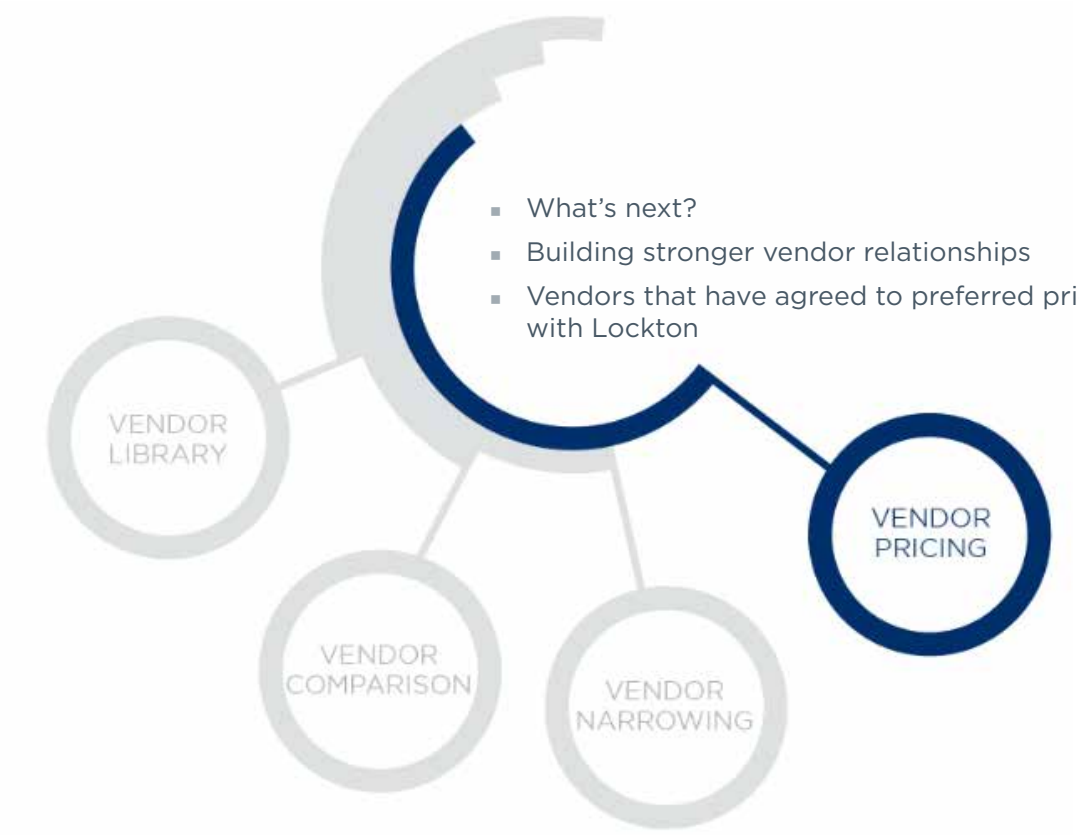




- Decision support tool narrows pool of vendors
- Target our client's specific needs
- Only for vendors that have responded to both General and Category Specific RFIs

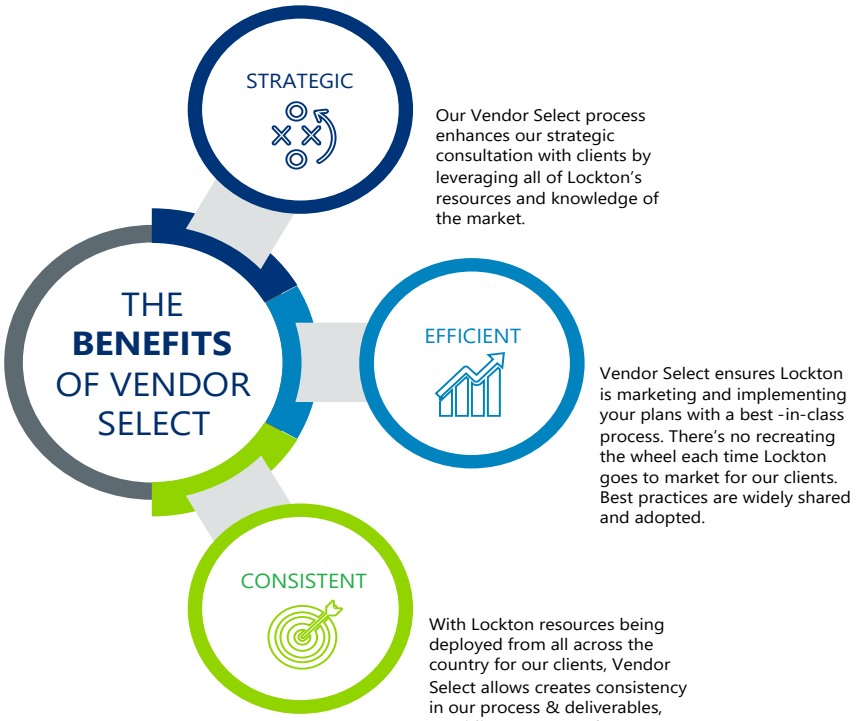
Vendor Narrowing: target a client's specific needs





- What's next?
- Building stronger vendor relationships
- Vendors that have agreed to preferred pricing with Lockton

The benefits of our vendor management process



Our Vendor Select process enhances our strategic consultation with clients by leveraging all of Lockton's resources and knowledge of the market.

Vendor Select ensures Lockton is marketing and implementing your plans with a best -in-class process. There's no recreating the wheel each time Lockton goes to market for our clients. Best practices are widely shared and adopted.

With Lockton resources being deployed from all across the country for our clients, Vendor Select allows creates consistency in our process & deliverables, providing a "One Lockton, Best Lockton" type of experience.

Why is Vendor Select crucial?

- Identifying tier 1 vendors and providers across a wide array of benefit offerings and categories.
- Following best-in-class marketing process for each benefit offering, resulting in more desirable outcomes for our clients.
- Minimizing surprises and omissions during the marketing process and implementation stages.
- Staying plugged in to new vendors and categories in the market.
- Preparing comprehensive, client-ready vendor comparisons.
- Establishing reliable time frames for execution.

What role do performance guarantees play in your vendor assessment process?

*Please note this answer was stated earlier to a similar question but we felt it was also relevant to this question.

The most important aspects of vendor selection are to be clear about your goals, negotiate aggressively to meet them, and to select the best fit for you based on those goals. Within that framework, performance guarantees on service commitments should provide a level of alignment between the commitments made and actual delivery so that Alcohol Company is protected.

Financial performance guarantees (discount levels, pharmacy pricing, etc.) are fundamental to the evaluation of each vendor. We evaluate the guarantees to ensure they are “apples to apples” and also compare them to our other clients’ results to determine that they are achievable as well for that particular vendor.

We also have unique situations which require alternative forms of guarantees, particularly when there are complex M&A transactions or significant plan consolidation or change and financial impact is uncertain. In these instances, we’ve introduced two-way discount guarantees and retroactive premium refunds to name a few.

ACCOUNT MANAGEMENT

Describe the team of individuals who would be assigned to manage the Alcohol Company account. This should include the account manager, project manager, lead actuary, underwriter, account administrator, etc. Please indicate each team member's role, and where they are located. In the Appendix please provide biographical information on each team member.

Who will be the day-to-day contacts for the account?

The culture of our firm is firmly rooted in client service and we have built a world-class capability to be accessible, responsive, and proactive to our clients' needs. We are in business to help our clients succeed. Every client is unique, and the method and frequency of interaction varies based on their requirements.

We do not have set protocols for interactions with the Alcohol Company team. All of our team members are available to Alcohol Company during work hours and after hours via our company-issued mobile devices. We do ask that our clients copy a number of our team members on email correspondence to ensure that we are all up to date on key issues and that someone is always available to respond. Your day-to-day contacts will be Julie Gurney and Liz Spencer. Julie and Liz will oversee the execution of Alcohol Company's employee benefit strategy and the delivery of day-to-day customer service. Our culture and service approach allow your team to serve as a true extension and partner to your Human Resources and Finance teams at all levels.

Our teams employ a proactive approach to project management to help us meet these objectives. Our method includes a number of key meetings, tools, and processes that ensure we accomplish all of the strategic objectives and day-to-day tasks that are required for a benefit program to be considered a success. To that end, we are speaking with many of our clients several times per day, meeting regularly and orchestrating and participating in weekly status calls with many of them. We will also support your open enrollment communication to employees with face-to-face meetings or via WebEx.

How does your firm provide continuing education to ensure that each consultant/team member is educated on current market trends and legislative developments?

Lockton possesses a rigorous and structured professional development process to ensure our Associates are keenly aware of industry emerging trends and business service practices to service our clients at the highest levels. Internal training is performed at local, regional and national levels and covers many areas including Lockton Best Practices by Specialty; Professional Standards; Tools, Technology and Techniques; Internal Client Management; and Lockton proprietary systems.

External resources include programs and training performed by insurance carriers, wellness/risk management and HRIS/Benefit Admin partners. External industry conferences, webinars and other professional development opportunities are encouraged. Lockton is also a member of the Council of Insurance Agents and Brokers, an important and influential lobbying organization in Washington, D.C., that represents the interests of employers in employee benefit matters before Congress as well as the executive branch's regulatory agencies.

Examples of our training programs and curriculum are included on the following page.

Specific training programs include but are not limited to:

- Lockton Annual Benefit Group Conference: Each year our benefit consultants participate in the Lockton Annual Benefit Group Conference designed around the unique and evolving needs of the employee benefits marketplace. This conference provides an organized forum for our consultants to share ideas with colleagues from across the country and to increase their awareness of emerging national healthcare developments.
- Lockton Internal Webinars: Performed by Practice Leaders periodically to update Associates on recent developments, trends and Lockton's expanding capabilities. Areas include International Benefits, Clinical/ Wellness/Health Risk Management, Actuarial, Data Claim Analytics, Client Technology and Outsourcing Solutions, Health Reform Advisory, Legislative and Compliance, Pharmacy Analytics, and new developments such as Private Exchanges.
- Lockton Best Practice Training Sessions: Lockton Best Practice Training Sessions are performed at Kansas City corporate headquarters or periodically delivered as "Road Show" to local offices. Special Lockton training sessions are provided during the year and focused on Technology Tools, RFP Master Training, Lockton/Insurance Carrier Executive Forums, Strategic Planning Process Webinar, Health Risk Management Training, Compliance Webinars, International Benefits Training, Customized Employee Communications, Pharmacy Analytics, Actuarial Techniques and Software, and Client Technology/Benefit Administration Training.
- Lockton General Professional Development: All Lockton Health & Welfare consultants participate in professional develop including our strategic planning training session every year. Participation in these programs and monitoring national Health & Welfare relationships is paramount for Lockton Consultants to maintain proactive counsel for our clients. Personal and Professional Development activities (and objectives) are incorporated into each consultant's annual performance appraisal.
- Lockton Proprietary Intranet Resources: This is a tool that is currently online and operational for all Lockton Associates nationwide. The Lockton Benefit Group Intranet includes online reference materials, web resource links, current news and regulations, an online Q&A feature and access to Lockton Best Practices for each Specialty Resource Practice area.
- Lockton Best Practice Internal Alerts: Educational Alerts and Newsletters disseminated by our specialty resource practice leaders.
- Lockton Client Webinars (Class Webcasts): The term "webinar" is a combination of the words "web-based" and "seminar." A webinar can be a lecture, a presentation of some kind, a workshop or an interactive meeting that is held on the Internet. By holding meetings in a webinar format, participants can interact with each other even when they may not be geographically close in proximity. This convenient format allows Lockton flexibility when presenting topics to our clients at times and locations that work.
- Strategic Initiatives Workgroup: An internal group of Lockton employee benefit experts who develop strategic planning resources and tools
- Lockton White Papers: Expanded analysis and discussion of employee benefits issues or innovations
- External Training – As one of the largest independent broker/consultants in the United States, Lockton Benefit Associates are fortunate to work with many of the more senior management level executives at the insurance companies, third party administrators, and service providers. Our relationship with these executives serves as a source of education on trends that are emerging nationwide and at a local level.
- External Training – National and Regional Insurance Carrier/Vendor Advisory Boards and Conferences: Encourage Benefit Associates at all levels to participate in broker and/or client advisory boards for these organizations, as well as, educational conferences offered.
- As mentioned above, Personal and Professional Development objectives and activities are incorporated into each associates annual performance appraisal.

Describe how your firm monitors client satisfaction. What steps do you take to address any outstanding or suboptimal client feedback?

Lockton enters into every client engagement being fully cognizant of what is required to maintain strong relationships and retain clients. Our clients rely on our strategic guidance, credibility, resources and market knowledge to guide not only their benefits but many of their organizational decisions.

The process of evaluating our performance and the ability to deliver on our clients' expectations is ongoing with the responsibility being shared between our internal Lockton account team and Alcohol Company. We welcome transparent relationships with our clients and look to foster open and honest communication throughout the tenure of our partnership. The goals and objectives as set forth in our three year strategic plan are guide-posts in our quarterly client meetings. As Alcohol Company's business evolves, so will the ongoing strategic plan, ensuring that we meet your needs.

In addition, through senior management involvement in every account as well as measurable performance standards and guarantees, we provide our clients with the means to evaluate the performance of the Lockton service team. We welcome transparent client feedback and are adaptable to the varying needs and expectations from our clients. Upon receiving feedback, sub-optimal or otherwise, we will make appropriate adjustments with the existing Alcohol Company team based on the feedback and input that you've provided.

VALUE-ADDED SERVICES

Are there other optional services that can be provided which you think might be of interest and benefit to Alcohol Company? If so, please describe those services. Their associated costs should be included in the Fee Section.

The services below are provided by Lockton based on client needs and are not necessarily assumed in our core domestic brokerage/consulting engagement:

Global Benefits

(Global Benefits Consulting will be positioned for Alcohol Company on both a core and optional service basis. We can stratify our Global Benefits Consulting service model once we have a better understanding of the Global scope of work that Alcohol Company is looking for.)

- Consultation and advice on country-specific benefit practices
- Multinational pooling
- Actuarial analysis
- Design and implementation of expatriate benefit programs
- Implementation of employee medical evacuation and assistance plans
- Pension, compensation, and mergers and acquisitions
- Issues related to international employee populations

Executive Benefits and Non-Qualified Plans

- Plan design review
- Education and needs assessment
- Corporate-objective consulting
- Executive-objective consulting
- Plan administration
- Vendor selection
- Corporate and participant expense analysis
- Project benchmarking
- Compliance, legal, and tax support
- Mergers and acquisitions due diligence

Employee Health Advocacy Services

- We have a variety of relationships with Health Advocacy and Concierge vendor partners

HR Consulting

- Best practice consulting
- Organization effectiveness
- Compliance - Federal & State
- Workplace legislation
- Performance management
- General HR assistance
- Investment benchmarking & analysis
- 404(c) compliance
- Investment-policy development/review

Compensation Consulting

- Salary management
- Performance management
- Executive compensation
- Director compensation
- Incentive compensation
- International compensation
- Total reward/work/life programs
- Lockton compensation survey solutions

HR Technology and Outsourcing

- Feasibility study
- Overall project management support
- RFP of market to appropriate vendors
- Selection support of most appropriate vendors
- Contract and pricing negotiations on behalf of client
- Implementation services and support

*Please note that the fees associated with "Non-Core" Services are discussed on a situational basis and are flexible based on the need of the client and overall scope of work.

Describe two situations where your firm has demonstrated leading edge (or thinking "outside of the box") solutions in the health care arena.

Success Story 1

Lockton multi-focused population health solution is projected to save $1.9M over the next 3 years

Challenge

- A 4,000-life high-tech self-funded firm began to experience high trend in utilization and cost per unit, over a 24 month period. Prior to that time, and despite having a demographic risk factor slightly higher than peer groups, the company had experienced lower than average medical trend and lower than actuarially projected large claims. The firm was looking at year over year trends in the double digits as opposed to averaging less than 5% in prior years. Change in population dynamics was limited to two relatively small acquisitions and historically low turnover; the demographic risk factor remained relatively stable.

Solution

- Lockton's data analytics program, InfoLock detected three significant rapidly rising issues: a) hypertension, b) hyperlipidemia, and c) stress and depression. It was also determined that a segment of the population was increasing usage with a high-cost provider located near the main facility.
- Focused wellness initiative: With the assistance of Lockton wellness consultants we launched biometric screening for employees and spouses, tied to incentives for a 'know your numbers' campaign first year. Over the next year a wellness committee was formed and challenges and community-based physical events were staged. The recommendations included implementing an incentives and rewards vendor to manage a full points system engagement plan.
- Onsite Clinic: With the assistance of Lockton Medical Directors and wellness consultants Lockton performed a needs assessment and assisted in 3rd-party vendor selection, negotiation and launch. A recommendation was made and an employee clinic was opened. A significant communication campaign "meet the clinic" commenced and drove early participation which far exceeded projections

Results

- In the first year of the wellness program 80% of all employees were screened. Challenges have averaged 15% participation and volunteers with success stories of their own have been featured in company newsletter.
- Early results show hyperlipidemia and hypertension have reduced by 8% and 15% respectively. Clinic utilization has been heavily used for light diagnostic work and some preventive care. Overall preventive care statistics have increased by 12%. Despite the cost of the clinic overall healthcare costs have leveled back down to single digits and dropped another point.
- Member satisfaction has been high with the onsite clinic. Overall member experience with total solution has been positive.

Success Story 2

For clients like you which self-insure medical and Rx benefits, Lockton focuses on making sure that your stop loss (both individual and aggregate) terms are optimal and your large claims are being managed effectively. Stop loss coverage and large claim management are critically important for employers like you who self-insure medical/Rx coverage. The anticipated continued increase in specialty pharmaceutical treatments is expected to continue to drive the acceleration in the number and magnitude of high cost claimants going forward. This large and increasing cost burden has put extreme pressure on stop loss coverage providers, who will continue to be forced to shift cost and liability to you and other plan sponsors. For this reason, Lockton has made considerable investments to ensure both our Stop Loss and Pharmacy Consulting practices are industry-leading.

To address this challenge, the following are a few strategies Lockton has applied for clients similar to you:

1. Monte Carlo actuarial simulation to identify optimal stop loss/risk transfer level,
2. Negotiation of multi-year stop loss deals with renewal rate caps and no new "laser" contract language,
3. Negotiation of optimal PBM contract - Lockton's Pharmacy Consulting group obtains the best possible discounts (generic, brand and specialty), rebates, dispensing fees and contractual provisions for self-insured clients similar to you.

   Typically this negotiation generates 3-5% in gross medical (15-25% Rx) cost reduction with no impact at all to your employees (!). Essentially we apply our negotiating leverage and knowledge of fair PBM pricing and contract terms to eliminate excessive PBM profitability and make sure those funds remain with you and your employees. We also perform an annual pricing reconciliation audit to verify the PBM is meeting the contract-defined performance guarantees. Over 50% of our audits result in money returned to our clients.

4. Large claim clinical review. Our large claim clinical review process is explained in detail earlier in our response pertaining to our Stop Loss service model.

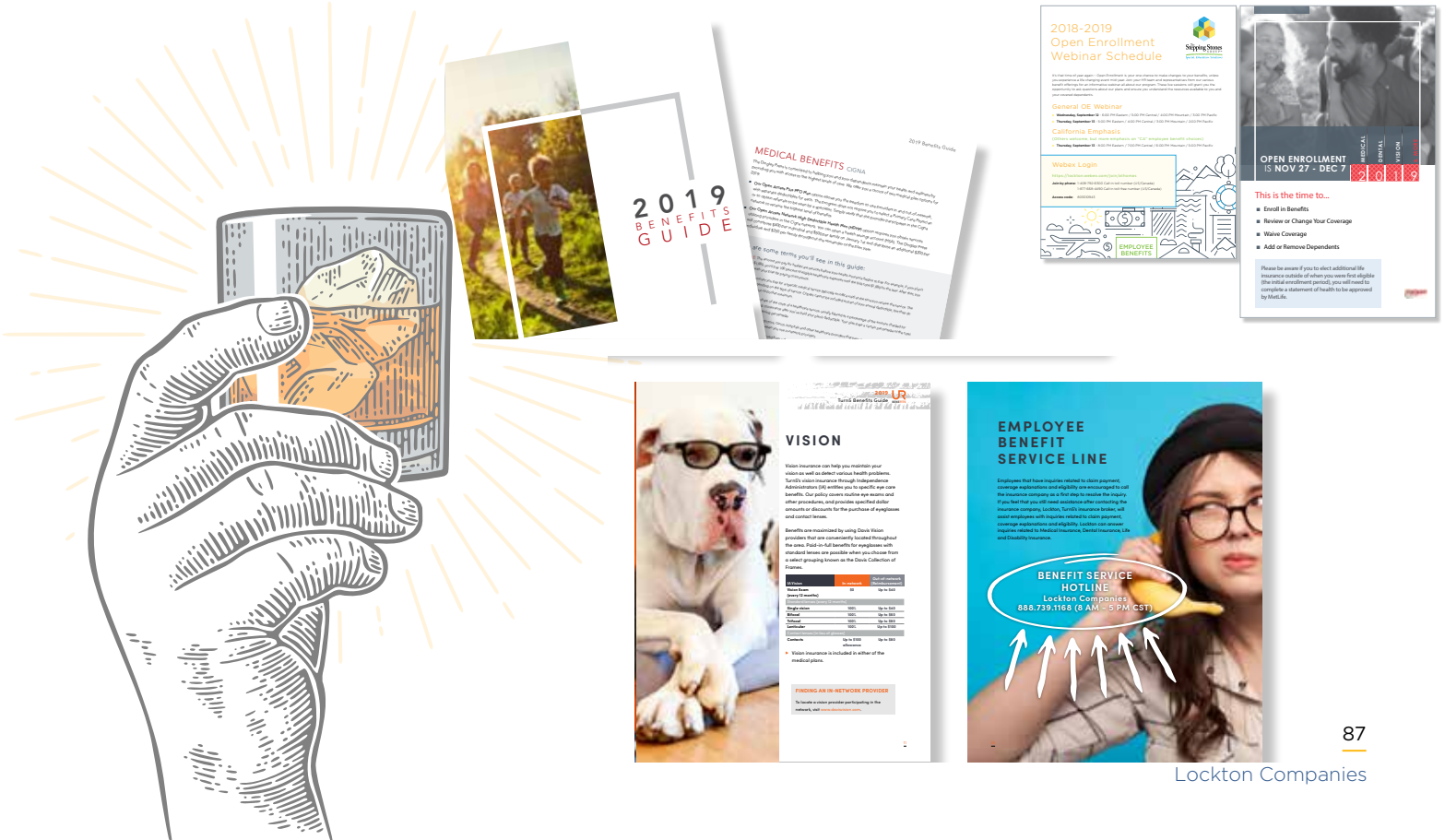
How do you help facilitate annual open enrollments? Include technology-based approaches and identify additional costs.

Employee Communications

Lockton understands that timely, easy-to-understand communication pieces enhance the value of the benefit programs. We also understand that the benefit strategies we develop with the Alcohol Company team will only be effective if the employees understand them. Thais Moore, Marketing & Communications Practice Leader, understands the value of proactive and thoughtful communication to ensure employee (and dependent) understanding and appreciation of the Alcohol Company benefit program.

Our communication support begins with a thorough review of your current communication process. Based on our findings and input from Alcohol Company, we will provide a gap analysis to ensure that your employees are receiving all communications necessary to understanding the value of their benefit program.

Next, Lockton will work with Alcohol Company to develop an annual service delivery plan that is effectively integrated with the overall plan strategy. Our typical services include open enrollment materials, ongoing materials for recruitment and new hire orientation, and online communications counsel as required. We can also incorporate wellness related communications into the service delivery plan.



Mobile Health

Lockton has developed its own MobileHealth app, which delivers real-time information about an employer's benefits, keeping information simple, accessible, and up-to-date

- Comprehensive listings of employer benefit providers
- Coverage categories (Medical, Pharmacy, etc.) are identified and included to-date, with flexibility to add more
- Ability to capture and centralize benefits information like ID cards, group numbers and/or doctor names, etc.

Mobile Text Messaging

Text message or SMS (Short Messaging Service) is an incredibly powerful communication tool that is extremely effective when used properly by marketers. The numbers behind text messaging are staggering:

- Text messaging is still the largest mobile marketing channel by revenue.
- 95-98% of text messages are read within minutes of receipt.
- 86% of consumers send or receive a text message every week.
- 30% of consumers interact with a brand via text message.

ON DEMAND VIDEOS

Simplifies Complex Topics:
Delivers effective and powerful communications through the power of video.

Measurable ROI:
Alcohol Company can quantify the return of their efforts through built-in feedback mechanisms and data analytics.

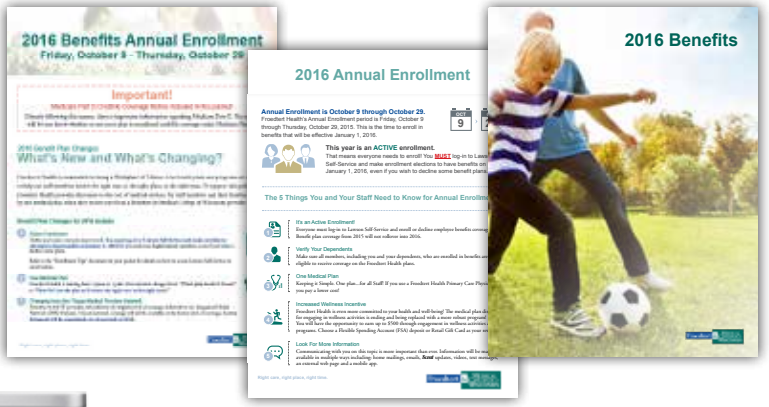
Anywhere, Anytime:
Mobile technology enables engagement with employees in many demographics

75%
of the world's employees will be millennials by 2020

SMS

181
the average number of texts per day sent by millennials

72%
of companies use online HR communications to save paper



External Website

Lockton would discuss the potential necessity of an external website for your employees. We recognize you currently make materials available via Intranet shared drive. Whether we work to supplement the quality of materials made available on your existing shared drive, or it is determined an external website is most effective, we will work with you to most effectively communicate with your employees.

An external website allows you to customize your employees benefits engagement experience whether they are in or out of the office, or on the go! Covered spouses and dependents can also access these "hubs" to be more informed consumers of their healthcare.

ALEX

ALEX the virtual benefits counselor is the industry leader in benefits decision support. ALEX engages employees in a one-on-one benefits conversation that considers employees' unique personal situation, keeps them engaged, explains information in plain English, and helps them make the benefits decisions that are the best for them and their families

How does ALEX help?

ALEX helps HR executives save time and money by delivering a uniquely engaging, personalized education and decision support benefits experience to employees regardless of their schedule or location.

Oh, and employees who use ALEX love him. Why? Because ALEX explains confusing concepts and information with simple "non-jargony" language, keeps them engaged with lively graphics, animation, and humor—and treats them like the individuals they are.

We have included illustrations of additional sample communications in the Appendix of this response. If selected as a finalist, we can provide web based access to sample communications. We have also developed custom quarterly communication strategies for clients and are glad to share examples.

Please note that all of our employee communications/education consulting and strategic planning are included as part of our core consulting services and fee structure. Resources such as texting, Mobile Health App, ALEX, and printing all have costs associated with them to Lockton and therefore in most cases there are fees for these services incurred by our clients.

Alcohol Company may acquire entities in the future. Describe any fees associated with supporting expansion of plans. Describe your experience supporting clients with mergers and acquisitions, including the due diligence process and integrating the acquired company's benefits plans with the client's benefit plans, communications to employees, etc.

Managing employee benefits throughout a mergers and acquisitions (M&A) deal can be one of the most complex issues of the entire transaction. Whether addressing traditional medical and dental benefit plans, ancillary benefits, executive plans, 401(k) plans, defined benefit pension plans, or employment and severance agreements, Lockton can help Alcohol Company navigate federal, state, and local regulations to avoid paying penalties for noncompliance and disruption/nuisance for your administration.

Your experienced benefits service team will provide a differentiated service offering that is ideally suited to meet your M&A transaction needs. We understand the need to create value and synergies through the acquisition. Pre- and post closing, the same service team will help develop an operational benefits program and strategy that considers the needs of the combined organizations.

Private Equity and Corporate Acquisitions Practice (PECAP)

Lockton's Private Equity and Corporate Acquisitions Practice is a global team of property and casualty and employee benefits M&A specialists that have collectively evaluated thousands of transactions. PECAP's experienced professionals, as well as its methodology and reporting tools, enable rapid assessment and reporting of the data that is most critical to the deal. Our PECAP consultants become an integral part of your Lockton service team and provide support to your risk management, finance and business-development functions in evaluating insurance and employee benefits issues throughout the life cycle of the transaction.

Our M&A Due Diligence and PECAP services are part of our core consulting model and fee structure. Our clients who are focused on expansion find this to be a significant differentiator as most of our competitors charge significant project or hourly fees for this level of work.

Describe any services you offer around employee focus groups and/or employee surveys.

Lockton Survey

Our Lockton survey technology is a web-based application that is utilized for surveying particular groups within specific regions. Respondents are provided survey access through a login ID and password. Since the survey is completed online in a structured format, analysis of the responses can be completed in a timely and efficient manner. Survey results are then distributed back to the appropriate Management Team for review and consideration.

Focus Groups

Utilizing focus groups provides more in-depth, qualitative insights into a topic and we are able to collect a range of information. Advantages of a focus group include:

- The ability for Lockton to interact with the participants, pose follow-up questions or ask questions that probe more deeply.
- Results can be easier to understand than complicated statistical data.
- Lockton can get information from non-verbal responses, such as facial expressions or body language.

The best managed focus groups typically include 6 to 12 people with participants generally receive a small reward (i.e. lunch, gift cards, time off, etc.) Group members are selected based on certain characteristics or demographic information, such as age, race, income and usage of the benefits. Focus groups are best utilized in conjunction with the survey tool to provide a “deep dive” into a specific topic.

FEES AND SERVICE LEVEL AGREEMENTS

Alcohol Company is interested in a three-year commitment. What pricing incentives will you offer for this extended contract period?

We are flexible with our compensation structure and would propose the following arrangement to Alcohol Company for consideration:

- PROPOSED COMPENSATION FOR MANAGEMENT OF ALL DOMESTIC HEALTH & WELFARE INSURANCE LINES OF COVERAGE: [redacted] annually to be held flat with no increase for a three year period per Alcohol Company's interest in a three-year commitment. Please note we are also open to discussing a performance based arrangement where we apply a percentage of our annual compensation to achieving metrics that are discussed and agreed upon by both Alcohol Company and Lockton.
- PROPOSED COMPENSATION FOR ALL GLOBAL CONSULTING SERVICES: [redacted] to be discussed by Alcohol Company and Lockton and further refined upon a better understanding of the scope of work and consulting services required.

What is your overall philosophy regarding compensation arrangements and contingency fees (e.g. insurance carrier override payments)? Describe your pricing, fee arrangements and any commission structure with insurance carriers and providers.

Lockton is flexible in the manner in which we receive compensation for our Health & Welfare brokerage and consulting services. We can be compensated via a fee, commissions built into plan premiums or a combination of fee and commission. In all circumstances we subscribe to a policy of total compensation disclosure and one that is aligned with our scope of services and tied to the overall value we are providing to our client.

Because Lockton does not bill based on hours or line by line services, we develop one overall price that covers all the services outlined (as noted in the Scope of Services section of this response), including the costs for our data-mining platform, communications support, and marketing of all the benefit plans as needed.

Lockton accepts contingent or supplemental compensation from carriers that offer it and complies with all applicable compensation disclosure laws. Lockton's policy is to make these disclosures to clients in their proposals and fee agreements (if applicable). These contingent commissions are not part of a client's loss ratio nor insurance costs and take other production from other sources into account.

LIMITS OF LIABILITY COVERAGE AND LITIGATION

Provide proof your company carries Errors and Omission (E&O) insurance coverage.

Lockton carries all of the standard insurance coverages that are required for operating as a commercially licensed company in the United States and throughout the world. The following coverages and limits are what we traditionally share with prospects as evidence of primary programs in place:

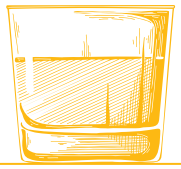
- Commercial General Liability—[redacted]
- Automobile Liability—[redacted]
- Workers' Compensation
- Umbrella Liability—[redacted]
- Property—blanket limits for real and personal property
- Errors and Omissions—[redacted]
  - [redacted] each wrongful act
  - [redacted] aggregate excess of $6 million deductible wrongful act
  - [redacted] deductible for LBG[redacted] deductible for Lockton Affinity

Describe any litigation, in the past five years, against your organization or employees resulting from its current or past involvement with any benefit, insurance or public/private pension plans.

Lockton has not had any suits filed, judgements entered, or claims made against our firm during the last five years with respect to any benefit, insurance or public/private pension plans.

REFERENCES

We will request references (two current and one recent termination) for those suppliers who are named finalists. Please be prepared to provide three references (include names, titles, companies and telephone numbers) of similarly sized clients and industry (if possible) who engaged your firm as a consultant for health and welfare benefits consulting services similar to those which we have requested. Our preference is to have these client references be for individuals who will be assigned to our account.



Per the RFP, Lockton is happy to provide client references upon being named as a finalist.

APPENDIX

- RISK MANAGEMENT
- EMPLOYEE BENEFITS
- RETIREMENT SERVICES

LOCKTON.COM