REVISED September 14, 2016

Dawn Welch
Bakers Union and Felra Health and Welfare
911 Ridgebrook Road
Sparks, MD 21152

Re: Bakers Union and Felra Health and Welfare Fund #12184835 / January 1, 2017 Renewal Notification

Dear Ms. Dawn Welch:

Thank you for being a VSP® Vision Care customer. We put your employees first and guarantee their satisfaction. As the only national not-for-profit vision company, VSP gives you:

- Lowest Employee Out-of-Pocket
- Reduced Healthcare Costs
- 50% off Hearing Aids and Devices through our Partnership with TruHearing
- Diabetic Plus Eyecare - This program targets **glaucoma and age-related macular degeneration** in addition to **diabetic retinopathy** and other **diabetic eye diseases** with just a **$20 copay – no limit on visits**! No impact on rates.

Bakers Union and Felra Health and Welfare Fund has been a valued VSP client since January 1, 2002 and we currently cover 384 members. The plan offered is VSP's Signature Plan Modified A which allows for an examination, lens and frames once every 24 months with a $0 total copayment.

Rates include all applicable taxes and health assessment fees known as of the date of your renewal.

To continue VSP's program for this next policy, sign and return the Renewal Agreement to me by e-mail at glenn.cox@vsp.com or fax to 916-463-3929 by December 1, 2016. Please consider VSP your long-term partner in helping you maximize your benefit dollars.

Cordially,

Glenn Cox

Glenn Cox
Client Manager

Renewal Options

___ Renew with current plan design
___ Renew with alternative plan design I
___ Renew with alternative plan design II
___ Renew with alternative plan design III
___ Renew with alternative plan design IV

The renewal is based on the calculation that I provided in a separate attachment. From that we look at the cost of the average claim amount paid over the past 12 months which was $161.05. That amount is then multiplied by 1 + the cost of inflation over the proposed contract period which we have set at 4.5% so 1.045. That amount is then multiplied by the paid frequency of .41. The paid frequency is the amount of paid claims per 1000 employees over the past 12 months was 41 which is then converted to 0.41.

Multiplying those three totals ($161.05*1.045*.041) we come up with a total of 6.9.

That amount is then divided by (1-reserve). The reserve is established for incurred but not yet reported claims. Underwriting is not calling for any reserve so this amount remained at 1. Dividing by 1 the amount remains at 6.9.

The amount is then divided by (1-retention). Retention for this plan is set at 25% so the amount we are dividing by is 0.75. Retention is made of the costs required by VSP to administer the plan. This includes many items such as processing claims, making plan updates, contact updates, etc. Essentially any time we are doing work involving this plan it will contribute to the retention percentage. We take our previous amount 6.9 and divide it by 0.75 to have our new total of $9.20.

The new amount of $9.20 is then divided by the amount of revenue earned per enrolled member. This amount is $6.86. Finally we divide $9.20 by $6.86 to come up with the required percentage of increase which is 34.1%.

Contract Period for all Options: January 1, 2017 through December 31, 2018

To renew your contract and maintain continuous service, please choose the option that best meets your needs, sign and return the Renewal Agreement by e-mail to: glenn.cox@vsp.com or fax to 916-463-3929 by December 1, 2016. VSP will produce your renewal contract when we have received the Signed Renewal Agreement. Please review the new contract carefully, since some of the provisions may have changed from your prior contract. Additionally, please keep a copy of this Renewal Agreement and accompanying letter, given that they serve as your Notice of Renewal.

By:______________________________

Title:____________________________

Date:____________________________