



IMPORTANT! SIGN AND RETURN IMMEDIATELY TO AMERICAN UNITED LIFE INSURANCE COMPANY®

Application is hereby made to American United Life Insurance Company® of Indianapolis, Indiana, by Lee County Schools

Whose main office is: 106 Gordon Street, PO Box 1010, Sanford, NC
Zip Code: 27331

For Group Policy Number: G 00618354-0000-000

The Group Policy as issued with any changes noted in the "For AUL Use Only" box on the application as requested by the Employer subsequent to the date the application was signed is hereby approved and the terms thereof are hereby accepted.

This Application is executed in duplicate, one signed copy is attached to the Policy and the other signed copy should be returned to American United Life Insurance Company®.

It is agreed that this Application supersedes any previous application for the Group Policy.

By _____ Date _____
(Signature & Title)

Witness _____ Licensed Resident Agent _____

PERPETUAL CONTINUING PROXY

Contractholder/Policyholder: Lee County Schools

Contract/Policy No.: 00618354-0000-000

Because I am a Contractholder/Policyholder, I am automatically a voting member of the parent company, American United Mutual Insurance Holding Company (the "Holding Company").

For all matters submitted by the Holding Company to its members for a vote, I may vote in person. Annual meetings are held at the Holding Company's principal place of business in Indianapolis, Indiana on the third Thursday of February in Indianapolis, Indiana or at such other location, place, or time as may be designated by the Board of Directors. I may receive no further notices of the annual meetings.

I can choose to submit my proxy instead of personally attending the meeting. I have checked the box below if I have made that choice.

I APPOINT the Secretary of the Holding Company, or in the absence of the Secretary the President, to vote MY PROXY upon all questions or matters that are submitted to a member vote, including elections of Directors of the Holding Company's Board of Directors. The Secretary or President, as the case may be, must vote my Proxy as directed by the Board of Directors and in accordance with the By-Laws of the Holding Company.

If I have checked the proxy designation box above, I instruct the Holding Company to record my PERPETUAL CONTINUING PROXY. I INTEND FOR MY PROXY TO REMAIN IN EFFECT as long as I am a voting member of the Holding Company or until I submit a revocation or modification of this Proxy in writing to the Holding Company.

Signed at _____ this _____ day of _____
(City, State)

Witness

Signature of Contractholder/Policyholder



IMPORTANT! SIGN AND KEEP ATTACHED TO YOUR POLICY!

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Signed at _____ this _____ day of _____
(City, State)

Witness

Signature of Contractholder/Policyholder



American United Life Insurance Company®
P.O. Box 368, Indianapolis, Indiana 46206-0368
www.oneamerica.com

In consideration of the application for this policy made by:

Lee County Schools
(Hereinafter called the Group Policyholder)

and receipt of all premiums when due, AMERICAN UNITED LIFE INSURANCE COMPANY® (AUL) agrees to insure eligible individuals who are or become entitled to insurance under the terms and conditions of this policy and to pay the benefits due under this policy to the person(s) entitled to it.

The group policy number is G 00618354-0000-000. The effective date of this policy is 04/01/2019. The first premium is due on the effective date. Subsequent premiums are due each succeeding Coverage Month. The policy anniversary date is 04-01 of each year.

The first Coverage Month begins on the 1st day of April and ends on the 30th day of April. Each succeeding Coverage Month runs for a like period thereafter.

This policy is executed by AUL at its Home Office in Indianapolis, Indiana, and coverage begins on the effective date determined by AUL.

By-law, Art. II Sec. 2: The regular annual meeting of the members of this Corporation shall be held at its principal place of business on the third Thursday in February of each year at ten o'clock A.M. local time or at such other location, place, or time as may be designated by the Board of Directors. The election of directors shall be held at the annual meeting.

Thomas M. Zurek
Secretary

J. Scott Davison
Chairman, President and Chief Executive Officer

GROUP TERM LIFE INSURANCE POLICY

THIS POLICY IS A LEGAL CONTRACT BETWEEN THE GROUP POLICYHOLDER AND AUL

READ YOUR POLICY CAREFULLY

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**SECTION 1 - SCHEDULE OF BENEFITS
BASIC INSURANCE**

CLASS 001

CLASSIFICATION:

All Eligible Full-Time Employees

LIFE AMOUNT:

\$1,000

ANNUAL BASE SALARY: Annual Base Salary with no Commissions or Bonuses. Annual Base Salary excludes overtime.

CHANGES IN INSURANCE COVERAGE: Anniversary. See Section 6.

CONTRIBUTIONS: Employee premium contributions are not required. See Section 4.

ELIGIBILITY: First of the Month. See Section 3.

FULL-TIME EMPLOYEE REQUIREMENT: 20 hours or more per week. See Section 2, Definitions - Employee, and Section 3, Eligibility.

**SECTION 1 - SCHEDULE OF BENEFITS
BASIC INSURANCE**

CLASS 001

GUARANTEED ISSUE AMOUNT: \$1,000. Any amount of coverage for which the Employee requests greater than the Guaranteed Issue Amount will only be available following written approval by AUL. Approval will be based on Evidence of Insurability and information satisfactory to AUL. If coverage for amounts greater than the Guaranteed Issue Amount is approved, coverage will begin on the date identified in writing by AUL. See Section 4, Individual Effective Date.

INDIVIDUAL EFFECTIVE DATE: First of the Month. See Section 4.

INDIVIDUAL REINSTATEMENTS: First of the Month. See Section 11.

INDIVIDUAL TERMINATIONS: End of the Month. See Section 9.

SUICIDE LIMITATION: This policy does not contain a Suicide Limitation for this class.

TERMINATIONS: Terminations are governed by the Individual Terminations Section. See Section 9.

TOTAL DISABILITY: The definition for Total Disability and Totally Disabled included in this policy for this class is the standard any occupation definition. See Section 2.

WAITING PERIOD for Present Employees hired before this policy's effective date: First of the Month following 60 days. See Eligibility Section 3.

WAITING PERIOD for New Employees hired on or after this policy's effective date: First of the Month following 60 days. See Eligibility Section 3.

Refer to the Schedule of Benefits to determine to which class(es) the following ANNUAL BASE SALARY definition(s) apply.

SECTION 2 - DEFINITIONS

ACCIDENTAL BODILY INJURY means an injury occurring, either directly or indirectly, as a result of an accident along with all other related conditions, sustained by an individual while insured under this policy.

ACTIVE WORK and **ACTIVELY AT WORK** mean the use of time, services, and energy by an Employee for the Group Policyholder at the Group Policyholder's regular place of business, an alternate location approved by the Group Policyholder, or an alternate location to which the Group Policyholder requires an Employee to travel. The Employee must be physically and mentally capable of performing each of the material and substantial duties of his regular position with the Group Policyholder for at least the minimum number of hours listed in the Eligibility Section of this policy. Active Work will include time off for vacation, jury duty, paid holidays, and funeral leave approved by the Group Policyholder when the Employee could have been Actively at Work. Active Work does not include periods of time when an Employee is not Actively at Work following an injury, Accidental Bodily Injury, Sickness, strike, lock-out, layoff, after an Employee's employment has ended voluntarily or involuntarily, or periods of time during which the Employee is entitled or is receiving accrued employment related benefits including but not limited to vacation time.

ANNUAL BASE SALARY means the definition of the Employee's compensation as elected by the Group Policyholder in the Application from one of the following options:

Annual Base Salary with no commission or bonuses

ANNUAL BASE SALARY means the Employee's yearly gross wages received from the Group Policyholder based on a maximum forty (40) hour workweek. Annual Base Salary is based on the amount last reported in writing to AUL by the Group Policyholder and approved for coverage under this Policy by AUL before the date of death or the events shown in the AD&D provisions if AD&D coverage is included. Annual Base Salary does not include amounts received from commissions, bonuses, overtime or reimbursement for expenses.

SECTION 2 - DEFINITIONS

Continued

BASIC LIVING EXPENSES include the cost of food, shelter, clothing and any other basic living expenses of the average American household. Each household member need not contribute equally or jointly to the payment of these expenses as long as each agrees both are responsible for the basic living expenses.

BI-WEEKLY means every two weeks or 26 times a year.

CHILD means any minor related by blood, marriage or court order that can be claimed as a dependent for federal income tax purposes, and may include:

- 1) any natural born child(ren) of the Employee;
- 2) any legally adopted child(ren) of the Employee from the time of placement in the Employee's home with the intent to adopt;
- 3) any stepchild(ren) who lives with the Employee;
- 4) any child(ren) for whom the Employee has legal guardianship; or
- 5) any child(ren) for whom coverage must be provided in accordance with state law or court order.

CONTRIBUTORY INSURANCE means insurance for which the Employee pays part or all of the premium.

COVERAGE MONTH means that period of time beginning on the first day that the Group Policyholder's coverage is in force, as shown in the Title Page, and ending on the day before that date of the next month.

DATE OF DISABILITY means the first day the Employee is not Actively at Work due to an Accidental Bodily Injury or Sickness and results in Total Disability.

SECTION 2 - DEFINITIONS

Continued

DEPENDENT means:

- 1) an Employee's legal spouse under age 70;
- 2) an Employee's Domestic Partner under age 70 whose relationship with the Employee is recognized by and allowed under applicable state law provided both the Domestic Partner and the Employee:
 - a) share the same regular and permanent residence;
 - b) have a close personal relationship similar to lawful marriage;
 - c) have agreed to be jointly responsible for Basic Living Expenses, incurred during the domestic partnership;
 - d) are not married to anyone;
 - e) are 18 years of age and older;
 - f) are not so closely related by blood to be prohibited under applicable state laws;
 - g) were mentally competent to consent to a contract when the domestic partnership began;
 - h) are each other's sole domestic partner; and
 - i) are responsible for each other's welfare;
- 3) an Employee's unmarried Child from live birth and under the age of 19, if the Child:
 - a) is not eligible under this policy for Personal Insurance;
 - b) is not in the military of any country; and
 - c) is dependent upon the Employee for principal support and is claimed as a dependent on the Employee's federal income tax return;
- 4) an Employee's unmarried Child under the age of 25, if the Child:
 - a) is registered at and attending an accredited educational institution on a full-time basis as defined by the regulations of the institution, and
 - b) is dependent upon the Employee for principal support and is claimed as a dependent on the Employee's federal income tax return; and
- 5) an Employee's unmarried Child who is disabled and incapable of self-sustaining employment as a result of mental or physical disability. The Child must have been disabled prior to age 19. If the Child is at least age 19 on the Employee's effective date, coverage is subject to AUL's receiving written proof of the disability on that date including but not limited to receipt of Social Security Administration disability benefits. If the Child is not at least age 19, extension of coverage is subject to AUL's receiving written proof of the disability not later than 120 days after the Child attains age 19. Proof of continued disability shall be required not more than once each year thereafter.

If Dependent Insurance is not included in this policy, then references to Dependents and Dependent Insurance are null and void.

DEPENDENT INSURANCE means the insurance provided under this policy covering a Dependent of an Employee, Section 20, if included in this policy.

ELIMINATION PERIOD see Waiver of Premium for Total Disability, Section 8, if included in this policy.

SECTION 2 - DEFINITIONS

Continued

EMPLOYEE means any individual who is a full-time, permanent Employee (including owner, member, partner, or shareholder) of the Group Policyholder:

- 1) who is legally authorized to work and reside in the United States under applicable state and federal laws; and
- 2) whose employment with the Group Policyholder constitutes his principal occupation; and
- 3) who regularly works at that occupation at the Group Policyholder's regular place of business a minimum number of hours as stated in the Schedule of Benefits under Full-Time Employee Requirement; and
- 4) who is not temporarily or seasonally employed by the Group Policyholder; and
- 5) who is an employee, participant, person, or any member of any employee organization, who is or may become eligible to receive a benefit of any type from the Policyholder's employee welfare benefit plan; and
- 6) who is not an independent contractor.

EMPLOYER see GROUP POLICYHOLDER. Any references to Employer used in this policy shall include Insured Units.

EVIDENCE OF INSURABILITY means a signed statement of proof acceptable to AUL of an Employee's or Dependent's medical history provided at no expense to AUL, and, if requested by AUL, medical records, tests, and/or examinations at no expense to AUL. Satisfactory Evidence of Insurability must include information and documentation which can be used by AUL to determine if the individual is an acceptable underwriting risk and can be approved for coverage under AUL's guidelines.

GRANDFATHERED RETIREE, see Eligibility, Section 3A, if included in this policy.

GUARANTEED ISSUE AMOUNT means the amount of coverage that does not require Evidence of Insurability. This amount is selected by the Group Policyholder on the Application and later approved in writing by AUL.

GROUP POLICYHOLDER means the entity which applied for and was approved by AUL for coverage. Any references to Group Policyholder used in this policy shall include Insured Units.

MENTAL ILLNESS means a psychiatric or psychological condition classified in the most recent version of the Diagnostic and Statistical Manual of Mental Health Disorders (DSM), published by the American Psychiatric Association as of the date of Total Disability and has been diagnosed by a Physician. Such disorders include, but are not limited to, psychotic, emotional, behavioral disorders, or disorders related to stress or to substance abuse or dependency. If the DSM is discontinued or replaced, Mental Illness will be determined based on the diagnostic manual then published by the American Psychiatric Association on the date of Total Disability.

NON-CONTRIBUTORY INSURANCE means insurance for which the Employee pays no portion of the premium.

PERMANENT AND TOTAL DISABILITY/PERMANENTLY AND TOTALLY DISABLED means the Employee's inability as determined by a Physician to engage, due to Accidental Bodily Injury or Sickness in any occupation for which he is fitted by training, education or experience. Permanent and Total Disability/Permanently and Totally Disabled must occur after the Employee becomes insured under this Policy and it must be conclusively determined the Permanent And Total Disability will continue for the Employee's lifetime.

SECTION 2 - DEFINITIONS

Continued

PERSONAL INSURANCE means the insurance provided under this policy for an Employee.

PHYSICIAN means a qualified, licensed doctor of medicine or osteopathy, and any other licensed health care provider that state law requires to be licensed prior to engaging in the practice of medicine and who is, practicing within the scope of his specialty, license, and applicable law. Physician does not include any medical provider affiliated with the Group Policyholder, or anyone related by blood, marriage, or domestic partnership to an Employee.

REGULAR ATTENDANCE means that an Employee or Dependent:

- 1) is receiving periodic medical treatment and services from a Physician when medically required and according to standard medical protocol to effectively manage and treat the Employee's or Dependent's Disability; or, if it can be shown that the Employee or Dependent has reached his maximum point of recovery yet still disabled under the terms of the this policy, the Employee or Dependent is not required to see or be under the care of a Physician on a regular basis; and
- 2) is receiving the most appropriate treatment and care that will maximize his medical improvement and aid in his return to work; and
- 3) is receiving medical care and services from a Physician whose specialty or practice is related to the Disability.

RETIREE means an individual who, on his last day of Active Work prior to retirement, was an Actively at Work Employee and who is receiving benefits under the Group Policyholder's retirement plan. Retiree does not include an Employee who is receiving benefits under his retirement plan solely due to being Totally Disabled and who otherwise does not meet the Group Policyholder's retirement plan's criteria for receipt of benefits.

SICKNESS means illness, bodily disorder or disease, Mental Illness, normal pregnancy and complications of pregnancy. Complication of Pregnancy is defined as concurrent disease or abnormal conditions significantly affecting the usual medical management of pregnancy.

TEMPORARY LAY-OFF means a period of time during which the Employee is not Actively at Work due to lack of work and is not terminated from employment with the Group Policyholder.

TOTAL DISABILITY and TOTALLY DISABLED *Refer to the Schedule of Benefits to determine to which class(es) the following definition(s) of Total Disability and Totally Disabled applies.*

When TOTAL DISABILITY on the Schedule of Benefits indicates Any Occupation, the following definition applies: TOTAL DISABILITY AND TOTALLY DISABLED mean that because of Accidental Bodily Injury or Sickness the Employee cannot engage in any occupation for which he is reasonably fitted by training, education, or experience. An Employee who accepts any type of employment, other than in a state-approved rehabilitation program or sheltered workshop, will be considered fitted to that occupation.

WE, OUR, US, and AUL mean American United Life Insurance Company.®

YOU and YOUR, when used in this policy's certificate of insurance, has the same meaning as Employee.

SECTION 2 - DEFINITIONS

Continued

ELIGIBLE UNIT means any entity which is subsidiary of or under majority ownership of the Group Policyholder.

INSURED UNIT means any Eligible Unit shown below or later added by amendment to this policy.

SECTION 3 - ELIGIBILITY

DEFINITIONS

NEW EMPLOYEE means an Employee who is employed by the Group Policyholder on or after the Group Policyholder's Effective Date.

PRESENT EMPLOYEE means an Employee who is employed by the Group Policyholder before the Group Policyholder's Effective Date.

WAITING PERIOD means the period of days beginning on the Employee's hire date that an Employee must be continuously Actively at Work prior to becoming eligible for Personal Insurance. Present Employees will be given credit for time insured under the Group Policyholder's prior group life insurance contract if this policy replaces the same coverage available under the prior group life insurance contract. The Waiting Period is stated in the Schedule of Benefits.

On the effective date of this policy, an Employee becomes eligible for Personal Insurance if:

- 1) the Employee has fulfilled the Waiting Period, if any, and is Actively at Work; or
- 2) the Employee has fulfilled the Waiting Period, if any, and is not Actively at Work due to being on an Employer-approved leave of absence other than for injury or Sickness; or
- 3) the Employee has fulfilled the Waiting Period, if any, and is not Actively at Work due to being on Temporary Lay-off.

After the effective date of this policy and while this policy is in force, an Actively at Work Employee becomes eligible for Personal Insurance on:

- 1) the date the Employee fulfills the Waiting Period, if any, if that date is the first day of the Coverage Month; or
- 2) the first day of the Coverage Month next following the date the Employee fulfills the Waiting Period, if any, if that date is not the first day of the Coverage Month.

TO REMAIN ELIGIBLE FOR PERSONAL INSURANCE AND DEPENDENT INSURANCE, IF ANY, EMPLOYEES MUST CONTINUOUSLY MEET THE ABOVE REQUIREMENTS.

Refer to the Employee Basic Schedule of Benefits to determine to which coverage and class(es) this page applies. When applicable, the Employee Schedule of Benefits will indicate employee premium CONTRIBUTIONS are not required and INDIVIDUAL EFFECTIVE DATE is First of the Month.

SECTION 4 - INDIVIDUAL EFFECTIVE DATE NON-CONTRIBUTORY INSURANCE

The eligible Employee, prior to receiving coverage under this policy must make written election on a form approved by AUL and the Employer must contribute the required amount of premium to AUL on a timely basis.

For amounts of coverage that do not exceed the Guaranteed Issue Amount shown in the Schedule of Benefits, the effective date for an eligible Employee is:

- 1) the first day of the Coverage Month; or
- 2) the first day of the next Coverage Month if the Employee applies after the first day of the Coverage Month.

To receive any amount of coverage exceeding the Guaranteed Issue Amount, the eligible Employee must make written request to AUL on a form approved by AUL and undergo medical underwriting. The effective date of insurance for an eligible Employee, subject to the further provisions of this Section, will be after the Employee submits satisfactory Evidence of Insurability to AUL and on the date AUL determines the Employee is approved for coverage. Satisfactory Evidence of Insurability, at no expense to AUL, must be provided prior to receiving any amount of coverage greater than the Guaranteed Issue Amount.

If an eligible Employee desires to decline coverage for which the Employer would pay 100% of the premium, the Employee must first notify the Employer in writing of this decision prior to coverage being declined. Once coverage is declined, the Employer is not responsible for paying premium for that Employee, and the Employee will not be eligible for any coverage under this Policy. If an eligible Employee initially declines coverage and later desires to have coverage, the Employee will be required to undergo medical underwriting and submit satisfactory Evidence of Insurability at no expense to AUL prior to receiving any coverage. No coverage shall begin until the date AUL has approved the request for coverage in writing and the required amount of premium is received from the Employer.

Any eligible Employee who converted his insurance under this policy to an individual life insurance policy and if that individual life insurance policy is still in force, the Employee is required prior to becoming insured again under this policy to undergo medical underwriting and submit satisfactory Evidence of Insurability, at no expense to AUL. If the Employee does not wish to undergo medical underwriting and submit satisfactory Evidence of Insurability, the Life Amount under this policy will be reduced by the amount of coverage under the individual life insurance policy. No coverage shall begin until the date AUL has approved the request for coverage in writing and the required amount of premium is received from the Employer.

If an Employee is not Actively at Work on the date coverage would otherwise become effective, the effective date will be:

- 1) the first day of the Coverage Month, if the Eligible Employee returns to Active Work on the first day of the Coverage Month; or
- 2) the first day of the Coverage Month following the date the eligible Employee returns to Active Work, if Active Work begins after the first day of the Coverage Month.

Contributions for Basic insurance are not required from Employees for Personal Insurance.

Also see Continuity of Coverage, Section 5, if included in this policy.

SECTION 5 - CONTINUITY OF COVERAGE

This Section applies when coverage under this policy replaces prior group term life insurance issued to the Group Policyholder and the coverage under that policy terminated on the day before the effective date of AUL's policy.

Coverage will be extended under this Section to an Employee who:

- 1) was insured under the prior carrier's group term life insurance on its termination date; but
- 2) was not eligible for coverage on the effective date of this policy because:
 - a) in the case of an Employee, he was not Actively at Work.

Coverage may be extended if such Employee:

- 1) applies to AUL for coverage on or before the effective date of this policy;
- 2) pays the required amount of premium; and
- 3) is not eligible to continue coverage under the prior carrier's group term life insurance.

The amount of coverage extended will be the lesser of:

- 1) the coverage for which the Employee would have been eligible to receive under this policy, if the Employee had been Actively at Work; or
- 2) the coverage the Employee received under the prior carrier's group term life insurance policy minus the amount payable under that group term life policy.

The coverage under this Section will terminate on the earliest of the following dates:

- 1) the date for which any required premium was not received by AUL;
- 2) the date the Personal Insurance becomes effective under this policy;
- 3) the date the coverage would have terminated under the Individual Termination Section of this policy if the Personal Insurance had become effective; or
- 4) the date the Employee becomes eligible for coverage under the prior carrier's group term life insurance policy.

This coverage only includes the Life Amount.

Refer to the Employee Basic Schedule of Benefits to determine to which class(es) this page applies. When applicable, the Employee Schedule of Benefits will indicate CHANGES IN INSURANCE COVERAGE is Anniversary

SECTION 6 - CHANGES IN INSURANCE COVERAGE

The amount of coverage for which an Employee is eligible is shown in the Schedule of Benefits.

A change in coverage that does not increase the amount of coverage becomes effective the earlier of:

- 1) the date of any scheduled reduction;
- 2) the policy anniversary date following AUL's written approval of the change, if the date of AUL's approval is the policy anniversary date; or
- 3) the policy anniversary date next following AUL's written approval of the change, if the date of AUL's approval is after the policy anniversary date.

Prior to a change in coverage that increases the amount of coverage, the Employee must be Actively at Work and the required amount of premium be paid.

A change increasing the amount of coverage equal to or less than the Employee's Guaranteed Issue Amount takes effect on:

- 1) the policy anniversary date, if the date the Employee becomes eligible for insurance is the policy anniversary date; or
- 2) the policy anniversary date next following the date the Employee becomes eligible for the change in insurance, if the Employee becomes eligible for the change after the policy anniversary date.

A change in coverage increasing the amount of coverage above the Employee's Guaranteed Issue Amount is subject to:

- 1) satisfactory Evidence of Insurability, at no expense to AUL; and
- 2) upon AUL's written approval, takes effect on:
 - a) the policy anniversary date following AUL's written approval of a request for change, if the date of AUL's approval is the policy anniversary date; or
 - b) the policy anniversary date next following AUL's written approval of a request for change, if the date of AUL's approval is after the policy anniversary date.

If the Employee is not Actively at Work on the policy anniversary that is the approved change date, any increase in the amount of coverage takes effect on the first day of the Coverage Month following the Employee's return to Active Work.

Refer to the Employee Basic Schedule of Benefits to determine to which class(es) WAIVER OF PREMIUM applies. When applicable, the Employee Schedule of Benefits will indicate WAIVER OF PREMIUM is Included.

SECTION 7 - CONTINUATION OF INSURANCE

CONTINUATION OF INSURANCE

While this policy is in force and if the Employee has ceased Active Work due to:

- 2) Temporary Lay-off, Personal Insurance may be continued until the 365th day following cessation of Active Work;
- 3) an Employer-approved leave of absence, Personal Insurance may be continued until the 365th day following cessation of Active Work; or
- 4) an Employer-approved leave of absence allowed under the Family and Medical Leave Act (FMLA) or state law. Personal Insurance may then be continued until the end of the period allowed under FMLA or state law, whichever is longer.

In all the above Continuation of Insurance situations, Personal Insurance will terminate on the earliest of the following:

- 1) the date the Employee returns to Active Work;
- 2) the date the required premium payments are not received by AUL;
- 3) the date the Employee dies;
- 4) the date an Employee begins full or part-time employment;
- 5) the date this policy, or the Group Policyholder's coverage under this policy, terminates;
- 6) the date the Employee notifies the Group Policyholder that he will not be returning to Active Work;
- 7) the date the Employee's class is no longer offered under this policy;
- 8) the date the Employee is no longer a member in an eligible class;
- 9) the date the Employee makes written request for termination of coverage but not prior to the date of the request; or
- 10) the date an Employee enters military service for any country, except for temporary duty not scheduled for more than 30 days.

If the Group Policyholder has approved more than one type of leave of absence during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Employee's coverage may continue under this policy.

If the Employee does not return to Active Work, Personal Insurance terminates at the end of Continuation of Insurance period. At the end of Continuation of Insurance period, the Employee may apply, if eligible, for Waiver of Premium for Total Disability, see Section 8, if available; or may be eligible to apply to convert the Life Amount to an individual life insurance policy pursuant to Section 10.

SECTION 9 - INDIVIDUAL TERMINATIONS

Personal Insurance terminates on the earliest of the following dates:

- 1) the date this policy is terminated;
- 2) the last day of the Coverage Month in which the Employee requests termination but not prior to the date of the request;
- 3) the last day of the Coverage Month for which any required premium payment was not received by AUL;
- 4) the last day of the Coverage Month during which the Employee ceases to be eligible, see Eligibility, Section 3 and Section 3A, if any;
- 5) the last day of the Coverage Month during which the Employee becomes a Retiree, unless the Schedule of Benefits includes a specific classification for Retirees;
- 6) the last day of the Coverage Month during which the Employee enters active military service for any country except for temporary duty of 30 days or less;
- 7) the last day of the Coverage Month during which the Employee ceases Active Work, except for an event listed in this policy in Continuation of Insurance, Section 7; or
- 8) the date of an adverse benefit determination under the Waiver of Premium provisions, if applicable.

SECTION 10 - CONVERSION PRIVILEGE

If an Employee's coverage, or a portion of it, terminates because the Employee is no longer eligible for coverage under this policy, the Employee may apply for an individual life insurance conversion policy without evidence of insurability. The coverage amount of the individual life insurance conversion policy shall not exceed the amount of life insurance that ceases because of loss of eligibility for coverage under this policy minus the amount of any group life coverage for which the Employee becomes eligible within 31 days of termination.

If the Employee's coverage ceases due to termination of the Policy, the Employee may apply for and receive an individual life insurance conversion policy if the Employee's group life insurance has been in force with AUL for five (5) continuous years before the termination date. The coverage amount of the individual life insurance conversion policy may not exceed the LESSER of:

- 1) the amount of life insurance that ceases because of termination minus the amount of any group life coverage for which the Employee becomes eligible within 31 days of termination; or
- 2) \$10,000.

The conversion privilege is subject to the following:

- 1) Written application must be made and the first premium must be paid within 31 days after the date of termination of insurance.
- 2) An individual life insurance policy, other than term life insurance, offered by AUL at the time of conversion, may be selected.
- 3) The premium on the individual policy must be at AUL's then customary rate applicable to the form and amount of the individual policy, to the class of risk to which the person or dependent then belongs, and to the individual age attained by the person or dependent on the effective date of the individual policy.
- 4) The individual life insurance conversion policy takes effect on the last day of the application period and is in lieu of all benefits under the Policy.

If notice of the existence of the conversion right is not given at least 15 days before the expiration of the period during which the conversion application and payment of the first premium must be made under the terms of the policy, the person has an additional period within which to exercise the conversion right. The additional conversion application period created to exercise a right of conversion expires 15 days after the person is given notice of the conversion right. However, irrespective of the date on which notice is given or of the absence of any notice, the additional conversion application period may not extend beyond 60 days after the expiration date of the period within which conversion application period and payment of the first premium were to be made under the terms of the policy. For purposes of this section, notice of the right of conversion may be given to the Employee in writing presented to the person; mailed by the Group Policyholder to the last known address of the person; or mailed by the insurer to the last known address of the person as furnished by the Group Policyholder.

If death occurs during the conversion application period, AUL will pay the Life Amount available for conversion whether or not the application or the first premium payment has been made. After the 31-day period, no conversion application will be accepted unless it is proven that it was not possible for the Employee to apply in a timely fashion. The individual life insurance conversion policy will not include Accidental Death benefits or any other benefits currently in force under this Policy.

Premium must be paid to and received by AUL for coverage during the conversion application period.

IF DEATH OCCURS DURING THE CONVERSION APPLICATION PERIOD, IN NO EVENT WILL BENEFITS BE PAYABLE UNDER BOTH THE INDIVIDUAL CONVERSION POLICY AND THIS POLICY.

Refer to the Employee Basic Schedule of Benefits to determine to which coverage and class(es) this page applies. When applicable, the Employee Schedule of Benefits will indicate INDIVIDUAL REINSTATEMENTS are First of the Month.

SECTION 11 - INDIVIDUAL REINSTATEMENTS

If Personal Insurance and Dependent Insurance, if any, terminate due to termination of an Employee's employment, the Employee can apply to reinstate that coverage following return to Active Work. The following conditions apply:

- 1) When return to Active Work occurs within 90 days of the termination of coverage, coverage becomes effective on the first day of the next Coverage Month following the date of return to Active Work. Evidence of Insurability will not be required for any amount of coverage less than the Guaranteed Issue Amount.
- 2) When return to Active Work occurs after the period specified in paragraph 1 above, the Employee will be considered a new employee and the requirements found in the Eligibility and Individual Effective Date Sections will apply.
- 3) When the Life Amount has been converted under the Conversion Privilege, Section 10, the Life Amount available for reinstatement under this policy will be reduced by the amount of coverage under the individual life insurance policy. In no event will the amount of coverage reinstated under this Section and the amount of coverage under the individual life insurance policy be greater than the Life Amount existing on the Employee's termination of employment.
- 4) Prior to applying for reinstatement, AUL must have received the required amount of premium timely.
- 5) The maximum amount of coverage reinstated will not exceed the maximum amount of coverage which would have been available had the Employee's coverage not terminated.

If reinstatement is requested for any reason other than returning to Active Work, medical underwriting and satisfactory Evidence of Insurability, at no expense to AUL, will be required prior to AUL's approval of coverage. The effective date of reinstatement will be the date determined by AUL in writing. Dependent Insurance cannot be reinstated without reinstatement of Personal Insurance.

SECTION 15 - PAYMENT OF DEATH BENEFITS

If an Employee dies while insured under this policy, AUL will pay the benefits owed under this policy to the Beneficiary:

- 1) upon timely receipt of acceptable proof of death; and
- 2) subject to all other provisions of this policy and to the Employee's dated and signed designation.

The following Sections describe the manner in which death benefits are paid.

SECTION 16 - NAMING OF BENEFICIARY

BENEFICIARY means the individual, individuals or entity named by the Employee to receive his Life Amount.

Unless this policy provides otherwise, AUL will pay benefits according to the Employee's Beneficiary designation.

When an Employee applies for coverage he should on an AUL-approved form:

- 1) designate the name of one or more Beneficiaries;
- 2) classify the Beneficiaries by order of preference, either primary or contingent; and
- 3) indicate distribution of the proceeds among members of the class of Beneficiaries.

If more than one primary Beneficiary is listed and no distributive share is indicated, then all primary Beneficiaries will share equally. If no primary Beneficiaries outlive the Employee and there is no distributive share indicated among the contingent Beneficiaries, then all contingent Beneficiaries will share equally.

If this policy replaces insurance coverage of another carrier, AUL may, upon written request of the Group Policyholder, recognize Beneficiary designations in effect under the prior coverage as effective until a new designation is made with AUL, provided that prior designations are in a form acceptable to AUL and the Group Policyholder receives AUL's written approval of the form.

CHANGING A BENEFICIARY

The Employee may change a Beneficiary at any time by written request. The request must be completed, signed, dated and filed through the Group Policyholder.

AUL may recognize a beneficiary change as of the date the form was signed by the Employee even if the Employee is not alive when AUL receives it. However, AUL is not liable if benefits are paid according to the previous designation before AUL receives the change. If the Employee applies for an individual life insurance conversion policy under Section 10, Conversion Privilege and names a new Beneficiary, AUL will use any beneficiary designated in that application when determining which beneficiary to pay.

AUL reserves the right to require that any Beneficiary designation be acceptable to it and be made pursuant to applicable laws.

SECTION 17 - THE DEATH CLAIM

If the Employee dies while insured under this policy, proof of death should be furnished as soon as possible. The claim must be submitted within 12 months of the date of death. The claim may still be considered if it can be shown that timely submission of the claim was not possible due to events beyond the control of the beneficiary, but will not be considered after the applicable statute of limitations has passed.

Proof of death must include:

- 1) a certified death certificate; and
- 2) a completed claim form.

AUL, at its option, may also require:

- 1) return of the Employee's insurance certificate;
- 2) submission of pertinent medical records, including an autopsy report;
- 3) police reports; or
- 4) any other documents AUL may deem reasonably necessary to determine what benefits and to who benefits are owed.

If the cause of death cannot be clearly established by other means, AUL reserves the right to have a medical examination performed on a deceased Employee. The examination will be performed:

- 1) at AUL's expense; and
- 2) by a Physician of AUL's choice.

If this policy is no longer in force, proof furnished more than two (2) years from the date of loss must also include:

- 1) proof of employment at death; and
- 2) proof of coverage under this policy at death.

SECTION 18 - DETERMINATION OF BENEFICIARY

Once acceptable proof of death is received, AUL will determine the Beneficiaries or payees in the following order:

- 1) If more than one primary Beneficiary is listed and no distributive share is indicated, then all primary Beneficiaries will share equally.
- 2) If no primary Beneficiaries outlive the Employee and there is no distributive share indicated among contingent Beneficiaries, then all contingent Beneficiaries will share equally.
- 3) If no named Beneficiaries outlive the Employee or none were named, then at AUL's option, the closest surviving heir(s) if the benefits could be paid to these heir(s) under applicable small estate laws. Heirs will be considered in descending order of preference as follows:
 - a) spouse;
 - b) child(ren);
 - c) parent(s); or
 - d) brother(s) and sister(s).
- 4) If no named Beneficiaries outlive the Employee or none were named and the benefits could not be paid to the closest surviving heir(s) under applicable small estate laws, then the Employee's estate.

AUL may, at its option, pay the proceeds in an amount up to \$250 to any individual appearing to AUL to be legally entitled to payment by reason of having paid funeral or other burial expenses related to the death of the Employee.

In the event the Employee and his Dependents should die simultaneously or if there is no clear evidence as to which individual died first, it shall be presumed that the Dependents should have predeceased the Employee.

If any Beneficiary dies within 15 days after Employee's death, the Beneficiary will be treated as having died before the Employee. This provision does not apply to any payment mailed to such Beneficiary during the 15 days following the Employee's death, and any payment made in good faith shall fully discharge AUL.

SECTION 19 - SELECTION OF PAYMENT METHOD

The proceeds will be paid in a lump sum unless another payment method is selected or changed by giving written notice to AUL prior to the Employee's death. If no payment method is in effect at death, the payee may select a payment method. For information concerning payment method options, the Employee or payee should contact AUL.

Benefits will be paid only if AUL decides in its discretion the person is entitled to them and after AUL approves the payment method. Any person who becomes entitled to receive any portion of the proceeds under this policy shall be entitled to receive payment of interest if any payment is not received by such person within 30 days after the event giving rise to the obligation and after all requested information is received by AUL. Interest payable shall be calculated at an annual rate after all requested information is received by AUL. The rate of interest payable shall be the lesser of 3% or that rate, as determined from time to time by AUL, applicable to proceeds of life insurance left on deposit with AUL and subject to withdrawal on demand. For the purposes of this section, payment shall be deemed to have been received by the person when deposited by AUL in United States mail, postage prepaid, and directed to the person's last known address or the Group Policyholder's address shown in AUL's records.

Other than lump sum payment, AUL reserves the right to specify the minimum periodic payment when a method is to become effective.

SECTION 21 - GENERAL POLICY PROVISIONS

ENTIRE CONTRACT: This policy, the enrollment forms of the individuals, the application of the Group Policyholder, and any amendments made from time to time constitute the entire contract between the parties. A copy of the application of the Group Policyholder will be attached to this policy when issued.

AMENDMENT and CHANGES: This policy may be amended by mutual agreement between the Group Policyholder and AUL but without prejudice to any valid claim incurred prior to the effective date of the amendment. This policy may be changed or corrected by AUL at any time. However, no change in this policy will be valid unless written notice is provided by AUL containing the signature of its Chief Executive Officer or Secretary. No other person can alter or waive the conditions of this policy or make any agreement that shall be binding upon AUL. No agent may or has the authority to waive, alter or change any terms and conditions of this policy or coverage.

INCONTESTABILITY: The validity of any coverage under this policy may not be contested, except for nonpayment of premiums, after the policy has been in force for two years after its date of issue, and other than a misrepresentation of a material fact, no statement made by Group Policyholder or an Employee or a Dependent relating to his insurability may be used in contesting the validity of the insurance with respect to which the statement was made, unless: (1) the insurance has not been in force for a period of two years or longer; or (2) the statement is contained in a written instrument signed by the Group Policyholder or the Employee or the Dependent. However, AUL is not precluded from asserting at any time any defenses based upon provisions in this Policy relating to eligibility for coverage. All statements made by the Group Policyholder or by the Employees or Dependents insured are to be deemed representations and not warranties, and that other than a misrepresentation of a material fact no statement made by any person insured may be used in any contest unless a copy of the instrument containing the statement is or has been furnished to the Employees or Dependents or, in the event of death or incapacity of the Employee or Dependent, to the Employee's or Dependent's beneficiary or personal representative.

INSURANCE FRAUD: AUL wants to ensure that its customers do not incur additional insurance costs as a result of the act of insurance fraud. AUL promises to focus on all means necessary to support fraud detection, investigation and prosecution.

Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance may be guilty of a crime and may be subject to fines and confinement in prison.

RELATIONSHIP: AUL and the Group Policyholder are, and will remain, independent contractors. Nothing in this policy shall be construed as making the parties joint ventures or as creating a relationship of employer and employee, master and servant, or principal and agent. Neither party has any power, right or authority to bind the other or to assume or create any obligation or responsibility on behalf of the other. AUL and the Group Policyholder each retain exclusive control of their time and methods to perform their respective duties. AUL and the Group Policyholder will employ, pay and supervise their own employees and pay their own expenses during the term of this policy.

DISCRETIONARY AUTHORITY: Benefits under this policy will be paid only if AUL decides in its discretion that the applicant is entitled to them. Except for the functions this policy explicitly reserves to a Group Policyholder, AUL reserves the right to:

- 1) manage this policy and administer claims under it; and
- 2) interpret the provisions and resolve questions arising under it.

AUL's authority includes, but is not limited to, the right to:

- 1) establish and enforce procedures for administering this policy and claims under it;
- 2) determine applicant's eligibility for insurance and entitlement to benefits;
- 3) determine what information AUL reasonably requires to make such decisions; and
- 4) resolve all matters when a claim review is requested.

Any decision that AUL makes, in the exercise of its authority, will be conclusive; subject to the Employee's or beneficiary's right to request reviews allowed under applicable laws.

SECTION 21 - GENERAL POLICY PROVISIONS

Continued

GRACE PERIOD: Premiums are due monthly and must be received by AUL within the required time frame for coverage to remain in force. The Employee is entitled to a grace period of 31 calendar days for the payment of any premium due except the first. During the grace period, the insurance coverage shall continue in force, unless AUL has received written notice of termination in advance of date of termination and in accordance with the terms of the policy. Group Policyholder is liable to AUL for the payment of a pro rata premium for the time the policy was in force during the grace period. If the required amount of premium is not received by the end of the grace period, the insurance will terminate as of the last day of coverage for which premium was paid.

LEGAL ACTION: No legal action may be brought to obtain benefits under this policy:

- 1) for at least 60 days after proof of loss has been furnished and before arbitration is held pursuant to the arbitration provisions in the policy; or
- 2) after three (3) years from the time written proof of loss is required to have been furnished to AUL.

CONFORMITY WITH STATE LAWS: Any provision of this policy in conflict with the laws of the state in which it is delivered is amended to conform to the minimum requirements of those laws.

DATA AND RECORDS: The Group Policyholder must furnish information which AUL reasonably requires. The Group Policyholder's documents which may have a bearing on the insurance shall be open for inspection by AUL at all reasonable times.

GENDER PRONOUNS: Whenever the male pronoun is used, it shall also mean the female.

CERTIFICATES: Individual certificates, which describe the insurance coverage of this policy, will be furnished by AUL to the Group Policyholder for distribution to eligible insureds pursuant to AUL's written guidelines.

If there is any discrepancy between the provisions of any certificate and the provisions of this policy, the provisions of this policy will govern.

ASSIGNMENT: A Group Policyholder may not assign any benefits or rights under this policy without first receiving AUL's written approval. An Employee may make an absolute assignment of all benefits and rights of his coverage. Any coverage is assignable to the extent permitted by law except that no collateral assignment is permitted. No assignment is binding unless filed with AUL in a form acceptable to it. AUL assumes no responsibility for the validity or effect of any assignment.

CLAIMS OF CREDITORS: The benefits paid under this policy will be exempt from the claims of creditors to the maximum extent permitted by law.

CLERICAL ERROR: Clerical error on the part of the Group Policyholder or AUL will not invalidate insurance otherwise in force or continue insurance otherwise validly terminated. Upon discovery of an error, an equitable adjustment will be made in the premiums and/or benefits, if appropriate.

MISSTATEMENT OF AGE: If the age of an Employee or Dependent has been misstated, the benefits will be payable based on the true facts. Premium adjustment will be made so that AUL will receive the actual premium required based on the true facts. Any adjustment of benefits due to the correction of age will also be made.

SECTION 21 - GENERAL POLICY PROVISIONS

Continued

ARBITRATION: Any controversy or claim arising out of or relating to this policy, the sale or solicitation of this policy, or its breach thereof whether in tort, contract, breach of duty (including but not limited to) any alleged fiduciary, good faith and fair dealing duties, shall be decided by arbitration in accordance with the Federal Arbitration Act, the procedures of the commercial arbitration rules of the American Arbitration Association, and this agreement. The Court of Arbitrators, which is to be held in the county seat where the Policyholder resides, shall consist of three (3) arbitrators familiar with group insurance and employee welfare benefit plans. The selection of the arbitrators shall be conducted within thirty (30) days after proper service of a demand for arbitration. One of the arbitrators shall be appointed by AUL, one by the insured, and the third shall be selected by the first two appointees prior to the beginning of arbitration. Should the two arbitrators be unable to agree upon the choice of a third, the appointment shall be left to the President or any Vice President of the American Arbitration Association. The arbitrators shall decide by a majority of votes, the award shall be in writing, the decision shall be signed by a majority of the arbitrators, and they shall include a statement regarding the reasons for the disposition of any claim. Judgment on the award rendered by the arbitrators may be entered by any court having jurisdiction thereof. The parties are not precluded from challenging the decision under the Federal Arbitration Act or applicable law. Unless not allowed under applicable law, each party shall bear the expense of its own attorney and arbitrator, and shall share equally with the other party the expenses of the third arbitrator and of the arbitration.

The parties agree that AUL is engaged in interstate commerce, and the transaction is governed by the Federal Arbitration Act, 9 U.S.C. Sections 1-16.

Consistent with the expedited nature of arbitration, each party will, upon the written request of the other party, promptly provide the other with copies of documents relevant to the issues raised by any claim or counterclaim on which the producing party may rely in support of or in opposition to any claim or defense. Any dispute regarding discovery, or the relevance or scope thereof, shall be determined by the arbitrator(s), which determination shall be conclusive. All discovery shall be completed within sixty (60) days following the appointment of the arbitrator(s) or longer following mutual agreement by the parties.

ERISA APPEAL GUIDELINES WHEN POLICY IS GOVERNED BY ERISA: If a claimant wishes to appeal AUL's decision, claimants are allowed 60 days following receipt of a notification of an adverse benefit determination within which to appeal the determination. Claimants are allowed the opportunity to submit written comments, documents, records, and other information relating to the claim for benefits. The claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits. Whether a document, record, or other information is relevant to a claim for benefits shall be determined by reference to paragraph (m)(8) of 29 C.F.R. Section 2560.503-1. AUL's review will take into account all comments, documents, records, and other information submitted by the claimant relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination. A claimant has a right to obtain the information about any voluntary appeal procedures offered by the plan described in paragraph (c)(3)(iv) of 29 C.F.R. Section 2560.503-1 and has a right to bring an action under section 502(a) of ERISA. A final determination will be provided pursuant to 29 C.F.R. Section 2560.503-1.

SECTION 22 - PREMIUM PAYMENT

Each premium is payable by the Group Policyholder to AUL on or before its due date. Upon the request of the Group Policyholder and the written consent of AUL, the premium due date may be changed. Payment of any premium does not maintain the insurance in force beyond the end of the period for which the premium has been paid or after the policy has terminated except as provided under the Grace Period provision.

AUL reserves the right to change premium rates on:

- 1) any date after this policy has been in effect for 2 years by giving written notice to the Group Policyholder at least 45 days before the date the change is to become effective;
- 2) any date the benefit or eligibility provisions of this policy are changed;
- 3) any date the number of Employees changes by 25% or more;
- 4) any date an Insured Unit is added to this policy; or
- 5) any date on which AUL learns any information provided by the Group Policyholder prior to and after the date of the application for insurance was not true or accurate and would have changed any coverage, changed the premium rates, and/or would have required further evaluation by AUL prior to AUL's issuance of the policy.

SECTION 24 - TERMINATION OF THE POLICY

The Group Policyholder may terminate this policy at the end of any Coverage Month by giving AUL at least 31 days prior written notice.

AUL may terminate this policy at the end of any Coverage Month by giving at least 45 days prior notice to the Group Policyholder.

AUL WILL STILL BE LIABLE FOR PAYMENT OF VALID CLAIMS INCURRED BEFORE THE TERMINATION DATE.

FIDUCIARY NOTICE

Under North Carolina General Statute Section 58-50-40, no person, employer, principal, agent, trustee, or third party administrator, who is responsible for the payment of group health or life insurance or group health plan premiums, shall: (1) cause the cancellation or nonrenewal of group health or life insurance, hospital, medical, or dental service corporation plan, Multiple Employer Welfare Arrangement, or group health plan coverages and the consequential loss of the coverages of the persons insured, by willfully failing to pay those premiums in accordance with the terms of the insurance or plan contract, and (2) willfully fail to deliver, at least 45 days before the termination of those coverages, to all persons covered by the group policy a written notice of the person's intention to stop payment of premiums. This written notice must also contain a notice to all persons covered by the group contract of their rights to health insurance conversion policies under Article 53 of Chapter 58 of the General Statutes and their rights to purchase individual policies under the Federal Health Insurance Portability and Accountability Act and under Article 68 of Chapter 58 of the General Statutes. Violation of this law is a felony. Any person violating this law is also subject to a court order requiring the person to compensate persons insured for expenses or losses incurred as a result of the termination of the insurance.

**NOTICE CONCERNING COVERAGE
LIMITATIONS AND EXCLUSIONS UNDER THE NORTH CAROLINA LIFE
AND HEALTH INSURANCE GUARANTY ASSOCIATION ACT**

Residents of this state who purchase life insurance, annuities or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the North Carolina Life and Health Insurance Guaranty Association. The purpose of this association is to assure that policyholders will be protected, within limits, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, the guaranty association will assess its other member insurance companies for the money to pay the claims of insured persons who live in this state and, in some cases, to keep coverage in force. The valuable extra protection provided by these insurers through the guaranty association is not unlimited, however. And, as noted *in the box* below, this protection is not substitute for consumers' care in selecting companies that are well managed and financially stable.

The North Carolina Life and Health Insurance Guaranty Association may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions, and require continued residency in North Carolina. You should not rely on coverage by the North Carolina Life and Health Insurance Guaranty Association in selecting an insurance company or in selecting an insurance policy.

Coverage is NOT provided for your policy or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as a variable contract sold by prospectus.

Insurance companies or their agents are required by law to give or send you this notice. However, insurance companies and their agents are prohibited by law from using the existence of the guaranty association to induce you to purchase any kind of insurance policy.

The North Carolina Life and Health Insurance Guaranty Association

Post Office Box 10218

Raleigh, North Carolina 27605

North Carolina Department of Insurance, Consumer Division

1201 Mail Service Center

Raleigh, North Carolina 27699-1201

The state law that provides for this safety-net coverage is called the North Carolina Life and Health Insurance Guaranty Association Act. *On the back of this page* is a brief summary of this law's coverages, exclusions and limits. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations under the act or the rights or obligations of the guaranty association.

COVERAGE

Generally, individuals will be protected by the life and health insurance guaranty association if they live in this state and hold a life or health insurance contract, or an annuity, or if they are insured under a group insurance contract, issued by a member insurer. The beneficiaries, payees or assignees of insured person are protected as well, even if they live in another state.

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are not protected by this association if:

- 1) they are eligible for protection under the laws of another state (this may occur when the insolvent insurer was incorporated in another state whose guaranty association protects insureds who live outside the state);
- 2) the insurer was not authorized to do business in this state;
- 3) their policy was issued by an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policyholder is subject to future assessments, or by an insurance exchange.

The association also does not provide coverage for:

- 1) any policy or portion of a policy which is not guaranteed by the insurer or for which the person has assumed the risk, such as a variable contract sold by prospectus;
- 2) any policy of reinsurance (unless an assumption certificate was issued);
- 3) interest rate yields that exceed an average rate specified in the law;
- 4) dividends;
- 5) experience or other credits given in connection with the administration of a policy for a group contractholder;
- 6) employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);
- 7) unallocated annuity contract (which give rights to group contractholders, not individuals), unless they fund a government lottery or a benefit plan of an employer, association or union, except that unallocated annuities issued to employee benefit plans protected by the Federal Pension Benefit Guaranty Corporation are not covered.

LIMITS ON AMOUNT OF COVERAGE

The Act also limits the amount the association is obligated to pay out as follows:

- 1) the guaranty association cannot pay out more than the insurance company would owe under the policy or contract;
- 2) except as provided in 4. and 5. below, the guaranty association will pay maximum of \$300,000 per individual, per insolvency, no matter the number of policies or types of policies issued by the insolvent company;
- 3) except as provided in 4. and 5. below, the guaranty association will pay an aggregate maximum of \$500,000 with respect to any one individual affected by multiple insolvencies;
- 4) the guaranty association will pay a maximum of \$1,000,000 with respect to any one structured settlement annuity contract holder;
- 5) the guaranty association will pay a maximum of \$5,000,000 to any one unallocated annuity contract holder.