Notice to Employees and Eligible Employees of Banner Health of Application for Authorization Under Prohibited Transaction Exemption 96-62, as Amended

You are hereby notified that Banner Health ("Banner") and its indirect wholly-owned captive insurance company Samaritan Insurance Funding (USVI), Ltd. ("Samaritan (USVI)") have applied to the U.S. Department of Labor ("DOL") for authorization that the prohibited transaction provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), do not apply to the reinsurance transaction described below. The transaction involves the reinsurance of risks and the receipt of premiums by Samaritan (USVI) from insurance contracts currently funding Banner's basic and supplemental life insurance program. The authorization is necessary because Samaritan (USVI) is an affiliate of Banner. Because of the relationship between Banner and Samaritan (USVI), such reinsurance would otherwise constitute a prohibited transaction under ERISA. This notice informs you of the application to the DOL and certain changes to the basic and supplemental life insurance program benefits, and describes your right to comment to the DOL about these changes.

OVERVIEW

Banner's Plan provides basic and supplemental life insurance benefits, and covers regular full-time and part-time employees who work 32 hours or more per pay period. The Plan is insured with Minnesota Life Insurance Company ("MN Life"). Under the transaction, MN Life will insure Plan risks. However, MN Life will reinsure up to 100 percent of risks with Samaritan (USVI). The Plan Administrator has determined that the transaction is in the interest of the participants and beneficiaries of the Plan because of benefit improvements that will be provided to them. The authorization by the DOL will be subject to the conditions described below and set forth in more detail in Exhibit A.

The reinsurance agreement is simply an internal arrangement between Samaritan (USVI) and MN Life. MN Life will continue to insure the benefits provided to you under the Plan, including the benefit improvements.

PARTIES TO THE PROPOSED REINSURANCE AGREEMENT

Company

Banner Health is one of the largest healthcare systems in the United States, employing over 27,000 physician and non-physician employees. Its services and facilities include: hospital care, home care, hospice care, long-term care, nursing registries, surgery centers, laboratories and rehabilitation services. Banner is headquartered in Phoenix, Arizona. The company also provides charity care through its Financial Assistance Program. In addition, Banner subsidizes the medical education costs for hundreds of medical residents (physicians in training).

In 2006, Banner had about $3.1 billion in annual revenue and $4.1 billion in total assets.

Captive

Samaritan (USVI) is a branch of Samaritan Insurance Funding, Ltd. ("SIFL"), a captive insurance company wholly owned by Banner. SIFL was formed on September 24, 1986 to reinsure, initially, the hospital professional and general liability risks of its shareholder and affiliates. Various coverages have been added throughout the years.

THE PLAN

Banner maintains the Plan for eligible active employees. Under the Plan, Banner provides basic and supplemental life insurance coverage. The Plan is insured with MN Life. Both Banner Health and employees contribute to the costs of coverage.

The official name of the Plan under which the coverages are provided is the Banner Health System Flex Plus Plan. The plan number is 517. The federal employer identification number of Banner, the plan sponsor, is 45-0233470.

CHANGES TO THE PLAN

Banner recently formulated a plan to utilize Samaritan (USVI) for the reinsurance of benefits and has made improvements to the Plan in anticipation of receiving DOL authorization. MN Life will insure the Plan with the new enhanced benefits. The benefits enhancements are not required as part of a legal proceeding, court order or judgment under state or federal law. The following improvements to the Plan's benefits are effective as of January 1, 2009.

Banner will enhance the benefits under the Plan as follows:

- An increase in the maximum life insurance coverage for an employee's spouse from $25,000 to $50,000

- An increase in the maximum life insurance coverage for an employee's dependent **child** from $5,000 to $15,000

- An **enhanced accelerated death benefit** under the basic life insurance policy for all employees. Currently, Banner's plan allows an insured employee who is terminally ill to receive payments under the life insurance policy in advance of his or her death. The advance allowed is equal to 47.5% of the insured's basic life insurance coverage. Under the captive arrangement with MN Life, the amount that the insured can receive in advance will be increased to 100% of his or her life insurance coverage

- **Beneficiary financial counseling**. Under the captive arrangement with MN Life, Banner will offer beneficiary financial counseling. There is no cost to the beneficiary for this service. The benefit will be available to all active employees as part of the basic life insurance plan. The benefit offers beneficiaries guidance on estate settlement matters, financial planning and other financial – as well as nonfinancial – issues. The financial planning services are provided to beneficiaries by

PricewaterhouseCoopers LLP (PwC), a firm that does not sell investments or financial products. Some of the additional services include a PwC beneficiary guide providing guidance regarding estate settlement financial planning and nonfinancial issues; PwC eAdvisor – an online tool that provides beneficiaries with financial calculators, life event guides, online financial planning courses; and a 12-month subscription to a bi-monthly newsletter.

- **Will preparation and legal services.** All employees in the basic life plan will have access to MN Life's will preparation and legal services program, which offers such services as an initial consultation, creation of online legal documents, referrals to attorneys, access to legal forms, access to an online legal library and a discount off of an attorney's normal hourly rate should an employee retain the attorney after an initial consultation

- **Travel assistance.** Banner will offer all employees in the basic life plan a travel assistance program under the MN Life policy. In the event that an employee (or his or her spouse or dependent child) requires emergency medical assistance while on business or personal travel, the travel assistance program provides benefits such as: covering the cost and arrangement of medical transport to the closest adequate medical facility based on his/her medical condition; providing medical referrals within a worldwide network of providers; covering the cost and arrangement of medical transport from the place of hospitalization to the member's home; arranging bedside visits by a family member or friend of a member should he/she be hospitalized for a specified length of time

As stated above, the reinsurance agreement is simply an internal arrangement between Samaritan (USVI) and MN Life. MN Life will continue to insure the benefits provided to you under the Plan, including the improved benefits, and Banner will continue to contribute to the cost of the program.

INDEPENDENT FIDUCIARY

In connection with the application to the DOL, Banner has retained, at its sole expense, Milliman, Inc. ("Milliman"), which provides specialized fiduciary services on behalf of employee benefit plans. Milliman, as the Independent Fiduciary for the Plan has analyzed the transaction and rendered an opinion that the requirements of subsections (a) through (f) of the draft requested authorization, attached as Exhibit A, have been complied with. In addition, Milliman will represent the interests of the Plan, as the Independent Fiduciary at all times with respect to the proposed transaction. Milliman will monitor compliance by the parties with the terms and conditions of the proposed transaction on an on-going basis, and will take whatever action is necessary and appropriate to safeguard the interests of the Plan and its participants and beneficiaries with respect thereto, and to ensure that the proposed transaction remains in the interest of the Plan and its participants and beneficiaries.

OVERVIEW OF EXEMPTION CONDITIONS

The following is a summary of the principal conditions that would be imposed by the DOL authorization (a full version of which is attached as Exhibit A):

- The Plan will pay no more than adequate consideration for the insurance contracts.

- No commissions will be paid by the Plan with respect to the direct sale of such contracts or the reinsurance thereof.

- In the initial year of any such contract involving Samaritan (USVI), there will be an immediate and objectively determined benefit to the participants and beneficiaries of the Plan in the form of increased benefits.

- Banner has retained an independent fiduciary, at its sole expense, to analyze the transaction and render an opinion that the requirements of subsections (a) through (f) of Exhibit A have been complied with.

TENTATIVE AUTHORIZATION OF THE PROPOSED TRANSACTION

Authorization of the DOL was requested under procedure called the Prohibited Transaction Exemption ("PTE") 96-62. This process requires that at least two prior exemptions of substantially similar structure have been granted by the DOL within the last 60 months. Alternatively, the DOL must have granted one exemption within the past 120 months and issued one final authorization pursuant to PTE 96-62 within 60 months for substantially similar transactions You can find descriptions of these other transactions along with the comments from the DOL in the Federal Register as PTE 2000-48 (Columbia Energy Group), 65 FR 60452 (October 11, 2000) and 2003-07 (Archer Daniels Midland Company), 68 FR 23764 (May 5, 2003). In addition, the DOL gave final authorization under PTE 96-62 to the International Paper Company (Final Authorization Number 2003-32E, November 2003). FAN 2003-32E, as well as PTE 04-12 (Svenska Cellulosa), July 2004, and PTE 06-11E (AGL Resources, Inc. and Global Energy Resource Insurance Corporation), May 2006, are also substantially similar to the transaction described herein. In those cases, each respective employer proposed using its captive insurance company to reinsure employee benefits, and agreed to provide improved benefits, retain an Independent Fiduciary, contract only with insurers with an A rating or better with A.M. Best Company or a similar rating agency, and arrange the transaction with the captive as indemnity insurance only. Based on these representations, the DOL granted relief from the prohibited transaction restrictions under sections 406 (a) and (b) of ERISA.

The proposed transaction described in this Notice has met the requirements for tentative authorization from the DOL under PTE 96-62. Unless the DOL otherwise notifies Banner, a final authorization would be effective June 21, 2009.

YOUR RIGHT TO COMMENT ON TENTATIVE AUTHORIZATION

As an interested party, you have the right to submit comments to the DOL on the tentative authorization. If you decide to do so, please submit your comments at the following address:

Employee Benefits Security Administration
Office of Exemption Determinations, Division of Exemptions
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room N-5700
Washington, D.C. 20210

Please be sure to reference the submission number E-00627. Comments must be received by the DOL no later than June 15, 2009.

Comments may be faxed or e-mailed to the DOL. The fax number is (202) 219-0204 and the e-mail address is lefkowitz.gary@dol.gov. If you have questions regarding your right to comment on this tentative authorization, you may call Mr. Gary Lefkowitz at (202) 693-8546.

If you have any questions about any information in this notice, contact the Banner Service Center at one of the telephone numbers below.

Phoenix metro area:	480-827-7070
All other areas:	1-800-827-2464

Exhibit A

Pending Authorization

The restrictions of Section 406(a) and 406(b) of ERISA shall not apply to the reinsurance of risks and the receipt of premiums therefrom by Samaritan Insurance Funding (USVI), Ltd. ("Samaritan (USVI)") in connection with insurance contracts sold by Minnesota Life Insurance Company ("MN Life") or any successor insurance company which is unrelated to Banner Health ("Banner") to provide basic and supplemental life insurance benefits (collectively, the "Plan") to participants, provided the following conditions are met:

(a) Samaritan (USVI):

(1) Is a party in interest with respect to the Plan by reason of a stock or partnership affiliation with Banner that is described in Section 3(14)(E) or (G) of ERISA;

(2) Is licensed to sell insurance or conduct reinsurance operations in at least one State as defined in section 3(10) of ERISA;

(3) Has obtained a Certificate of Authority from the Insurance Commissioner of its domiciliary state which has neither been revoked nor suspended;

(4) Will undergo an examination by an independent certified public accountant for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction. In addition, the independent certified public accountant will examine Samaritan (USVI)'s reserves on an annual basis in connection with the employee benefits business to be reinsured by Samaritan (USVI) to insure that approvable reserve levels are maintained. Further, such accountant must prepare and furnish its report to the independent plan fiduciary within 6 months after the end of each taxable year; and

(5) Is licensed to conduct reinsurance transactions by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries and reported to the appropriate regulatory authority.

(b) The Plan pays no more than adequate consideration for the insurance contracts;

(c) No commissions are paid by the Plan with respect to the direct sale of such contracts or the reinsurance thereof;

(d) In the initial year of any contract involving Samaritan (USVI), there will be an immediate and objectively determined benefit to the Plan's participants and beneficiaries in the form of increased benefits that are described in the Notice to Interested Persons;

(e) In subsequent years, the formula used to calculate premiums by the Fronting Insurance Company (MN Life) or any successor insurer will be similar to formulae used by other insurers providing comparable basic and supplemental life insurance coverage under similar programs. Furthermore, the premium charges calculated in accordance with the formulae will be reasonable and will be comparable to the premiums charged by the Fronting Insurance Company and its competitors with the same or a better rating providing the same coverage under comparable programs;

(f) The Plan only contracts with insurers with a financial strength rating of A or better from A.M. Best Company (Best's). The reinsurance arrangement between the Fronting Insurance Company and Samaritan (USVI) will be indemnity insurance only, i.e., the Fronting Insurance Company will not be relieved of liability to the Plan should Samaritan (USVI) be unable or unwilling to cover any liability arising from the reinsurance arrangement; and

(g) The Plan retains an independent fiduciary (the Independent Fiduciary), at Banner's expense, to analyze the transaction and render an opinion that the requirements of sections (a) through (f) have been complied with. For purposes of this exemption, the Independent Fiduciary is a person who:

(1) Is not directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with Banner, Samaritan (USVI), or the Fronting Insurance Company (this relationship hereinafter referred to as an ‘‘Affiliate’’);

(2) Is not an officer, director, employee of, or partner in, Banner, Samaritan (USVI), or the Fronting Insurance Company (or any Affiliate thereof);

(3) Is not a corporation or partnership in which Banner, Samaritan (USVI), or the Fronting Insurance Company has an ownership interest or is a partner;

(4) Does not have an ownership interest in Banner, Samaritan (USVI), the Fronting Insurance Company or any Affiliate thereof;

(5) Is not a fiduciary with respect to the Plan prior to the appointment;

(6) Has acknowledged in writing acceptance of fiduciary responsibility and has agreed not to participate in any decision with respect to any transaction in which the Independent Fiduciary has an interest that might affect its best judgment as a fiduciary; and

(7) For purposes of this definition of an ‘‘Independent Fiduciary,’’ no organization or individual may serve as an Independent Fiduciary for any fiscal year if the gross income received by such organization or individual (or partnership or corporation of which such individual is an officer, director, or 10 percent or more partner or shareholder) from Banner, Samaritan (USVI) or

their Affiliates (including amounts received for services as Independent Fiduciary under any prohibited transaction exemption granted by the Department) for that fiscal year exceeds 5 percent of that organization or individual's annual gross income from all sources for such fiscal year.

In addition, no organization or individual who is an Independent Fiduciary, and no partnership or corporation of which such organization or individual is an officer, director, or 10 percent or more partner or shareholder, may acquire any property from, sell any property to, or borrow funds from Banner, Samaritan (USVI) or their Affiliates during the period that such organization or individual serves as Independent Fiduciary, and continuing for a period of six months after such organization or individual ceases to be an Independent Fiduciary, or negotiates any such transaction during the period that such organization or individual serves as Independent Fiduciary.