

*The following is an overview of the Premium flow and money handling processes at Paylogix®.*

[PaylogixTech2 - 032404]

Paylogix® supports virtually all kinds of electronic, online, or paper billing methodologies for employer clients, including EFT and salary deduction. All common billing modes are supported (monthly, semi-monthly, weekly, bi-weekly, thirteenthly) and we can accommodate regular annual and off-mode cycles (12thly, 10thly, 9thly).

Bill presentment dates are client specific and almost always are in advance of payroll deduction or billing due dates. Billings are mailed in accordance with client requested "need to receive by" dates in advance of the due date. If payment is not received by the due date, a "first" reminder is sent out on a user (administrator) defined follow-up date, with a default value of 15 days after the due date. A "second" late notice is sent 10 days after the "first". Release of the "first" initiates a dunning call to the client by the Paylogix® Account Specialist. The Agent and Carrier both receive copies of these notices via email upon notice generation. Additionally, both parties have access to late payment reports via the Paylogix® custom portal.

Check, wire-transfer, or electronic fund transfer (EFT) may be used as a means for remitting premiums and/or contributions to Paylogix®, along with the appropriate supporting data to accurately reconcile the bill. Premium allocation is not an arbitrary administrative function. The money received does not belong to Paylogix® and every penny must be accounted for. A sophisticated system designed to orchestrate both simple and complex accounting tasks simplifies the consolidated billing™ process.

Billing statements are generated per the Sponsoring Organization's and the Insurer's requirements. Premium is received and allocated per the employee deduction authorization

agreements and group billing records. Differences are resolved and reported to the appropriate Insurer(s) along with final remittance and supporting data. Changes are incorporated into the system for future billing, and the cycle is repeated.

Paylogix® establishes separate custodial accounts for each billing client (separate checking accounts are established for each remitter), which enables funds to be managed privately, accurately and without commingling with other groups. Checks made payable to the insurance carrier are turned around in 48 hours as a rule. (This assumes reconciliation information is made readily available). Typically the turnaround time is same day, or within 24 hours of fund clearance.

Disbursements are typically made via check or ACH. Wire transfers are also supported. The Paylogix® check printing system requires a valid user ID and password to allow a check to be printed. Release authority resides at the executive level and when an employee has temporary authority to release checks, it is granted only for as long as necessary to complete the specific transaction. A check cannot be released unless a provider resides in the system with an established "paid to" date relating to the transaction. Systems controls are in place to prevent employees from issuing checks otherwise. Additionally, Paylogix® has segregated the location and responsibility for check printing. Disbursement checks are funded from unique client custodial accounts and zero balanced with every remittance. There is no master account or commingling of funds between clients.

Paylogix® maintains the accounts and records. Accounts are typically held at Chase Manhattan Bank, 267 Old Country Road, Carle Place, NY 11514, (516) 333-4691. JP Morgan/Chase is our bank preference. This permits us to most efficiently provide ACH services, as JP Morgan/Chase is the largest ACH processor in the world.