



Arthur J. Gallagher & Co. Tobacco Surcharge Policy

Policy Effective Date: January 1, 2025

1.0 Introduction

Effective January 1, 2025, a Tobacco Surcharge shall apply to all employees enrolled in an Arthur J. Gallagher & Co. (Gallagher) medical plan option who (i) test positive for cotinine in a health screening or (ii) do not complete a health screening designed in part to detect cotinine. However, even if you do test positive for cotinine or fail to complete the health screening, the Tobacco Surcharge will not apply if you complete an alternative standard, described below.

2.0 Definitions

2.1 Cotinine Test – A test that measures the presence of cotinine levels in the blood. Cotinine is produced when nicotine is metabolized in the body. Note: Cotinine most often results from ingestion of tobacco-related products, but it can be produced after consumption of other products containing nicotine as well. The cotinine test is a component of Gallagher’s overall health screening program and cannot be completed in isolation.

2.2 Alternative Standard – A series of activities offered through Gallagher’s corporate Wellbeing Program that are designed to (i) educate and provide support to individuals who are trying to change tobacco-related habits, and/or (ii) facilitate reversal of a tobacco use surcharge for the current year.

2.3 Tobacco User – An individual who has (i) tested positive for cotinine via a cotinine test as defined by clinical protocols established by Gallagher’s health screening program vendor (i.e., Quest Diagnostics), or (ii) declined to participate in Gallagher’s health screening program and cotinine testing.

2.4 Tobacco Surcharge – An additional health care plan contribution that is charged to an employee based on his/her cotinine test results, failure to complete a cotinine test, or failure to complete an alternative standard.

3.0 Tobacco Surcharge Amount

In addition to the medical plan base rate, Tobacco Users will pay an annual surcharge of \$1,500 to purchase coverage under the PPO+HSA 1, PPO+HSA 2, or PPO+HCA medical plan option in 2025. This amount will be deducted in a series of bi-weekly installments (\$78.95 per pay period) between April 18 and December 26, 2025. The Tobacco Surcharge amount will be pro-rated for new hire and acquisition

employees who enroll in the medical plan mid-year and for employees who terminate their Gallagher medical plan coverage mid-year for any reason.

The Tobacco Surcharge will **not** be assessed in the following scenarios:

- (1) Completion of the health screening with a negative cotinine test result as defined by clinical protocols established by Gallagher's health screening vendor.
- (2) Completion of the Alternative Standard content available through Gallagher's corporate Wellbeing Program vendor, Personify Health. If you have questions about the Alternative Standard, please contact Personify Health Member Services at 855-276-3725 or by email at gallagherthrive.support@personifyhealth.com. If you have questions about the Alternative Standard or to involve your personal physician, please contact *HR Support at* HRSupport@ajg.com or 630-285-3888.

4.0 Tobacco Surcharge Status Determination

4.1 Annual Health Screening – Employees will be required to undergo a cotinine test as part of the annual health screening program to determine if they meet the definition of Tobacco User as defined within this policy. The annual health screening program is offered during the first calendar quarter of the year. However, if an employee is unable to participate in the health screening during the first quarter, they may request a screening at a later date. Tobacco Surcharge status determinations will be made by the health screening program vendor; test results and personal information collected during the health screening will not be shared with Gallagher and will be safeguarded by the vendor in accordance with applicable law, including HIPAA.

4.2 New Hire Benefits Enrollment – Newly hired employees will be required to undergo a cotinine test as part of their new hire health screening to determine if they meet the definition of Tobacco User as defined within this policy. Newly hired employees will be provided a grace period in which the Tobacco Surcharge will not be assessed. The grace period is defined as the calendar quarter coincident with the hire date plus the full calendar quarter following date of hire. Upon expiration of the grace period, the Tobacco Surcharge will be assessed as soon as administratively possible if, during the grace period, the employee (i) tests positive for cotinine in a health screening or does not complete a health screening, designed in part to detect cotinine and (ii) does not complete an alternative standard activity. However, if an employee is unable to participate in the health screening during the grace period, they may request a screening at a later date. Tobacco Surcharge status determinations will be made by the corporate wellbeing program vendor; test results and personal information collected during the health screening will

not be shared with Gallagher and will be safeguarded by the vendor in accordance with applicable law, including HIPAA.

4.3 Merger Partner Benefits Enrollment – Employees who are hired by Gallagher through a company merger or acquisition will be required to undergo a cotinine blood test to determine if they meet the definition of Tobacco User as defined within this policy. Newly acquired employees will be provided a grace period in which the Tobacco Surcharge will not be assessed. The grace period is defined as the calendar quarter coinciding with their Payroll and Benefits Effective (PBE) date plus the full calendar quarter following the PBE date. Upon expiration of the grace period, the Tobacco Surcharge will be assessed as soon as administratively possible if, during the grace period, the employee (i) tests positive for cotinine in a health screening or does not complete a health screening and (ii) does not complete an alternative standard activity. However, if an employee is unable to participate in the health screening during the grace period, they may request a screening at a later date. Tobacco Surcharge status determinations will be made by the corporate wellbeing program vendor; test results and personal information collected during the health screening will not be shared with Gallagher and will be safeguarded by the vendor in accordance with applicable law, including HIPAA.

4.4 Mid-Year Medical Plan Enrollment – An employee can complete the health screening as defined in Sections 4.1, 4.2, and 4.3 above. If an employee who previously chose to waive medical plan coverage then enrolls in a Gallagher medical plan option mid-year because of a qualified life event, Tobacco Surcharge status will be assessed on the basis of their health screening participation in the year in which the life event occurs. If the employee has not yet completed a health screening when the life event occurs, then a Tobacco Surcharge will be assessed at the time of enrollment, and the employee may participate in the health screening and/or an alternative standard activity to initiate an updated Tobacco Surcharge status determination.

If an employee enrolls in a Gallagher medical plan option mid-year because he or she is newly eligible for plan coverage because of a change in employment status or eligibility determinations made under the Affordable Care Act (ACA), then Tobacco Surcharge status will be assessed on the basis of their health screening participation in the year in which the change in status occurs. If the employee has not yet completed a health screening when the change in employment status occurs, then a Tobacco Surcharge will be assessed at the time of enrollment, and the employee may participate in the health screening and/or an alternative standard activity to initiate an updated Tobacco Surcharge status determination.

Employees who do not participate in the health screening during the enrollments in 4.1, 4.2, or 4.3 above will be subject to the Tobacco Surcharge as an enrollment default. (See Default Enrollments in Section 5.2 below).

5.0 ***Tobacco Surcharge Status and Eligibility Updates***

Once a cotinine test result has been recorded, it is irrevocable and remains in effect until December 31 of the year to which it applies. Updated cotinine test results will be required each year from all employees to determine status as a Tobacco User each year. Notwithstanding the foregoing, however, a Tobacco Surcharge status determination may be reversed in the following circumstances:

5.1 Alternative Standard

5.1.1 *Definition* – Gallagher provides alternative standards through which a Tobacco User can reverse his/her Tobacco Surcharge status. To meet the alternative standard, a Tobacco User must complete the alternative standard content defined within the corporate Wellbeing Program.

5.1.2 *Process* – Gallagher employees will be given on-demand access to the alternative standard activities on January 1, 2025. Tobacco Users may elect to begin an activity at any time once it becomes available by choosing to access the corporate Wellbeing Program site maintained by the wellbeing vendor.

Once a Tobacco User completes an alternative standard activity, he/she will be eligible to have the Tobacco Surcharge removed effective as of the next regularly scheduled employee pay date following payroll's application of the change in Tobacco Surcharge status once notified by the wellbeing vendor. The wellbeing vendor will inform Gallagher which employees are eligible for surcharge removal on a weekly basis.

5.1.3 *Payroll* – Based on the Tobacco User status, payroll will apply the Tobacco Surcharge amount defined in Section 3 above as soon as administratively possible to Tobacco Users. The Tobacco Surcharge will not be deducted in a single lump sum; it will be deducted in bi-weekly installments in the amount of \$78.95.

If notified by the wellbeing vendor that an employee is eligible to have the surcharge removed, Gallagher payroll will reverse the surcharge as soon as it is administratively feasible. Surcharge amounts deducted year-to-date will also be refunded back to the employee through payroll. If employment terminates prior to being refunded, the employee is not entitled to receive the refund.

5.2 Enrollment Corrections

5.2.1 Default Enrollments

5.2.1.1 *Process* – As described in Section 4 above, employees who choose not to participate in the health screening will be subject to the Tobacco Surcharge as a default.

Newly hired or acquired employees will be granted a grace period to complete their health screening or satisfy the alternative standard. Surcharges will not be assessed during the calendar quarter in which an employee is hired/acquired as well as the first full calendar quarter following date of hire or PBE date.

5.2.1.2 Deadline – Employees' cotinine level must be determined via the annual health screening each year to assess the applicability of the Tobacco Surcharge by the end of the first calendar quarter of the year. New hire and acquisition employees will need to complete their health screening by the end of the first **full** quarter following their hire date or their PBE date.

5.2.1.3 Payroll – Gallagher's wellbeing vendor will determine Tobacco Surcharge status applicability and payroll will apply the appropriate change in status and deduction as soon as administratively feasible.

5.2.2 Mid-Year Correction — Employees whose Tobacco Surcharge is being applied as a result of a default can complete the health screening program or complete an alternative standard activity at any time during the year. If completed and recorded by the wellbeing vendor by November 30, payroll will reverse the defaulted Tobacco Surcharge status as soon as administratively feasible and refund year-to-date Tobacco Surcharge deductions (in accordance with the process and effective timing described in Section 5.1 above) if the result for cotinine is negative or if the employee completes an alternative standard activity.

5.2.3 Appeals – Results of the health screening are considered final and subsequent tests taken within the same year will not be recorded.