ONEAMERICA®

American United Life Insurance Company®
Indianapolis, Indiana 46206-0368

Certifies that it has issued and delivered a Group Policy numbered VD1E to:

Fifth Third Bank, Indiana, Trustee For The American United Life Group Insurance Trust For The Business And Professional Service Industry
(Hereinafter called the Group Policyholder)

AND THAT *City of Rocky Mount*, PARTICIPATING UNIT **G 00611120-0000-000**, SHALL PARTICIPATE IN THE COVERAGE AS A PARTICIPATING UNIT.

PARTICIPATING UNIT NUMBER: G **00611120-0000-000** CLASS: **003**
CHANGE EFFECTIVE DATE: **07/01/2024** PLAN NUMBER: **03**

American United Life Insurance Company® (AUL) certifies that the Person whose enrollment form is on file with the Participating Unit as being eligible for insurance and for whom the required premium has been paid, is insured under the above numbered Group Policy for group insurance benefits as designated in the Schedule of Benefits. Benefits as described in this certificate are subject to change.

This certificate describes the coverage provided in the Group Policy. The Group Policy determines all rights and benefits in this certificate and may be amended, canceled or discontinued at any time by agreement between AUL, the Group Policyholder, and the Participating Units.

The Group Policy may be examined at the main office of AUL during regular office hours.

If an Employee is not Actively At Work on the date insurance would otherwise become effective, the Individual Effective Date of Insurance is the date the Employee returns to full-time Active Work.

Richard M. Ellery
Secretary and General Counsel

J. Scott Davison
Chairman, President and Chief Executive Officer

READ YOUR CERTIFICATE CAREFULLY

NOTICE: THIS CERTIFICATE OF INSURANCE PROVIDES ALL OF THE BENEFITS MANDATED BY THE NORTH CAROLINA INSURANCE CODE, BUT IT IS ISSUED UNDER A GROUP MASTER POLICY LOCATED IN ANOTHER STATE AND MAY BE GOVERNED BY THAT STATE'S LAW. PRE-EXISTING CONDITIONS MAY NOT BE COVERED. THE POLICY MAY BE AMENDED, CANCELLED, OR DISCONTINUED AT ANY TIME BY AGREEMENT BETWEEN AUL AND THE GROUP POLICYHOLDER.
IMPORTANT CANCELLATION INFORMATION: PLEASE READ THE PROVISION ENTITLED "TERMINATIONS" FOUND IN SECTION 5.

THE POLICY IS NOT A MEDICARE SUPPLEMENT POLICY. If you are eligible for Medicare, review the Guide to Health Insurance for People with Medicare, which is available from the company.

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SECTION 1 - SCHEDULE OF BENEFITS

CLASS NUMBER	003
ELIGIBLE CLASS	All Eligible Full-Time Employees electing 0/7/52
Requirement for full time Employees	30 Hours or more per week.
BASIC MONTHLY EARNINGS	
Description	BME Only. See Section 2.
CONTINUITY OF COVERAGE	This benefit is included for this class. See Section 12.
CONTINUATION OF PERSONAL INSURANCE UNDER FMLA	This benefit is included for this class. See Section 5B.
CONTINUATION OF PERSONAL INSURANCE DURING A	
Leave of Absence	This benefit is included for this class. See Section 5C.
Layoff	This benefit is included for this class. See Section 5C.
CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY SERVICE	This benefit is included for this class. See Section 5D.
ELIMINATION PERIOD	
Injury	0 days
Sickness	7 days
GUARANTEED INCREASE IN BENEFITS	An amount elected annually in increments of $100 up to a maximum of $500, not to exceed 70% of the Person's Basic Monthly Earnings. See Section 3.
GUARANTEED ISSUE AMOUNT	
Initial and New Employees	$2,000. This amount is also the Maximum Monthly Benefit. See Section 2.
Late Enrollees	A benefit amount elected during the Scheduled Enrollment Period of a minimum of $500 to a maximum of $1,000 in $100 increments, not to exceed 70% of the Person's Basic Monthly Earnings.
INDIVIDUAL EFFECTIVE DATE	
Initial Employees	07/01/2011. See Section 3.
New Employees	First of month following Initial Enrollment Period. See Section 3.
INITIAL ENROLLMENT PERIOD	
Initial Employees	Between 04/11/2011 and 04/20/2011.
New Employees	31 Days following the Employees Eligibility Date. See Section 3.
MAXIMUM BENEFIT DURATION	1 year.

SECTION 1 - SCHEDULE OF BENEFITS

CLASS NUMBER	003
MONTHLY BENEFIT	The LESSER of: 1) the benefit elected by the Person; or 2) 70% of the Person's Basic Monthly Earnings. A Person who is currently enrolled and Actively at Work may increase their Monthly Benefit annually during the Scheduled Enrollment Period. See Section 8.
PORTABILITY	This benefit is included for this class. See Section 13.
PRE-EXISTING CONDITION	
Duration	3/12. See Section 9.
RECURRENT DISABILITY	30 days. See Section 8.
RESIDUAL BENEFIT	This benefit is not included for this class.
SCHEDULED ENROLLMENT PERIOD	90 days prior to the Participating Unit's Anniversary Date.
TOTAL DISABILITY DEFINITION	Regular Occupation. See Section 2.
WAITING PERIOD	
Initial Employees	First of the Month following 30 days.
New Employees	First of the Month following 28 days.
WORKPLACE MODIFICATION BENEFIT	This benefit is included for this class. See Section 16.

SECTION 2 - DEFINITIONS

ACTIVE WORK and ACTIVELY AT WORK means the use of time and energy in the services of the Participating Unit at the regular place of employment, or an alternative worksite as approved by the Participating Unit and AUL, by a Person who is physically and mentally capable of performing each of the Material and Substantial duties of his Regular Occupation on a regular full-time basis. If the alternative worksite is located outside of the United States or Canada, the Person will be considered to be Actively At Work unless the Person is outside of the United States or Canada for more than 6 months in any 12 month period.

This includes time off for vacation, jury duty, and funeral leave, where the Person could have been Actively At Work on that day.

BASIC MONTHLY EARNINGS means the Person's gross monthly income in U.S. dollars, before taxes, received from the Participating Unit not to exceed a maximum workweek of forty (40) hours. Gross monthly income includes pre-tax contributions to an employer sponsored defined contribution plan and a cafeteria plan, if any. These earnings are based on the amount as last reported to AUL in writing by the Participating Unit, for which premiums were paid and the coverage amount was approved in writing by AUL before the date of Disability. Earnings do not include income received from commissions, bonuses, or expense accounts.

If the Person is paid his annual gross income in less than 12 months, the Basic Monthly Earnings shall equal 1/12 of the annual gross income.

CHILD(REN) means a minor related by blood, marriage or court order that can be claimed as a dependent for federal income tax purposes, such as:

1) natural born child(ren) of the Person;
2) legally adopted child(ren) or foster child(ren) of the Person from the date of placement;
3) stepchild(ren) who lives with the Person; and \
4) child(ren) for whom the Person has legal guardianship.

CONSUMER PRICE INDEX (CPI) means the statistical measure of the average change in prices figured by the United States Dept. of Labor, Bureau of Labor Statistics. The percent change in the Consumer Price Index for all Urban Consumers (CPI-U); U.S. City Average for All Items, for the prior calendar year will be used in calculations. If the CPI is discontinued or if its method of computation is significantly changed, AUL may use another comparable index.

COSMETIC SURGERY means surgery that is performed to change the texture, shape or structure of any part of the human body for the purpose of creating a different visual appearance.

SECTION 2 - DEFINITIONS

COVERAGE MONTH means that period of time beginning on the date shown in each Participating Unit's amendment, and ending on the day before that date of the next month.

COVERED MONTHLY EARNINGS means the amount of the Person's income in U.S. dollars, received from the Participating Unit, that is insured by the Group Policy. This amount will be the LESSER of:
1) the Basic Monthly Earnings; or
2) the Maximum Monthly Benefit divided by the benefit percentage shown on the Schedule of Benefits

CURRENT MONTHLY INCOME means the income a Person receives while Disabled, plus the income the Person could receive if he were working to his Maximum Capacity.

If a Person is employed in a second job, at the same time he is Actively At Work full-time for the Participating Unit, and becomes Disabled under the policy, the following will apply during the Elimination Period and while receiving Disability benefits under the policy:
1) any income received from the second job will be considered Current Monthly Income only to the extent that it exceeds the average monthly income received from that job during the six-month period immediately prior to becoming Disabled; and
2) if the Person has worked for the second employer less than six months, the income will be averaged for the total number of months he was employed.

If a Person receives Current Monthly Income in a Lump Sum, the Lump Sum Payment provision will apply

DATE OF HIRE means the first day the Employee is Actively At Work in an eligible class for the Participating Unit as shown on the Schedule of Benefits.

DISABILITY and DISABLED mean both Total Disability and Totally Disabled.

DOMESTIC PARTNER means an adult of the same or opposite sex who has an emotional physical and financial relationship with the Person, similar to that of a Spouse, as evidenced by the following facts, based on documents furnished by the Person:

1) the Person and the Domestic Partner share financial responsibility for a joint household and intend to continue an exclusive relationship indefinitely;
2) the Person and the Domestic Partner each are at least eighteen (18) years of age;
3) the Person and the Domestic Partner are both mentally competent to enter into a binding contract;
4) the Person and the Domestic Partner share a residence and have done so for at least 12 months;
5) neither the Person nor the Domestic Partner are married to or legally separated from any one else;
6) the Person and the Domestic Partner are not related to one another by blood closer than would bar marriage; and
7) neither the Person nor the Domestic Partner is a domestic partner of anyone else.

DUE DATE means the first day of the Coverage Month for which the premium is payable.

ELIGIBILITY DATE means the date that an Employee in an eligible class, as shown on the Schedule of Benefits, has satisfied his Waiting Period and AUL determines is eligible for Personal Insurance under the Group Policy.

SECTION 2 - DEFINITIONS

ELIGIBLE SURVIVOR means:
1) the Person's legal spouse; or
2) the Person's unmarried Child(ren) under the age of 23, if the Child(ren):
   a) can be claimed as a dependent on the Person's federal income tax return; or
   b) is registered in and attending an accredited educational institution on a full-time basis as defined in the regulations of the institution and can be claimed as a dependent on the Person's federal income tax return. School vacation periods are considered a part of school attendance on a full-time basis.

ELIMINATION PERIOD means a period of consecutive days of Total Disability for which no benefit is payable. The Elimination Period is set forth on the Schedule of Benefits and begins on the first day of Total Disability.

EMPLOYEE means any individual who is a full-time employee (including owners, proprietors, partners, members or corporate officers) of the Participating Unit:
1) whose employment with the Participating Unit constitutes his principal occupation;
2) who works at that occupation a minimum number of hours as stated by the Participating Unit in the Schedule of Benefits;
3) who is working at the Participating Unit's regular place of business which may include an alternative worksite if approved by the Participating Unit and AUL;
4) who is not a part-time, temporary or seasonal Employee; and
5) who is authorized to work in the United States under applicable state and federal laws; or
6) if approved by AUL:
   a) who legally works and resides in Canada;
   b) who legally works in the United States and resides in Canada; or
   c) who legally works in Canada and resides in the United States.

SECTION 2 - DEFINITIONS

EMPLOYER'S RETIREMENT PLAN means any defined benefit or defined contribution plan that provides retirement benefits to Employees and that is not funded wholly by Employee contributions. It includes any retirement plan that:

1) is part of any federal, state, county, municipal or association retirement system; and
2) that a Person is eligible for as a result of his employment with the Participating Unit.

It does not include:

1) profit sharing plans;
2) thrift or savings plans;
3) Individual Retirement Accounts (IRAs) or Roth IRAs funded wholly by a Person's contributions;
4) Tax Sheltered Annuities (TSA);
5) stock ownership plans (ESOP);
6) nonqualified deferred compensation plans;
7) Keogh, 401(k) or 403(b) plans; or
8) Veteran Administration Benefits except benefits that are a result of the same Disability for which a Monthly Benefit is payable under the Group Policy.

EVIDENCE OF INSURABILITY means a statement or proof of an Employee's medical history upon which eligibility for insurance will be determined by AUL.

GUARANTEED ISSUE AMOUNT means the amount of coverage that does not require Evidence of Insurability. This amount is shown on the Schedule of Benefits page.

INDEXED PRE-DISABILITY EARNINGS means the Person's Pre-Disability Earnings increased annually by the Consumer Price Index, up to a maximum increase of 10%. The increase will be effective on the July 1st following the first 12 consecutive calendar months of receiving Disability benefits and on each subsequent July 1st.

INDIVIDUAL REINSTATEMENT means that Personal Insurance that has been terminated due to cessation of Active Work may be reinstated in accordance with Section 5A.

SECTION 2 - DEFINITIONS

INJURY means bodily injury resulting directly from an accident and that occurs independently of all other causes while the Person is insured under the Group Policy. This includes all other conditions related to the same injury sustained by a Person while insured under the Group Policy.

MALE PRONOUN whenever used includes the female.

MATERIAL AND SUBSTANTIAL DUTIES means duties that:
1) are normally required for the performance of a Person's Regular Occupation; and
2) cannot be reasonably omitted or modified, except that if the Person is required to work on average in excess of 40 hours per week, AUL will consider the Person able to perform that requirement if he has the capacity to work 40 hours per week.

MAXIMUM BENEFIT DURATION means the maximum amount of time that benefits will be payable for Disability. This amount of time is stated on the Schedule of Benefits.

MAXIMUM CAPACITY means, based on the Person's restrictions and limitations, the greatest extent of work the Person is able to do in his Regular Occupation.

MAXIMUM MONTHLY BENEFIT means the maximum amount of benefit payable to a Person on a monthly basis as stated on the Schedule of Benefits.

MENTAL ILLNESS means a psychiatric or psychological condition classified in the *Diagnostic and Statistical Manual of Mental Health Disorders (DSM)*, published by the American Psychiatric Association, most current as of the start of a Disability. Such disorders include, but are not limited to, psychotic, emotional or behavioral disorders, or disorders related to stress or to substance abuse or dependency. If the *DSM* is discontinued or replaced, these disorders will be those classified in the diagnostic manual then used by the American Psychiatric Association as of the start of a Disability.

MONTHLY BENEFIT means the amount payable monthly by AUL to the Disabled Person. This is the amount stated on the Schedule of Benefits.

SECTION 2 - DEFINITIONS

PARTICIPATING UNIT means any sole proprietorship, partnership, corporation, limited liability company, limited liability partnership, firm, school district, individual school, organization or other instrumentality of a state or political subdivision thereof, which has been approved by AUL and added by amendment to the Group Policy. An entity, which is subsidiary to or affiliated with the Participating Unit, as defined below is eligible for coverage under the Group Policy if it is shown on the Subscription Agreement or later added by amendment to the Group Policy.

1) A subsidiary may be included in this definition when the Participating Unit owns more than 50% of the voting stock of the subsidiary corporation.
2) An affiliate may be included in this definition when the corporation, limited liability company, proprietorship, or partnership is under common control with the Participating Unit through stock ownership, contract, common officers, or otherwise.

The Participating Unit is liable for all premiums due for a subsidiary and affiliate during any period of time the subsidiary and/or affiliate are insured under the Group Policy. Any notice given to the Participating Unit by AUL shall be considered notice given to the subsidiary and/or affiliate.

PARTICIPATING UNIT'S EFFECTIVE DATE means the date that coverage is actually effective for the Participating Unit under the Group Policy as determined by AUL.

PARTICIPATING UNIT'S ANNIVERSARY DATE means 01/01 of each year.

PERSON means an Employee who has met the requirements of the Eligibility, Enrollment and Individual Effective Date of Insurance Sections of the Group Policy.

PERSONAL INSURANCE means the insurance provided under the Group Policy for an insured Person.

PHYSICIAN means a qualified, licensed doctor of medicine or osteopathy, and any other licensed health care provider that state law requires to be recognized as a Physician, and practicing within the scope of his license and applicable law. Physician does not include a Physician employed by the Participating Unit, the Person or anyone related by blood or marriage to the Person.

SECTION 2 - DEFINITIONS

PLAN means the combination of benefits and provisions chosen on the Subscription Agreement by the Participating Unit as a designated plan.

PLAN YEAR means a one-year period beginning on the Participating Unit's Anniversary Date or on each subsequent anniversary of the Participating Unit's Anniversary Date.

PRE-DISABILITY EARNINGS means the Person's Basic Monthly Earnings in effect immediately prior to his date of Disability.

PRE-EXISTING CONDITION means a condition for which medical advice, diagnosis, care or treatment was received or recommended to a Person within the 3 months immediately prior to a Person's Individual Effective Date of Insurance.

SECTION 2 - DEFINITIONS

PRIMARY SOCIAL SECURITY BENEFITS means benefits that the Person is entitled to receive for himself as a result of his eligibility for benefits through the Social Security Administration.

PRIOR PLAN means the Participating Unit's plan of long or short term disability insurance, which terminated on the day immediately before the Participating Unit's Effective Date of coverage under the Group Policy.

REGULAR ATTENDANCE means that a Person:
1) personally visits a Physician as medically required according to standard medical practice, to effectively manage and treat the Person's Disability;
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 care by a Physician whose specialty or clinical experience is appropriate for the Disability.

REGULAR OCCUPATION means a Person's occupation as it is recognized in the general workplace and according to industry standards. A Person's occupation does not mean the specific job tasks a Person does for a Participating Unit or at a specific location. For Physicians "Regular Occupation" means the area in the practice of medicine that they were practicing immediately prior to the date Disability started. For attorneys "Regular Occupation" means the practice of law as defined under applicable laws.

SALARY CONTINUANCE means any payments to a Person, by the Participating Unit, of all or part of his Basic Monthly Earnings after he becomes Disabled.

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, including non-elective cesarean sections.

SOCIAL SECURITY means the United States Social Security Act or any similar law, plan or act including the initial enactment and all amendments.

SPOUSE means an individual who is legally married to, or a Domestic Partner of, the Person.

THIRD PARTY means an individual, entity or an insurance company other than AUL.

TOTAL DISABILITY and TOTALLY DISABLED mean that because of Injury or Sickness:
1) a Person cannot perform the Material and Substantial Duties of his Regular Occupation;
2) a Person is not working in any occupation; and
3) a Person is under the Regular Attendance of a Physician for that Injury or Sickness.

If the Person's Regular Occupation requires a license, loss of this license for any reason does not in itself constitute Total Disability (unless the Person has reached his maximum point of recovery).

WAITING PERIOD means the period of days, starting on the Date Of Hire, that an Employee must be continuously Actively at Work while in an eligible class. Initial Employees will be given credit for time served under the Participating Unit's prior carrier if the Group Policy replaced the same type of coverage an Employee had with the prior carrier. The Waiting Period is stated on the Schedule of Benefits.

SECTION 3 - ELIGIBILITY, ENROLLMENT and INDIVIDUAL EFFECTIVE DATE OF INSURANCE

INITIAL EMPLOYEE: This is an eligible Employee who is Actively At Work and has completed the Waiting Period for Initial Employees before the Participating Unit's original Effective Date.

NEW EMPLOYEE: This is an eligible Employee who was Actively At Work before the Participating Unit's original Effective Date, but did not complete the Waiting Period for an Initial Employee prior to that date. It also refers to an eligible Employee who has completed the Waiting Period for New Employees and was Actively At Work on or after the Participating Unit's original Effective Date.

LATE ENROLLEE: A Late Enrollee is an Initial or New Employee who is Actively At Work, but does not request coverage during his Initial Enrollment Period. Enrollment for Late Enrollees can only occur annually during the Scheduled Enrollment Period. If a Late Enrollee was previously declined coverage by AUL for medical reasons, he will not be eligible for the Guaranteed Issue Amount as stated on the Schedule of Benefits and he will be required to submit satisfactory Evidence of Insurability, without expense to AUL.

ELIGIBILITY DATE: An Employee who is in an eligible class as shown on the Schedule of Benefits and has satisfied his Waiting Period becomes eligible for Personal Insurance under the Group Policy on:

1) *Initial Employees:* the Participating Unit's original Effective Date of coverage under the Group Policy; or
2) *New Employees and Late Enrollees*: the first day of the Coverage Month following completion of the Waiting Period.

ENROLLMENT: To be considered for coverage, an eligible Employee must apply correctly and truthfully for Personal Insurance under the Group Policy. Eligible Employees applying for Personal Insurance must complete and sign a written request for coverage on an enrollment form approved by AUL and pay the required premiums before coverage will become effective. This form will be given to and maintained by the Participating Unit. Coverage may only be requested during an Initial or Scheduled Enrollment Period, as follows:

1) INITIAL ENROLLMENT PERIOD: The Initial Enrollment Period is the time during which an eligible Employee who is Actively At Work may first enroll for coverage following completion of the Waiting Period without providing Evidence Of Insurability. An eligible Employee may waive coverage or request coverage under any Plan offered by the Participating Unit for his class. The Initial Enrollment Period includes the following periods, during which an Employee may make his initial written application for coverage under the Group Policy:
   a) *Initial Employee*: the Initial Enrollment Period, which is the period of time agreed to by AUL and the Participating Unit and stated on the Schedule of Benefits; or
   b) *New Employee*: the Initial Enrollment Period is the period that begins on the Eligibility Date and continues through the number of days as stated in the Schedule of Benefits.

2) SCHEDULED ENROLLMENT PERIOD: This is a recurrent period of days, as stated on the Schedule of Benefits, after the Participating Unit's original Effective Date, during which:
   a) an Employee or eligible late Enrollee may apply in writing, on an AUL approved enrollment form, for coverage under the Group Policy;
   b) a Person may change from one Plan to another Plan under the Group Policy, without providing Evidence of Insurability; or
   c) an eligible Person may increase their Monthly Benefit by the Guaranteed Increase in Benefit amount as shown on the Schedule of Benefits, provided the increased amount does not exceed the percentage of the Person's Basic Monthly Earnings indicated on the Schedule of Benefits.

   The Scheduled Enrollment Period is chosen by the Participating Unit and must be approved by AUL.

3) DELAYED ENROLLMENT PERIOD. An eligible Initial or New Employee who is not Actively At Work during his Initial Enrollment Period may enroll for Personal Insurance without providing Evidence of Insurability. He may do this if:
   a) he has returned to full-time Active Work;
   b) he is in an eligible class as stated in the Schedule of Benefits;
   c) his Waiting Period was completed prior to his cessation of Active Work; and
   d) he enrolls within 31 days from the day he returns to Active Work.

INDIVIDUAL EFFECTIVE DATE OF INSURANCE

Initial Employees: The Individual Effective Date of Insurance for an eligible Initial Employee is the Participating Unit's original Effective Date under the Group Policy as long as the Initial Employee:
1) requested coverage during the Initial Enrollment Period;
2) and is Actively At Work for the Participating Unit on that date.

New Employees: The Individual Effective Date of Insurance for an eligible New Employee is the date of the request if that date is the first day of a Coverage Month; otherwise it is the first day of the next Coverage Month as long as the New Employee:
1) requested coverage during the Initial Enrollment Period;
2) has completed the Waiting Period for New Employees; and
3) is Actively At Work on the Individual Effective Date of Insurance.

Late Enrollees: The Guaranteed Issue Amount of coverage for a Late Enrollee is shown on the Schedule of Benefits. The Individual Effective Date of Insurance for an eligible Late Enrollee is the Participating Unit's Anniversary Date following the date of the Late Enrollee request as long as the Late Enrollee:
1) requested coverage during the Scheduled Enrollment Period;
2) has completed the Waiting Period for New Employees; and
3) is Actively At Work on the Individual Effective Date of Insurance.

SECTION 3 - ELIGIBILITY, ENROLLMENT and INDIVIDUAL EFFECTIVE DATE OF INSURANCE

DELAYED INDIVIDUAL EFFECTIVE DATE OF INSURANCE: The date an Initial or New Employee returns to full-time Active Work will be his Individual Effective Date of Insurance, if he was enrolled during an Initial Enrollment Period, but was not Actively At Work on the date Personal Insurance would otherwise have become effective.

The Individual Effective Date of Insurance for an Initial or New Employee who enrolled during a Delayed Enrollment Period is the date he signs the enrollment request and is Actively At Work.

COVERAGE IN EXCESS OF GUARANTEED ISSUE AMOUNT: The Individual Effective Date of Insurance as previously explained applies to any portion of the Maximum Monthly Benefit that does not exceed the Guaranteed Issue Amount. However, any portion of the Maximum Monthly Benefit that exceeds the Guaranteed Issue Amount will require Evidence of Insurability, satisfactory and without expense to AUL. If the excess portion is approved, the Effective Date of Insurance for that portion will be named by AUL. If the excess portion is not approved by AUL, the Maximum Monthly Benefit will be an amount equal to the Guaranteed Issue Amount.

Evidence Of Insurability: Documentation and records are required to be forwarded to AUL, at no cost to AUL, if the request for coverage is made:

1) after an Employee's Initial or Delayed Enrollment Period; or
2) after a Person's requested termination date.

If satisfactory Evidence of Insurability is provided, and coverage is approved in writing by AUL, the Individual Effective Date of Insurance will be named by AUL.

SECTION 4 - CHANGES IN INSURANCE

The effective date of any change for the Person is:
1) the date the request for change is approved by AUL, if the approval date is the first day of a Coverage Month; or
2) the first day of the next Coverage Month, if the request for change is approved after the first day of a Coverage Month.

If a Person is not Actively At Work on the effective date of change, the Person becomes eligible for the change on the first day that he returns to Active Work.

If a Person elects not to apply for a change in Plan during a Scheduled Enrollment Period:
1) he will continue to be insured for the same Plan during the next Plan Year; and
2) no change can be made to the Plan until the next Scheduled Enrollment Period.

CHANGING INCREMENTS OR PLANS: After the Initial Enrollment Period, a Person may increase or decrease his coverage, to another increment or Plan available to his Class. He may only do this during a Scheduled Enrollment Period. The request for a change in increment or Plans and agreement to pay the required premium must be made in writing on a form approved by AUL, as follows:
1) An increase in coverage to the next higher increment or Plan available to a Person's Class will not require Evidence of Insurability.
2) If a Person fails to apply for an increase or decrease in coverage during the Scheduled Enrollment Period, he will continue to be covered under his current increment or Plan until the next Scheduled Enrollment Period.

If a Person is not Actively At Work on the effective date of change, the Person becomes eligible for the change on the first day that he returns to Active Work.

The provision entitled Pre-Existing Condition Exclusion For A Change In Plans, shown in Section 9 - Exclusions, will apply to a change in Plans resulting in an increase in coverage.

CHANGE IN EFFECTIVE DATE: If a Person changes Plans during a Scheduled Enrollment Period, the effective date for that change in Plan is the first day of the Coverage Month following the Scheduled Enrollment Period. The effective date for all other changes, except a change in Plan, is:
1) the date the request for change is approved by AUL if the approval date is the first day of a Coverage Month; otherwise
2) the first day of the next Coverage Month.

If the Person is not Actively At Work on the effective date of any change, as stated above, the Person becomes eligible for the change on the first day he returns to Active Work.

If the change is an increase in the Maximum Monthly Benefit of $1,000 or more, the provision entitled Pre-Existing Condition Exclusion On An Increased Maximum Monthly Benefit, as shown in Section 9 – Exclusions, will apply to the increased amount.

SECTION 5 - TERMINATIONS

INDIVIDUAL TERMINATIONS: A Person will cease to be insured on the EARLIEST of the following dates:

1) the date the Group Policy terminates;
2) the end of the Coverage Month following the date the Person is no longer in an eligible class;
3) the date the Person's class, as stated on the Schedule of Benefits, is no longer insured under the Group Policy;
4) the last day of the period for which premiums were paid, if the premium is not paid when due;
5) the date the Person requests termination, but not prior to the date of the request;
6) the end of the Coverage Month following the date employment terminates. **Cessation of Active Work will be deemed termination of employment.** However, insurance will be continued for a Person:
   a) during the Elimination Period, if the Person is Disabled, as described in the Group Policy;
   b) during any period that premiums are being waived under the Waiver of Premium provision;
   c) during any temporary leave of absence according to the appropriate Continuation of Personal Insurance benefit if premiums continue to be paid during the leave, and the benefit was elected by the Participating Unit, shown on the Schedule of Benefits and approved by AUL; and
   d) to the end of a 365-day period following the date a Person is temporarily laid off as long as premiums continue to be paid, if coverage during a temporary lay-off was requested by the Participating Unit, shown on the Schedule of Benefits and approved by AUL.

TERMINATION OF A PARTICIPATING UNIT: Insurance for a Participating Unit ceases on the EARLIEST of the following dates:

1) the date the Participating Unit no longer meets the definition of a Participating Unit;
2) the date the Participating Unit ceases active business operations or is placed in bankruptcy or receivership;
3) the date the Participating Unit loses it entity by means of dissolution, merger, or otherwise;
4) the date the Participating Unit is eliminated as a Participating Unit by an amendment to or change in the Group Policy;
5) the date ending the Coverage Month for which the last premium payment is made for the Participating Unit's insurance;
6) the last day of a Coverage Month, provided AUL has given the Participating Unit at least 45 calendar days prior written notice; or
7) the last day of a Coverage Month, if the Participating Unit has given AUL at least 31 calendar days prior written notice.

If a Person's insurance is terminated due to the termination of a Participating Unit, the Person's rights under the Group Policy are determined as if the Group Policy had terminated on the date that the Participating Unit's coverage terminated.

If coverage for a Participating Unit terminates, the Participating Unit will be liable to AUL for all unpaid premiums for the period during which the coverage was in force.

SECTION 5 - TERMINATIONS

TERMINATION OF THE POLICY: AUL may terminate the Group Policy at the end of any policy month by giving at least 45 days prior notice to the Group Policyholder.

Termination of the Group Policy, or termination of coverage for a Participating Unit, under any conditions will be without prejudice to any claim incurred prior to termination.

EXTENDED BENEFIT: If the Person is Disabled on the date insurance terminates, AUL will pay benefits for Disability:

1) after the Elimination Period has been met, if the Person is not already receiving a Monthly Benefit;
2) during the uninterrupted continuance of the same period of Disability; and
3) subject to the provisions and benefits of the Group Policy.

Benefits will be extended to the EARLIEST of the following:

1) the date that the Person ceases to be Disabled;
2) the date the Person dies;
3) the date the Maximum Benefit Duration, shown on the Schedule of Benefits, is completed;
4) the date the Person fails to give AUL required proof of Disability or information required to determine if any benefits are owed under the Group Policy;
5) the date the Person refuses to allow an examination requested by AUL;
6) the date the Person is no longer under the Regular Attendance and care of a Physician unless the Physician certifies that the Person has reached his maximum point of recovery and is still Disabled according to the provisions of the Group Policy;
7) the date the Person refuses to provide information to AUL to verify the Person's Current Monthly Income; or
8) the date the Person leaves the United States or Canada and establishes his residence in any other country. A Person will be considered to reside outside these countries when the Person has been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive months of benefits.

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 POLICY 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.

SECTION 5A - INDIVIDUAL REINSTATEMENT

INDIVIDUAL REINSTATEMENT: If Personal Insurance terminates under the Group Policy due to cessation of Active Work for the Participating Unit, it may be reinstated subject to the terms of this Section. Individual Reinstatement must be requested during the 31-day period immediately following return to Active Work for the Participating Unit in accordance with the terms stated in this Section. Individual Reinstatement will be to the same Plan and eligible class that the Employee belonged to immediately prior to his termination. AUL may require Evidence of Insurability if reinstatement is requested to a Plan or eligible class that differs from the coverage the Employee had with the Participating Unit immediately prior to his cessation of Active Work. Reinstatement is subject to payment of required premiums and that the Participating Unit is insured by AUL under the Group Policy.

In addition to the above requirements, the following also applies, as applicable:

1) If an Employee returns to Active Work within 30 consecutive calendar days of his Individual Termination date and requests Individual Reinstatement:
   a) Personal Insurance will become effective the first day of the Coverage Month immediately following the date of request for Individual Reinstatement.
   b) Evidence of Insurability will not be required for Individual Reinstatement to the same Plan and eligible class held by the Employee under the Group Policy immediately prior to cessation of Active Work.
   c) Credit will be given towards satisfaction of the eligibility Waiting Period and of the Pre-Existing Condition exclusion or limitation period he previously served under the Group Policy. However, any days he accumulated during the period of lapse in coverage will not be credited. The original Individual Effective Date of Insurance will be used when applying the eligibility Waiting Period and the Pre-Existing Condition exclusion or limitation period. Credit will be given towards satisfaction of the eligibility Waiting Period previously served under the Group Policy. However, any days he accumulated during the period of lapse in coverage will not be credited. The Employee will be considered a New Employee and subject to the terms of the Group Policy, except as stated herein.
2) If an Employee returns to Active Work more than the number of consecutive calendar days, shown in 1) above, after his Individual Termination date and requests Individual Reinstatement:
   a) The Employee will be considered a New Employee and subject to the terms of the Group Policy.
   b) Eligibility for Personal Insurance, enrollment and his Individual Effective Date Of Insurance will be determined as stated in the Group Policy.
   c) The Waiting Period and Pre-Existing Condition exclusion period will start anew. The Individual Reinstatement date will be used when applying the Pre-Existing Condition exclusion or limitation period.
3) If the Employee is insured under the Group Policy's Portability Privilege and returns to Active Work with the Participating Unit and requests Individual Reinstatement to the Group Policy.
   a) Personal Insurance will become effective the first day of the Coverage Month immediately following the date of request for Individual Reinstatement.
   b) Evidence of Insurability will not be required for Individual Reinstatement to the same Plan and eligible class held by the Employee under the Group Policy immediately prior to cessation of Active Work.
   c) Credit will be given towards satisfaction of the Pre-Existing Condition exclusion or limitation period already served under the Group Policy and the Portability Privilege. The Employee's original Individual Effective Date of Insurance will be used when applying the Pre-Existing Condition exclusion or limitation period.
   d) AUL will terminate coverage under the Portability Privilege immediately prior to the date of Individual Reinstatement under the Group Policy.

4) If Personal Insurance terminates because of a leave under the Federal Family Medical Leave Act (FMLA), or applicable state law, approved by the Participating Unit and the Employee returns to full-time Active Work immediately following the end of the leave:
   a) Personal Insurance will become effective immediately upon the date of request for Individual Reinstatement.
   b) Credit will be given towards satisfaction of the Pre-Existing Condition exclusion or limitation period previously served under the Group Policy. However, the days accumulated during the period of lapse in coverage will not be credited. The original Individual Effective Date of Insurance will be used when applying the Pre-Existing Condition exclusion or limitation period.
   c) Evidence of Insurability will not be required for Individual Reinstatement to the same Plan and eligible class that the Employee would have been entitled to prior to the FMLA leave.
5) If Personal Insurance terminates because an Employee became a full-time member of the armed forces of the United States and he returns to full-time Active Work, the Person's coverage may be reinstated in accordance with the Uniformed Services Employment Rights At of 1994 (USERRA) and applicable state law.

SECTION 5B - CONTINUATION OF PERSONAL INSURANCE UNDER THE FAMILY AND MEDICAL LEAVE ACT

CONTINUATION OF PERSONAL INSURANCE UNDER THE FAMILY AND MEDICAL LEAVE ACT. If the Participating Unit approves a leave of absence under the Federal Family and Medical Leave Act (FMLA), a Person's coverage under the Group Policy will be continued as stated in this Section. Personal Insurance will continue while a Person's leave is covered under FMLA, until the end of the LATER of:

1) the leave period permitted under FMLA; or
2) the leave period permitted by applicable state law.

Coverage continued under this Section is subject to the following requirements:

1) the Participating Unit has approved a Person's leave in writing as a leave taken under FMLA;
2) applicable premiums must continue to be paid to AUL in accordance with the Group Policy (see Section 6 - Premium Payment); and
3) Basic Monthly Earnings will be the amount as last reported to AUL in writing and in effect prior to the date the Person's family or medical leave began.

Continuation of Personal Insurance under this provision will cease on the earliest of the following:

1) the date a Person dies;
2) the date a Person's coverage terminates for nonpayment of premiums;
3) the date a Person begins full or part-time employment with another employer;
4) the date the Group Policy or the Participating Unit's coverage under the Group Policy terminates;
5) the date a Person notifies the Group Policyholder that he will not be returning to Active Work;
6) the date a Person's class is no longer offered under the Group Policy;
7) the date a Person no longer qualifies for an eligible class, as stated in the Schedule of Benefits;
8) the date a person requests termination of coverage under the Group Policy, but not prior to the date of request.

All terms and conditions of the Group Policy will apply during the approved continuation period provided under this Section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

1) the Actively At Work definition; and
2) the applicable number of hours needed to meet the requirement for full-time Employee, as described in Eligible Classes on the Schedule of Benefits page.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the policy.

SECTION 5C - CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE AND TEMPORARY LAYOFF

LEAVE OF ABSENCE references in this Section means the Person is absent from Active Work for a temporary period of time that has been agreed to in advance and in writing by the Participating Unit and includes temporary layoffs unless otherwise stated.

CONTINUATION OF PERSONAL INSURANCE WHILE TEMPORARILY LAID OFF. If the Participating Unit approves a Temporary Layoff, a Person's coverage under the policy will be continued to the end of the 365-day period following the month in which the layoff begins, as long as premiums continue to be paid, subject to same requirement as a Leave of Absence.

CONTINUATION OF PERSONAL INSURANCE UNDER A LEAVE OF ABSENCE: If the Participating Unit approves a Leave of Absence, a Person's coverage under this policy will be continued to the end of the 365-day period from the date the Person begins a Leave of Absence as long as premiums continue to be paid, subject to the following requirements:

1) the Participating Unit has approved a Person's Leave of Absence in writing;
2) applicable premiums must continue to be paid to AUL in accordance with the Group policy (see Section 6 - Premium Payment); and
3) Basic Monthly Earnings will be the amount last reported to AUL in writing and in effect prior to the date the Person's Leave of Absence began.

Continuation of Personal Insurance under this provision will cease on the EARLIEST of the following:

1) the date a Person dies;
2) the date a Person's coverage terminates for nonpayment of premiums;
3) the date a Person begins full or part-time employment with another employer;
4) the date this policy, or the Participating Unit's coverage under the policy, terminates;
5) the date a Person notifies the Participating Unit that he will not be returning to Active Work;
6) the date a Person's class is no longer offered under the policy;
7) the date a Person no longer qualifies for an eligible class, as stated on the Schedule of Benefits;
8) the date a Person requests termination of coverage under the policy, but not prior to the date of request.

All terms and conditions of the Group policy will apply during the approved continuation period provided under this Section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

1) the Actively At Work definition; and
2) the applicable number of hours needed to meet the requirement for full-time Employee, as described in the Eligible Classes on the Schedule of Benefits.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the Group policy.

SECTION 5D - CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY SERVICE

LEAVE OF ABSENCE means the Person is absent from Active Work for a temporary period of time that has been agreed to in advance in writing by the Participating Unit.

CONTINUATION OF PERSONAL INSURANCE DURING A LEAVE OF ABSENCE FOR ACTIVE MILITARY SERVICE: If the Person is on a leave of absence for active military service as described under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) and applicable state law, the Person's coverage may be continued until the LATER of:

1) the length of time the coverage may be continued under the Group policy for an FMLA leave of absence; or
2) the length of time the coverage may be continued under the Group policy for a Leave of Absence other than an FMLA leave of absence.

Coverage continued under this Section is subject to the following requirements:

1) applicable premiums must continue to be paid to AUL in accordance with the policy (see Section 6 - Premium Payment); and
2) Basic Monthly Earnings will be the amount last reported to AUL in writing and in effect prior to the date the Person's Leave of Absence for active military service began.

Continuation of Personal Insurance under this provision will cease on the earliest of the following:

1) the date a Person dies;
2) the date a Person's coverage terminates for nonpayment of premiums;
3) the date a Person begins full or part-time employment with another employer;
4) the date the policy, or the Participating Unit's coverage under the policy, terminates;
5) the date a Person notifies the Participating Unit that he will not be returning to Active Work;
6) the date a Person's class is no longer offered under the policy;
7) the date a Person no longer qualifies for an eligible class, as stated on the Schedule of Benefits; or
8) the date a Person requests termination of coverage under the policy, but not prior to the date of request.

All terms and conditions of the policy will apply during the approved continuation period provided under this Section, unless otherwise stated. While Personal Insurance is being continued under this Section, the Person will be considered exempt from the requirements listed below:

1) the Actively At Work definition; and
2) the applicable number of hours needed to meet the requirement for full-time Employee, as stated in the Schedule of Benefits.

If the Participating Unit has approved more than one type of Leave of Absence for the Person during any one period, AUL will consider such leaves to be concurrent for the purpose of determining how long the Person's coverage may continue under the policy.

SECTION 6 - PREMIUM PAYMENT

PREMIUM PAYMENTS: As provided in the Subscription Agreement, the Participating Unit is responsible for properly and accurately remitting premiums to AUL on or before the Due Date. All premiums will be calculated and paid in U.S. dollars. At the request of the Participating Unit and AUL's written approval, the interval of premium payments may be changed. Payment of premiums does not maintain the insurance in force beyond the end of the period for which they were paid, except as provided under the Grace Period provision. Premiums shall be paid by the Person, and may be paid by means of payroll deduction administered by the Participating Unit. Overpayment of premiums will not result in increases in any coverage amounts for the Participating Unit or Persons eligible for benefits under the Group Policy.

Premiums for a Person's coverage under the Group Policy shall be charged from the Person's Individual Effective Date of Insurance.

Premiums will cease on a Person's Individual Termination date. If a Person is Disabled on his Individual Termination date and is eligible for Extended Benefits, premiums will be waived according to the Waiver of Premium provision.

PREMIUM RATES: AUL reserves the right to change premium rates on any date:

1) after the Participating Unit's coverage has been in effect for 2 years (and adjusted no more often than once every 6 months thereafter, based on at least 12 months of experience), by giving written notice to the Participating Unit at least 45 days before the date the change becomes effective;
2) the eligibility and/or benefit provisions of the Participating Unit are changed;
3) the number of Persons insured through the Participating Unit changes by 25% or more; or
4) a subsidiary or affiliate is added to, or deleted from, the Participating Unit's coverage under the Group Policy.

Monthly premiums for each Person will change automatically following attainment of each new age bracket. The above manner of charging premiums applies only to a Person's insurance that is terminating, but not the termination of a Participating Unit. Each premium payment will include adjustments in past premiums for changes that have not previously been taken into account.

WAIVER OF PREMIUM: Premium payments will be waived for a Disabled Person at the beginning of the Elimination Period. Premiums will continue to be waived during any period that Monthly Benefits are paid to a Person insured by the Group Policy or *any* AUL Group Long Term or Short Term Disability Income policy, if those policies were made available to the Person through employment with the Participating Unit. Premiums for coverage under the Group Policy will be waived as described in this provision, provided the Disability claim is approved by AUL.

SECTION 7 - GENERAL POLICY PROVISIONS

AMENDMENT AND CHANGES: The Group Policy may be amended in writing by mutual agreement between the Group Policyholder, the Participating Unit and AUL, but without prejudice to any loss incurred prior to the effective date of the amendment. No change in the Group Policy is valid until approved by the Chief Executive Officer, President or Secretary of AUL. No agent has the authority to change the Group Policy or waive any of its provisions.

ASSIGNMENT: No assignment of any present or future right, or benefit under the Group Policy, will bind AUL without its prior written consent.

CERTIFICATES: AUL will issue a certificate for delivery by the Participating Unit to the insured Persons. The certificate will summarize the coverage available under the Group Policy and will state:
1) the benefits provided; and
2) to whom the benefits are payable.

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

CLERICAL ERROR: Clerical error on the part of the Participating Unit or AUL will not invalidate insurance otherwise in force nor continue insurance otherwise terminated.

CONFORMITY WITH STATE LAWS: Any provision of the Group 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 and Participating Unit must furnish all information that AUL reasonably requires. The Participating Unit must furnish all relevant information to AUL about Persons:
1) who qualify to become insured:
2) whose amounts of insurance or earnings change; and
3) whose insurance terminates.

At any reasonable time, AUL or its representatives shall have the right to inspect the records of the Group Policyholder or Participating Unit that, in the opinion of AUL, may have a bearing on the insurance coverage provided under the Group Policy.

DISCRETIONARY AUTHORITY: Benefits under the Group Policy will be paid only if AUL decides in its discretion that the applicant is entitled to them. Except for the functions the Group Policy explicitly reserves to the Participating Unit or Policyholder, AUL reserves the right to:
1) manage the Group Policy and administer claims under it; and
2) interpret the provisions and resolve any questions arising under it.

AUL's authority includes, but is not limited to, the right to:
1) establish and enforce procedures for administering the Group Policy and claims under it;
2) determine Employees' 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 and final subject to any rights under Employee Retirement Income Security Act (ERISA). This provision applies only where the interpretation of the Group Policy is governed by ERISA.

SECTION 7 - GENERAL POLICY PROVISIONS

ENTIRE CONTRACT: The Group Policy and the applications of the individuals, the Participating Units, and the Group Policyholder constitute the entire contract.

GRACE PERIOD: If the Participating Unit or AUL does not give notice in writing that coverage under the Group Policy is to be terminated, a Grace Period of 15 days will be granted for the payment of any premiums falling due after the first premium. During the Grace Period the Participating Unit's coverage under the Group Policy will continue in force but will automatically terminate on the last day of the Grace Period. The Participating Unit is liable to AUL for payment of a premium for the days of grace during which the Participating Unit's coverage under the Group Policy remains in force. However, AUL is not obligated to pay claims incurred during the Grace Period until the premium due is received.

INSURANCE FRAUD: AUL wants to ensure that its customers do not incur additional insurance costs as a result of the act of insurance fraud. Applicable state laws require AUL to undertake measures to detect, investigate and prosecute fraud.

Anyone that knowingly completes an application for insurance or statement of claim containing any materially false information or facts, with the intent to deceive, conceal or mislead is committing a fraudulent insurance act. This is a crime and may subject such Persons to criminal and civil penalties.

MISSTATEMENT OF FACTS: If the age or any other fact that affects the benefits for a Person or Participating Unit has been misstated, the benefits will be payable based on the true facts. Premium adjustments will be made so that AUL will receive the actual premium amount required based on the true facts.

REHABILITATION: The goal of a rehabilitation program is to enable the Person to return to work. The Person may choose to join a vocational rehabilitative program, if prior approval is given in writing by AUL, while receiving Disability benefits. If the program is approved in advance by AUL, such participation will not alone be deemed recovery from Disability. By mutual written agreement, AUL may help pay the Person's expenses for taking part in the rehabilitation program. Rehabilitation is strictly voluntary and there is no penalty for refusal.

RELATIONSHIP: AUL and the Participating Unit are, and will remain, independent contractors. Nothing in the Group Policy shall be construed as making the parties joint venturers 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 Participating Unit each retain exclusive control of their time and methods to perform their respective duties. AUL and Participating Unit will employ, pay and supervise their own employees and pay their own expenses during the term of the Group Policy.

STATEMENTS MADE IN AN APPLICATION: All statements made by the Participating Unit or insured Persons shall be deemed representations and not warranties. No such statements will be used to reduce or deny any claim or to cancel the Person's coverage unless:

1) the statement is in writing; and
2) a copy of that statement is given to the Person or to his Eligible Survivor.

TIME LIMIT ON CERTAIN DEFENSES: Except in the case of fraud, no statement made by the Person relating to his insurability will be used to contest the insurance for which the statement was made after the Person's coverage has been in force for two (2) years.

WORKER'S COMPENSATION AND WORKMEN'S COMPENSATION NOT AFFECTED: The Group Policy is not in lieu of, and does not affect, any requirement for coverage by Worker's or Workmen's Compensation Insurance.

SECTION 7A - CLAIM PROCEDURES

INITIAL NOTICE OF DISABILITY: Written notice of Disability must be given to AUL during the Elimination Period. If written notice cannot be made without the fault of the claimant, AUL must be notified as soon as it is reasonably possible to do so. Written notice should contain sufficient information to identify the Person. Notices are not considered given until received by AUL at its Home Office in Indianapolis, Indiana.

CLAIM FORMS FOR PROOF OF LOSS: Upon receipt of the Initial Notice of Disability, AUL will furnish the Person with any necessary claim forms. These forms must be properly, accurately and truthfully completed and returned to AUL. If, for any reason, the Person does not receive a claim form within 15 days of request, the Person should submit written proof of Disability. The initial claim form or proof of Disability must show:

1) claimant's name;
2) Employer's name and address;
3) Group number;
4) the date Disability started;
5) the cause of Disability; and
6) the seriousness of the Disability.

The initial claim form or proof of Disability must be signed by a Physician and sent to AUL within 180 calendar days of the end of the Elimination Period. If it is not possible to give proof within these limits, it must be given as soon as reasonably possible. Proof of claim may not be given later than one year after the time proof is otherwise required except in the absence of legal capacity.

AUL will also periodically send the Person additional claim forms or requests for information necessary to determine eligibility for benefits under the Group Policy. These subsequent claim forms and requests for information must be returned to AUL within 30 days after the Person receives them.

PHYSICAL EXAMINATION: AUL, at its own expense, has the right to have a Person examined to determine the existence of any Disability that is the basis for a claim. This right may be exercised as often as is reasonably necessary, as determined by AUL, and must be performed by a Physician of AUL's choice.

LEGAL ACTION: No legal action may be brought to obtain benefits under the Group Policy;

1) for at least 60 days after proof of loss has been furnished; or
2) before any denial or reduction of benefits by AUL has been appealed properly in writing; or
3) beyond the expiration of three (3) years from the time proof of loss is required to be given.

TIME OF PAYMENT OF CLAIMS: When AUL receives a claim form or proof of Disability, benefits payable under the Group Policy will be paid monthly during any period for which AUL is liable.

PAYMENT OF CLAIMS: All benefits, other than any survivor benefits, are payable to a Person. If a Person dies before a benefit to which he was entitled is paid, AUL has the right to pay up to $1,000 to any of the Person's relatives to whom AUL considers entitled to such benefits. If AUL pays benefits in good faith to a person who it considers entitled to such benefits, then AUL will have no obligation to pay such benefits again. The Monthly Benefit will be calculated and paid in United States dollars, and when necessary, it will be based on the exchange rate effective on the first day of the Elimination Period.

SECTION 7A - CLAIM PROCEDURES

RIGHT TO APPEAL: If a Person wishes to appeal AUL's decision, claimants are allowed 180 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.

ARBITRATION: Any controversy or claim arising out of or relating to the Group Policy, the sale or solicitation of the Group 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 insured resides, shall consist of three (3) arbitrators familiar with 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.

This Arbitration provision does not prohibit a Person from seeking a jury trial if they are not in agreement with the final decision reached through arbitration.

SECTION 7A - CLAIM PROCEDURES

RIGHT OF RECOVERY: If benefits have been received for which the Person was not entitled to receive under the Group Policy, then full reimbursement to AUL is required. Such reimbursement is required whether the overpayment is due to intentional or innocent misrepresentations by the Person, intentional or innocent misrepresentations by an entity supplying AUL with information, a claims processing error or miscalculation by AUL or for any other reason. If reimbursement is not made, then AUL has the right, as allowed under law to:

1) reduce future benefits or any amounts payable under the Group Policy until full reimbursement is made, and
2) recover such overpayments from the Person, his beneficiary, or his estate.

If AUL chooses not to use benefit payments towards the reimbursement, this will not constitute a waiver of AUL's rights to reimbursement. This provision will be in addition to, and not in lieu of, any other compensation available to AUL by law.

SECTION 8 - INSURING PROVISIONS

MONTHLY BENEFIT PAYMENTS: AUL will pay Disability benefits, according to the Group Policy, if a Person becomes Disabled while insured by the Group Policy. AUL must receive proof that a Person is Disabled due to Sickness or Injury and requires the Regular Attendance of a legally qualified Physician (unless the Person has reached his maximum point of recovery). AUL will pay the Person a Monthly Benefit after the Person satisfies the Elimination Period. The Elimination Period may be satisfied by Total Disability.

The Monthly Benefit will be paid as long as Disability continues; provided that proof of continued Disability is submitted to AUL upon request and the Person is under the Regular Attendance and care of a Physician (unless the Person has reached his maximum point of recovery). The proof must be submitted at the Person's expense. Monthly Benefits will not be paid during any period that a Person is incarcerated in a penal or correctional institution.

The Monthly Benefit will not exceed the Maximum Monthly Benefit, nor will it be payable for longer than the Maximum Benefit Duration. The Maximum Monthly Benefit and the Maximum Benefit Duration are stated in the Schedule of Benefits.

PRORATING OF MONTHLY BENEFIT: The eligible Monthly Benefit will be paid on a weekly basis. To determine the weekly payment, the Monthly Benefit will be multiplied by 12, then divided by 52. For any period of Disability less than one week, the weekly benefit will be paid on a pro-rata basis at the rate of 1/7 per day.

MONTHLY BENEFIT: To figure the amount of the Total Disability Benefit, take the lesser of the following amounts:
1) the benefit elected by the Person; or
2) the percentage of the Person's Basic Monthly Earnings shown on the Schedule of Benefits.

A Person who is currently enrolled under the Group Policy may increase their Monthly Benefit annually during the Scheduled Enrollment Period, by the Guaranteed Increase in Benefit amount shown on the Schedule of Benefits without providing Evidence of Insurability as long as:
1) the Person has not previously been declined for medical reasons;
2) the Person is Actively at Work during the Scheduled Enrollment Period; and
3) the increased amount does not exceed the percentage of the Person’s Basic Monthly Earnings shown on the Schedule of Benefits.

SECTION 8 - INSURING PROVISIONS

TERMINATION OF THE MONTHLY BENEFIT: The Monthly Benefit will cease on the EARLIEST of the following:

1) the date that the Person ceases to be Disabled;
2) the date the Person dies;
3) the date the Maximum Benefit Duration stated in the Schedule of Benefits is completed;
4) the date the Person fails to give AUL required proof of Disability;
5) the date the Person refuses to allow an examination requested by AUL;
6) the date the Person is no longer under the Regular Attendance and care of a Physician unless the Physician certifies that the Person has reached his maximum point of recovery and is still disabled according to the provisions of this contract;
7) the date the Person refuses to provide any evidence required by AUL to verify the Person's Current Monthly Income; and
8) the date the Person leaves the United States or Canada and establishes his residence in any other country. A Person will be considered to reside outside these countries when the Person has been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive Monthly Benefit payments.

SECTION 8 - INSURING PROVISIONS

RECURRENT DISABILITY: If, after a period of Disability for which benefits are payable, the Person resumes his Regular Occupation on a full-time basis and performs each Material and Substantial Duty of that occupation for a continuous period of 30 consecutive days of full-time work, any Recurrent Disability will be part of a new period of Disability and a new Elimination Period must be completed before any further Monthly Benefits are payable.

If the Person resumes his Regular Occupation on a full-time basis and performs each Material and Substantial Duty of that occupation for less than 30 consecutive days of full-time work, a Recurrent Disability will be part of the same period of Disability. The Recurrent Disability must be the direct result of the Injury or Sickness that caused the prior Disability. The Person will not have to complete a new Elimination Period. Benefit payments will be subject to the terms of the Group Policy for the prior Disability. The benefit will be based on the amount of Monthly Benefit in effect immediately prior to the original Elimination Period.

In order to prevent over-insurance because of duplication of benefits, benefits payable under the Recurrent Disability provision will cease if benefits are payable to the Person under any other group short term disability policy.

The Recurrent Disability provision in this Section is only applicable as long as the Participating Unit's coverage remains in force with AUL.

SECTION 9 - EXCLUSIONS

GENERAL EXCLUSIONS: The Group policy does not cover any Disability caused by, contributed to by, or resulting from:

1) participation in war or any act of war, declared or undeclared;
2) active participation in a riot;
3) attempted suicide, regardless of mental capacity;
4) attempted or actual intentional self-inflicted bodily injury or self destruction, including but not limited to the voluntary inhaling or taking of:
   a) a prescription drug in a manner other than as prescribed by a Physician;
   b) any federal or state regulated substance in an unlawful manner;
   c) non-prescription medicine in a manner other than as indicated in the printed instructions;
   d) poison; and
   e) toxic fumes;
5) commission of or attempt to commit a criminal act under relevant state law;
6) Cosmetic Surgery. However, Cosmetic Surgery will be covered when it is due to:
   a) reconstructive surgery incidental to, or follows surgery resulting from, trauma, infection or other diseases of the involved part; or
   b) congenital disease or anomaly that has resulted in a functional defect;
7) caused by a Person legally intoxicated as defined by the law of the jurisdiction in which the incident occurs;
8) that occurs while a Person is incarcerated in a penal or correctional institution;
9) participation in autoerotic asphyxiation;
10) elective surgery except when required for the Person's Regular Attendance as a result of the Person's Injury or Sickness;
11) traveling or flying on any aircraft operated by or under authority of military or any aircraft being used for experimental purposes; or
12) engaging in any illegal or fraudulent occupation, work, or employment.

PRE-EXISTING CONDITION LIMITATION:
A limited benefit will be paid if the Person's Disability begins in the first 12 months following the effective date of the Person's coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition for which medical advice, diagnosis, care, or treatment was received or recommended within the 3 months just prior to the Person's Individual Effective Date of Insurance.

The monthly amount payable under this provision will be the lesser of:

1) the Person's Monthly Benefit payable if the Person did not have a Pre-Existing Condition; or
2) the Person's Gross Monthly Benefit multiplied by 25%.

Benefits under this provision are payable for no more than 1 month during any one period of Disability. In no event will benefits be paid beyond the Maximum Benefit Duration.

SECTION 9 - EXCLUSIONS

When the Group Policy is replacing a Prior Plan of franchise short term disability coverage, the preceding Pre-Existing Condition Limitation provision will not apply to a Person:

1) who is listed on the prior carrier's franchise short term disability coverage billing statement for the month prior to the Participating Unit's original Effective Date or prior carrier premium is paid to within 90 days of the original Effective Date of the Participating Unit's Group Policy;
2) who elects coverage under the Participating Unit's Group Policy when he first becomes eligible for coverage; and
3) whose coverage under the Prior Plan of short term disability coverage terminated.

SECTION 9 - EXCLUSIONS

CREDIT FOR THE SATISFACTION OF THE PRE-EXISTING CONDITION EXCLUSION PERIOD: This provision applies when a Person moves from an AUL group voluntary disability income insurance plan that provided the Person short term disability coverage similar to his coverage under the Group Policy offered by the Participating Unit. Credit will be given for the satisfaction of the Pre-Existing Condition exclusion period, or portion thereof, already served under the prior AUL group voluntary short term disability income insurance plan of coverage offered by the Participating Unit IF:

1) coverage under the Group Policy is elected by the Employee during the Initial Enrollment Period; and
2) the Person changes from one AUL short term disability Plan to another AUL short term disability Plan under this Group Policy during a Scheduled Enrollment Period. The Person's Individual Effective Date of Insurance under the prior AUL group voluntary short term disability income insurance plan of coverage offered by the Participating Unit will be used when applying the Pre-Existing Condition exclusion or limitation period.

The Group Policy Pre-Existing Condition limitation will not apply to a Person that was not subject to the prior AUL short term disability plan's Pre-Existing Condition limitation.

PRE-EXISTING CONDITION EXCLUSION ON AN INCREASED MAXIMUM MONTHLY BENEFIT WHEN CHANGING CARRIERS: This section applies to an increase in the Maximum Monthly Benefit when:

1) coverage under the Group Policy replaces a Participating Unit's prior long or short term disability coverage; and
2) coverage under the Group Policy has a Maximum Monthly Benefit that is $1,000 or more in excess of the Participating Unit's prior coverage; and
3) the Pre-Existing Condition limitation on the Participating Unit's prior coverage was for a period of time for 3 months or less.

Benefits will not be paid if the Person's Disability begins in the first 12 months following the effective date of the Person's coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition, for which medical advice, diagnosis, care or treatment was received or recommended within the three (3) months just prior to the Person's Individual Effective Date of Insurance.

PRE-EXISTING CONDITION EXCLUSION FOR A CHANGE IN PLANS: This provision applies when a Person changes Plans resulting in an increase in coverage after the Participating Unit's effective date.

The Group Policy will not cover the Person under the new plan if the Person's Disability begins in the first 12 months following the Participating Unit's effective date of the increase in coverage; and the Person's Disability is caused by, contributed to by, or the result of a condition for which medical advice, diagnosis, care or treatment was received or recommended within the three (3) months just prior to the Change Effective Date of the change in Plans.

A Person will receive benefits based on the Plan he was previously insured under if eligible for such benefits according to the provisions applicable to that Plan.

SECTION 12 - CONTINUITY OF COVERAGE

This section applies only when coverage under the Group Policy replaces a Participating Unit's Prior Plan of long or short term disability insurance, which terminated during the sixty (60) days before the Participating Unit's Effective Date of coverage under the Group Policy. A Prior Plan must be replaced with the same type of coverage, long term for long term and short term for short term. This Section applies only to Persons insured under the Participating Unit's Prior Plan on its termination date.

Continuity of Coverage applies to a Person who would not get full coverage under the Group Policy because of the failure of the Person to be Actively At Work due to Disability, approved Leave of Absence, or temporary layoff on the effective date of the Participating Unit's coverage under the Group Policy. ^

BENEFITS FOR A PERSON WHO FAILS TO BE ACTIVELY AT WORK DUE TO TOTAL DISABILITY:

The Group Policy will cover, subject to proper premium payments, a Person who:
1) was insured under the Prior Plan on its termination date; and
2) is not Actively At Work due to Disability, approved Leave of Absence, or temporary layoff on the effective date of the Participating Unit's coverage under the Group Policy.

Coverage under this provision will begin on the Participating Unit's effective date under the policy and will continue until the EARLIEST of:
1) the date the Person returns to Active Work; or
2) the end of any period of continuance or extension provided under the Prior Plan; or
3) the date coverage would otherwise end, according to the provisions of the AUL policy.

The benefits payable will be the same as the Prior Plan would have paid, had coverage remained in force, less any amount for which the Prior Plan is liable.

This Section of the Continuity of Coverage Provision does not establish eligibility for such a Person under the Group Policy. Eligibility can only be met when the Person returns to full-time Active Work as described in the Eligibility, Enrollment and Individual Effective Date of Insurance Section.

SECTION 13 - PORTABILITY PRIVILEGE

If a Person's insurance under the Group Policy terminates for any reason other than stated below, the Person is entitled to continue his coverage for 12 months without submission of Evidence Of Insurability. To be eligible for this Privilege, the Person must have been insured under the Group Policy for at least three consecutive months just before insurance under the Group Policy terminated.

This Portability Privilege provides the same coverage that the Person had immediately prior to the date of his termination. Any benefits payable are governed by the Group Policy according to the provisions and benefits elected by the Participating Unit and stated in the Schedule of Benefits. However, the Maximum Benefit Duration will be the lesser of:

1) two (2) years; or
2) the Maximum Benefit Duration in effect immediately prior to the date of his termination.

This Portability Privilege is subject to the following:

1) written application for Portability must be made within 31 calendar days after termination of insurance under the Group Policy;
2) payment of the initial correct amount of premium;
3) the premium is based on the Person's age and the premium rate in effect on the date of application for Portability; and
4) the effective date for the Person under the Portability Privilege is the date immediately following the date of his termination.

The Portability Privilege is not available to any Person:

1) whose insurance under the Group Policy terminates for any of the following reasons:
   a) the Person enters a class of Employees that are not eligible for coverage under the Group Policy;
   b) the Person retires (when the Person receives payment from any Employer's Retirement Plan as recognition of past services or has concluded his/her working career); or
   c) the Person failed to pay any required premium;
2) who is or becomes insured for any other group long or short term disability policy which provides coverage similar to the type of coverage provided by the Group Policy within 31 days after termination under the Group Policy;
3) who is Disabled under the terms of the Group Policy; or
4) who is on leave of absence.

Insurance under the Portability Privilege will terminate on the earliest of the following dates:

1) the last day for which any required premium has been made;
2) the date the Person requests termination, but not prior to the date of the request;
3) the last day of a Coverage Month, provided that AUL has given at least 31 days prior written notice to the Person;
4) the date the Person retires;
5) the date the Group Policy terminates;
6) the date the Person enters active military service for any country, except for temporary duty of 30 days or less;
7) the date that coverage begins under any other group long or short term disability policy that provides coverage similar to coverage provided by the Group Policy;
8) the date following 12 months of coverage; or
9) the date the Person leaves the United States or Canada and establishes his residence in any other country. A Person will be considered to reside outside these countries when the Person has been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive months of benefits.

SECTION 16 - WORKPLACE MODIFICATION BENEFIT

WORKPLACE MODIFICATION means reasonable and necessary changes to a Person's work environment or to the way a Person's job is performed that enables the Person to return to full or part-time work for the Participating Unit.

WORKPLACE MODIFICATION BENEFIT: AUL may pay the expense for any reasonable and necessary modification to a Person's workplace to accommodate the Person's Disability and enable him to return to Active Work for the Participating Unit. The amount AUL may pay will not exceed the lesser of:
1) two times the Person's last Monthly Benefit payment; or
2) $5,000.

To qualify for this Benefit:
1) a Person must be receiving a Monthly Benefit under the Group Policy;
2) the Participating Unit must agree to make reasonable and necessary modifications to the workplace that reasonably accommodates and enables a Person's return to work on a full or part-time basis; and
3) all proposed modifications and costs must be approved by AUL in advance and in writing prior to making any modification.

AUL may evaluate the appropriateness of a proposed modification.

AUL reserves the right, at its expense, to have a Person examined and evaluated by a Physician or other health care professional and a vocational expert or rehabilitation specialist of its choice, as frequently as it deems necessary.

If the Participating Unit incurs reasonable and necessary costs for AUL approved modifications, the Participating Unit will be reimbursed after:
1) proposed modifications made on the Person's behalf are completed;
2) written proof of incurred expenses for all modifications have been provided to and approved by AUL; and
3) the Person has returned to full or part-time employment with the Participating Unit.

This Benefit will not be payable if:
1) expenses were not incurred in making the actual modification;
2) AUL did not provide written approval for the modification or its cost prior to the expense;
3) the Person becomes self-employed or returns to work for an employer other than the Participating Unit;
4) the Person or Participating Unit is able to apply or receives reimbursement for any costs under any other governmental program, grant, insurance policy, law or settlement; or
5) the Person ceases to be Disabled before or during the Workplace Modification.

This benefit is available on a one-time basis, per Person.

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 and Health Maintenance Organizations (HMOs) 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 or HMO 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 the 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 a 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
4441 Six Forks Rd. STE 106-153
Raleigh, North Carolina 27609-5729
https://www.nclifega.org/

North Carolina Department of Insurance, Consumer Services 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 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 or HMO. The beneficiaries, payees or assignees of insured persons 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:

- 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 that state);
- The insurer was not authorized to do business in this state;
- Their policy was issued by 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.
- They acquired rights to receive payments through a structured settlement factoring transaction.

The association also does not provide coverage for:

- Any policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as a variable contract sold by prospectus;
- Any policy of reinsurance (unless an assumption certificate was issued);
- Interest rate yields that exceed the average rate specified in the law;
- Dividends;
- Experience or other credits given in connection with the administration of a policy by a group contractholder;
- Employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);
- Unallocated annuity contracts (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.
- A policy or contract commonly known as Medicare Part C or Medicare Part D, Medicaid or any regulations issued pursuant thereto.

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 (3) (4) and (5) below, the guaranty association will pay a maximum of $300,000 per individual, per insolvency, no matter how many policies or types of policies issued by the insolvent company
(3) The guaranty association will pay a maximum of $500,000 with respect to a health benefit plan.
(4) The guaranty association will pay a maximum of $1,000,000 with respect to the payee of a structured settlement annuity.
(5) The guaranty association will pay a maximum of $5,000,000 to any one unallocated annuity contract holder.