
Group Insurance Benefits

City of Locust

Long Term Disability Insurance

Class 01



**KANSAS CITY LIFE
INSURANCE COMPANY**

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

Residents of this state who purchase life insurance, annuities or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the North Carolina Life and Health Insurance Guaranty Association. The purpose of this association is to assure that policyholders will be protected, within limits, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, the guaranty association will assess its other member insurance companies for the money to pay the claims of 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
Post Office Box 10218
Raleigh, North Carolina 27605-0218

North Carolina Department of Insurance, Consumer Services Division
1201 Mail Service Center
Raleigh, NC 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. 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 an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policyholder is subject to future assessments, or by an insurance exchange.

The association also does not provide coverage for:

- 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 Part D 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 basic hospital, medical and surgical insurance and major medical insurance.
- (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.



**KANSAS CITY LIFE
INSURANCE COMPANY**

GROUP LONG TERM DISABILITY INCOME INSURANCE

CERTIFICATE OF COVERAGE

POLICYHOLDER: City of Locust

POLICY NUMBER: 23535

POLICYHOLDER EFFECTIVE DATE: July 1, 2016

GOVERNING JURISDICTION: North
Carolina

Kansas City Life Insurance Company (referred to as Kansas City Life) welcomes You as a certificateholder.

This is Your Certificate of Coverage as long as You are eligible for coverage and You become Insured. You will want to read it carefully and keep it in a safe place.

We have written Your Certificate of Coverage in understandable terms. However, a few terms and provisions are written as required by insurance Law. If You have any questions about any of the terms and provisions, please consult Our claims paying office. We will assist You in any way to help You understand Your benefits.

If the terms and provisions of the Certificate of Coverage (issued to You) are different from the policy (issued to the Policyholder), the policy will govern. Your coverage may be canceled or changed in whole or in part under the terms and provisions of the policy.

The policy is delivered in and is governed by the Laws of the governing jurisdiction and to the extent applicable by the Employee Retirement Income Security Act of 1974 (ERISA) and any amendments. When making a benefit determination under the policy, We have discretionary authority within the reasonable limits established by the law to determine Your eligibility for benefits and to interpret the terms and provisions of the policy.

For purposes of effective dates and ending dates under the group policy, all days begin at 12:01 a.m. Standard Time at the Policyholder's address and end at 12:00 midnight Standard Time at the Policyholder's address.

Signed for Kansas City Life Insurance Company, a stock company, at its Home Office, 3520 Broadway, PO Box 219425, Kansas City, MO 64121-9425.

Secretary

President, CEO and Chairman

The policy covers disabilities due to an occupational Sickness or Injury.

The policy does not replace or affect the requirements for coverage by any Workers' Compensation or state disability insurance.

CERTIFICATE OF COVERAGE
TABLE OF CONTENTS

SCHEDULE OF BENEFITS 3
DEFINITIONS..... 5
LONG TERM DISABILITY BENEFIT INFORMATION..... 10
LONG TERM DISABILITY CLAIM INFORMATION..... 19

SCHEDULE OF BENEFITS

LONG TERM DISABILITY

The Long Term Disability policy provides financial protection for You by paying a portion of Your income while You are disabled. The amount You receive is based on the amount You earned before Your disability began, subject to all policy provisions.

NAME OF EMPLOYER: City of Locust

POLICY NUMBER: 23535

ELIGIBLE CLASS(ES):

Class 01: All Full-Time Employees in Active Employment in the United States with the Employer

You must be an Employee of the Employer and in an eligible class.

Temporary and seasonal workers are excluded from coverage.

Persons who are not legal residents or citizens of the United States are not eligible for coverage.

MINIMUM HOURS REQUIREMENT:

30 hours per week

WAITING PERIOD:

As noted in Your Employer's Group Long Term Disability Income Insurance Policy

REHIRE:

If Your employment ends and You are rehired within 12 months. Your previous work while in an eligible class will apply toward the Waiting Period. All other policy provision apply.

WHO PAYS FOR THE COVERAGE:

Your Employer pays the cost of Your coverage.

WAIVER OF PREMIUM:

We do not require premium payments for Your coverage while You are receiving or are entitled to receive Long Term Disability payments under the policy.

ACCUMULATION OF ELIMINATION PERIOD:

Elimination period: 180 consecutive days.

Accumulation period: 360 consecutive days.

The elimination period and the accumulation period begin on the first day of Your disability.

Benefits for a Payable Claim begin the day after the elimination period is completed.

MONTHLY BENEFIT:

60.00% of Monthly Earnings to a Maximum Benefit of \$2500 per month.

Your benefit may be reduced by any Deductible Sources of Income and Disability Earnings. Some Disabilities may not be covered or may have limited coverage under the policy.

MONTHLY EARNINGS:

"Monthly Earnings" means Your gross monthly income from Your Employer in effect just prior to Your date of disability. It includes Your total income before taxes and any deductions made for pre-tax contributions to a qualified deferred compensation plan, Section 125 plan, or flexible spending account. It does not include income received from commissions, bonuses, overtime pay, any other extra compensation, or income received from sources other than Your Employer.

Earnings, whether for a full year or partial year, will be converted to a monthly amount for the purpose of calculating the Monthly Payment.

MAXIMUM PERIOD OF PAYMENT:

<u>Your Age When Disability</u>	<u>Maximum Period of Payment</u>
<u>Begins</u>	

Less than age 61	60 months
Age 61	48 months
Age 62	42 months
Age 63	36 months
Age 64	30 months
Age 65	24 months
Age 66	21 months
Age 67	18 months
Age 68	15 months
Age 69 and over	12 months

REGULAR OCCUPATION PERIOD:

24 months

TOTAL BENEFIT CAP:

If You are eligible to receive payments under the policy in addition to Your Monthly Payment, the total benefit payable to You on a monthly basis (including all benefits provided under the policy) will not exceed 100% of Your Monthly Earnings. However, if You are participating in a Vocational Rehabilitation Plan, the total benefit payable to You on a monthly basis (including all benefits provided under this policy) will not exceed 110% of Your Monthly Earnings.

The above items are only highlights of the policy. For a full description of Your coverage, including any additional benefits, exclusions or limitations that may apply, continue reading Your Certificate of Coverage.

DEFINITIONS

ACTIVE EMPLOYMENT means You are working for Your Employer for earnings that are paid regularly and that You are performing the Material and Substantial Duties of Your Regular Occupation. You must be working at least the minimum number of hours as described under the MINIMUM HOURS REQUIREMENT in the SCHEDULE OF BENEFITS.

To be in Active Employment, Your work site must be:

- 1) Your Employer's usual place of business; or
- 2) an alternative work site at the direction of Your Employer, including Your home; or
- 3) a location to which Your job requires You to travel.

Normal vacation is considered Active Employment.

Temporary, part-time, and seasonal workers are excluded from coverage.

APPROPRIATE CARE means that You:

- 1) regularly visit a Doctor as frequently as medically required according to standard medical practice to effectively treat and manage Your disabling condition(s) unless it can be determined that You have reached Your maximum point of recovery; and
- 2) receive care or treatment appropriate for the disabling condition(s), conforming with standard medical practice, by a Doctor whose specialty or experience is most appropriate for the disabling condition(s) according to standard medical practice; and
- 3) have the obligation to minimize Your disabling condition including having corrective treatment or minor surgery.

CONTEST means that, if We determine You made a material misrepresentation in Your application for coverage under the policy, We assert in writing that such coverage was therefore never effective. The contest is effective on the date We mail the letter along with a refund of premium.

DEDUCTIBLE SOURCES OF INCOME means income from other sources as listed in the certificate which You receive or are eligible to receive while You are disabled. This income will be subtracted from Your Gross Monthly Payment.

DISABILITY EARNINGS means the earnings which You receive while You are disabled and working, plus the earnings You could receive if You were working to Your Maximum Capacity.

DOCTOR means:

- 1) a person performing tasks that are within the limits of his or her medical license; and
- 2) a person who is licensed to practice medicine and prescribe and administer drugs or to perform surgery; or
- 3) a person with a doctoral degree in Psychology (Ph.D. or Psy.D.) whose primary practice is treating patients;
or
- 4) a person who is a legally qualified medical practitioner according to the Laws and regulations of the governing jurisdiction.

We will not recognize You or Your family members, including but not limited to, spouse, domestic partner, children, parents, including in-laws, or siblings, including in-laws, a business or professional partner, or any person who has a financial affiliation or business interest with You as a Doctor for a claim that You send to Us.

ELIGIBLE SURVIVOR means Your spouse, if living; otherwise, Your children under age 25.

EMPLOYEE means a person who is a citizen or legal resident of the United States in Active Employment with the Employer in the United States.

EMPLOYER means the Policyholder and includes any division, subsidiary, or affiliated company named in the policy.

GAINFUL OCCUPATION means an occupation that is or can be expected to provide You with an income within 12 months of Your return to work, that exceeds:

- 1) 80% of Your Indexed Monthly Earnings if You are working;
- 2) 60% of Your Indexed Monthly Earnings if You are not working.

GRACE PERIOD means the 31-day period following the premium due date during which premium payment may be made.

GROSS MONTHLY PAYMENT means Your benefit before any reduction for Deductible Sources of Income and Disability Earnings.

HOSPITAL, HEALTH FACILITY OR INSTITUTION means an accredited facility licensed to provide care and treatment for the condition causing Your disability.

INDEXED MONTHLY EARNINGS means Your Monthly Earnings adjusted on each anniversary of benefit payment by the lesser of 10% or the current annual percentage increase in the Consumer Price Index. Your Indexed Monthly Earnings may increase or remain the same, but will never decrease.

The Consumer Price Index CPI-U is published by the U.S. Department of Labor. We reserve the right to use some other similar measurement if the Department of Labor changes or stops publishing the CPI-U. Indexing is only used as a factor in the determination of the percentage of lost earnings while You are disabled and working and in the determination of Gainful Occupation.

INJURY means a bodily Injury that is the direct result of an Accident and not related to any other cause. The Injury must occur, and disability resulting from the Injury must begin while You are covered under the policy. Injury that occurs before You are covered under the policy will be treated as a Sickness.

INSURED means any person covered under the policy.

INSURED PERSON means a person who is eligible for the coverage under this certificate, becomes covered according to the terms of the policy, and whose coverage remains in effect according to the terms of the policy.

LAW, PLAN, or ACT means the original enactments of the law, plan, or act and all amendments.

LEAVE OF ABSENCE means You are absent from Active Employment for a period of time that has been agreed to in advance in writing by Your Employer.

Your normal vacation time or any period of disability is not considered a Leave of Absence.

MATERIAL AND SUBSTANTIAL DUTIES means duties that:

- 1) are normally required for the performance of Your Regular Occupation; and
- 2) cannot be reasonably omitted or modified, except that if You are required to work on average in excess of 40 hours per week, We will consider You able to perform that requirement if You have the capacity to work 40 hours per week.

MAXIMUM BENEFIT means the total monthly benefit amount for which You are insured under the policy subject to all policy provisions.

MAXIMUM CAPACITY means, based on Your restrictions and limitations:

- 1) during the Regular Occupation Period, the greatest extent of work You are able to do in Your Regular Occupation; and
- 2) beyond the Regular Occupation Period, the greatest extent of work You are able to do in any occupation for which You are reasonably fitted by education, training or experience.

MAXIMUM PERIOD OF PAYMENT means the longest period of time We will make payments to You for any one period of disability.

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 EARNINGS means Your gross monthly income from Your Employer as stated in the SCHEDULE OF BENEFITS.

MONTHLY PAYMENT means Your benefit after any Deductible Sources of Income and Disability Earnings have been subtracted from Your Gross Monthly Payment.

OCCUPATIONAL SICKNESS OR INJURY means a Sickness or Injury that was caused by or aggravated by any employment for pay or profit.

PART-TIME BASIS means the ability to work and earn from 20% through 80% of Your Indexed Monthly Earnings. Ability is based on capacity and not market availability.

PAYABLE CLAIM means a claim for which We are liable under the terms of the policy.

POLICYHOLDER means the Employer to whom the policy is issued and who sponsored the coverage for its Employees.

PRE-EXISTING CONDITION means any condition for which You have done any of the following at any time during the 3 months just prior to Your effective date of coverage or is misdiagnosed:

- 1) received medical treatment or consultation;
- 2) taken or were prescribed drugs or medicine; or
- 3) received care or services, including diagnostic measures.

RECURRENT DISABILITY means a disability which is:

- 1) caused by a worsening in Your condition; and
- 2) due to the same cause(s) as Your prior disability for which We made a Monthly Payment.

REGULAR OCCUPATION means the occupation You are routinely performing when Your disability begins. We will look at Your occupation as it is normally performed in the national economy, instead of how the work tasks are performed for a specific employer or at a specific location.

REGULAR OCCUPATION PERIOD is the period of time shown in the SCHEDULE OF BENEFITS that begins after the elimination period.

RETIREMENT PLAN means a defined contribution plan or defined benefit plan. These are plans which provide retirement benefits to Employees and are not funded entirely by Employee contributions. Retirement plan includes but is not limited to any plan which is part of any federal, state, county, municipal or association retirement system.

SALARY CONTINUATION or ACCUMULATED SICK LEAVE means continued payments to You by Your Employer of all or part of Your Monthly Earnings, after You become disabled as defined by the policy. This continued payment must be part of an established plan maintained by Your Employer, and includes Salary Continuation, Accumulated Sick Leave or any similar Employer sponsored paid time off plan.

SICKNESS means illness, disease or physical condition. Disability resulting from the Sickness must begin while You are covered under the policy.

Pregnancy and complications of pregnancy are treated the same as any other sickness under the policy. Complications of pregnancy are defined as concurrent disease or abnormal conditions significantly affecting the usual medical management of pregnancy. A non-elective caesarean section is considered a complication of pregnancy.

SPECIAL CONDITIONS means:

- 1) musculoskeletal and connective tissue disorders of the neck, back and shoulders including any disease or disorder of the cervical, thoracic and lumbosacral back and its surrounding soft tissue including herniated or ruptured discs not requiring surgery, as well as sprains and strains of joints and adjacent muscles, except:
 - a. scoliosis;
 - b. spinal fractures;
 - c. osteopathies;
 - d. traumatic spinal cord necrosis;
 - e. radiculopathies, documented by electromyogram;
 - f. spondylolisthesis, grade II or higher;
 - g. myelopathies and myelitis;
 - h. demyelinating diseases; or
 - i. spinal tumors, malignancy, or vascular malformations.

- 2) chronic fatigue syndrome;
- 3) environmental allergic illness including but not limited to—sick building syndrome and multiple chemical sensitivity;
- 4) carpal tunnel syndrome not requiring surgery;
- 5) fibromyalgia; or
- 6) myofascial pain syndrome.

If You are disabled due to carpal tunnel syndrome or one or more herniated or ruptured disc(s) and the carpal tunnel syndrome or herniated or ruptured disc(s) require that a surgical procedure be performed by a Doctor, then the Maximum Period of Payment will be up to 24 months immediately following the most recent surgical procedure.

VOCATIONAL REHABILITATION PLAN means a written plan that a vocational rehabilitation professional, designated by Us, prepares in accordance with the Vocational Rehabilitation Services provision of the policy.

WAITING PERIOD means the continuous period of time (shown in the SCHEDULE OF BENEFITS) that You must be in Active Employment in an eligible class before You are eligible for coverage under the policy.

WE, US, and OUR means Kansas City Life Insurance Company.

YOU and YOUR means a person who is eligible for coverage under the policy.

LONG TERM DISABILITY BENEFIT INFORMATION

DEFINITION OF DISABILITY

You are considered disabled when We review Your claim and determine that, due to Your Sickness or Injury:

- 1) You are unable to perform all the Material and Substantial Duties of Your Regular Occupation; and
- 2) You have a 20% or more loss in Your Indexed Monthly Earnings.

After the Regular Occupation Period, You are considered disabled when We review Your claim and determine that, due to Your Sickness or Injury, You are unable to perform the duties of any Gainful Occupation for which You are reasonably qualified based on Your training, education and experience.

The loss of a professional or an occupational license or certification does not, in itself, constitute disability.

You must be under the Appropriate Care of a Doctor in order to be considered disabled.

We may require You to be examined by one or more Doctors, other medical practitioners, or vocational experts of Our choice. We will pay for this examination. We can require an examination as often as it is reasonable to do so. We may also require You to be interviewed by Our authorized representative. Your failure to comply with this request may result in denial or termination of benefits.

ACCUMULATION OF ELIMINATION PERIOD

You must be continuously disabled through Your elimination period. Your elimination period is as stated in the SCHEDULE OF BENEFITS and is the period of continuous disability You must satisfy before You are eligible to receive benefits under the policy.

If You return to work while satisfying Your elimination period, You may satisfy Your elimination period within the accumulation period. The accumulation period is as stated in the SCHEDULE OF BENEFITS.

The days that You are not disabled will not count toward Your elimination period.

If You do not satisfy the elimination period within the accumulation period, a new period of disability will begin.

The elimination period and the accumulation period begin on the first day of Your disability.

Benefits for a Payable Claim begin the day after the elimination period is completed.

SATISFYING YOUR ELIMINATION PERIOD IF YOU ARE WORKING

If You are working while You are disabled, the days You are disabled will count toward Your elimination period.

WHEN YOU RECEIVE PAYMENTS

You will begin to receive payments when We approve Your claim, providing the elimination period has been met and You are disabled. We will send You a Monthly Payment at the end of each month for any period for which We are liable.

After the elimination period, if You are disabled for less than 1 month, We will send You 1/30th of Your Monthly Payment for each day of Your disability.

AMOUNT OF PAYMENT

A. IF YOU ARE DISABLED AND NOT WORKING, OR DISABLED AND WORKING AND YOUR DISABILITY EARNINGS ARE LESS THAN 20% OF YOUR INDEXED MONTHLY EARNINGS

We will follow this process to figure Your payment:

- 1) Multiply Your Monthly Earnings by 60.00%.
- 2) The Maximum Benefit is \$2500 per month.
- 3) Compare the answer from Item 1 with the Maximum Benefit. The lesser of these two amounts is Your Gross Monthly Payment.
- 4) Subtract from Your Gross Monthly Payment any Deductible Sources of Income.

The amount figured in Item 4 is Your Monthly Payment.

B. IF YOU ARE DISABLED AND WORKING, AND YOUR DISABILITY EARNINGS ARE AT LEAST 20% BUT LESS THAN OR EQUAL TO 80% OF YOUR INDEXED MONTHLY EARNINGS

The sum of Your Gross Monthly Payment plus Disability Earnings may be less than or equal to, but not more than, 100% of Your Indexed Monthly Earnings. If the sum exceeds 100% of Your Indexed Monthly Earnings, We will reduce Your payment under the policy by the excess amount.

- 1) Multiply Your Monthly Earnings by 60.00%.
- 2) The Maximum Benefit is \$2500 per month.
- 3) Compare the answer from Item 1 with the Maximum Benefit. The lesser of these two amounts is Your Gross Monthly Payment.
- 4) Add Your Disability Earnings to Your Gross Monthly Payment.

If the answer in Item 4 above is less than or equal to 100% of Your Indexed Monthly Earnings, Your Monthly Payment will be Your Gross Monthly Payment minus any Deductible Sources of Income.

If the answer in Item 4 above is greater than 100% of Your Indexed Monthly Earnings, We will follow this process to figure Your Monthly Payment:

- a. Add Your Disability Earnings to Your Gross Monthly Payment.
- b. From the answer in Item a, subtract Your Indexed Monthly Earnings. If the result is zero or less, record Your answer as zero.
- c. From Your Gross Monthly Payment, subtract the answer in Item b and any Deductible Sources of Income.

The amount figured in Item c is Your Monthly Payment.

C. IF YOU ARE DISABLED AND WORKING, AND YOUR DISABILITY EARNINGS ARE MORE THAN 80% OF YOUR INDEXED MONTHLY EARNINGS

If You are working and Your Disability Earnings are more than 80% of Your Indexed Monthly Earnings, no benefit will be payable.

We may require You to send proof of Your monthly Disability Earnings each month. We will adjust Your payment based on Your monthly Disability Earnings.

As part of Your proof of Disability Earnings, We can require that You send Us appropriate financial records that We believe are necessary to substantiate Your income.

After the elimination period, if You are disabled for less than one month, We will send You 1/30th of Your Monthly Payment for each day of disability.

IF YOUR DISABILITY EARNINGS FLUCTUATE

If Your Disability Earnings routinely fluctuate widely from month to month, We may average Your Disability Earnings over the most recent three months to determine if Your claim should continue.

If We average Your Disability Earnings, We will not terminate Your claim unless the average of Your Disability Earnings from the last three months exceeds 80% of Your Indexed Monthly Earnings.

We will not pay You for any month during which Your Disability Earnings exceed the amount allowable under the policy. In no event will benefits be paid beyond the Maximum Period of Payment.

WE WILL NEVER PAY MORE THAN 100% OF MONTHLY EARNINGS

If You are eligible to receive benefits under the policy in addition to the Monthly Payment, the total benefit payable to You on a monthly basis (including all benefits provided under the policy) will not exceed 100% of Your Monthly Earnings. However, if You are participating in a Vocational Rehabilitation Plan, the total benefit payable to You on a monthly basis (including all benefits provided under this certificate) will not exceed 110% of Your Monthly Earnings.

DEDUCTIBLE SOURCES OF INCOME

The following are Deductible Sources of Income:

- 1) The amount that You receive, or are eligible to receive, as disability income payments under any:
 - a. state compulsory benefit Act or Law;

- b. individual disability income plans which are paid for by the Policyholder and purchased on or after the effective date of this certificate;
 - c. military disability benefit plan;
 - d. governmental retirement system as a result of Your job with Your Employer; or
 - e. other group insurance policy.
- 2) The amount You receive as a result of any action brought under Title 46, United States Code Section 688 (The Jones Act).
 - 3) The amount You receive under any Salary Continuation or Accumulated Sick Leave plan.
 - 4) The amount that You:
 - a. receive as disability payments under Your Employer's Retirement Plan;
 - b. voluntarily elect to receive as retirement payments under Your Employer's Retirement Plan; or
 - c. are eligible to receive as retirement payments when You reach the later of age 62 or normal retirement age, as defined in Your Employer's Retirement Plan.

Disability payments under a Retirement Plan will be those benefits which are paid due to disability and do not reduce the retirement benefit which would have been paid if the disability had not occurred.

Retirement payments will be those benefits which are paid based on Your Employer's contribution to the Retirement Plan. Disability benefits which reduce the retirement benefit under the plan will also be considered as a retirement benefit.

Regardless of how the retirement funds from the Retirement Plan are distributed, We will consider the Employer and Employee contributions to be distributed simultaneously throughout Your lifetime.

Amounts received do not include amounts rolled over or transferred to any eligible Retirement Plan. We will use the definition of eligible Retirement Plan as defined in Section 402 of the Internal Revenue Code including any future amendments which affect the definition.

- 5) The amount that You, Your spouse, and Your children receive, or are eligible to receive, as disability payments because of Your disability under:
 - a. the United States Social Security Act;
 - b. the Canada Pension Plan;
 - c. the Quebec Pension Plan; or
 - d. any similar Plan or Act.
- 6) The amount that You receive as retirement payments or the amount Your spouse and Your children receive as retirement payments because You are receiving retirement payments under:
 - a. the United States Social Security Act;
 - b. the Canada Pension Plan;
 - c. the Quebec Pension Plan; or
 - d. any similar Plan or Act.
- 7) The amount You earn or receive from any form of employment.
- 8) The amount You receive from any unemployment compensation Law.
- 9) The amount that You receive, or are eligible to receive, under:
 - a. a workers' compensation Law;
 - b. an occupational disease Law; or
 - c. any other Act or Law with similar intent.

With the exception of retirement payments, We will only subtract Deductible Sources of Income which are payable as a result of the same disability.

We will not reduce Your payment by Your Social Security retirement income if Your disability begins after age 65 and You were already receiving Social Security retirement payments.

IF YOU RECEIVE A COST OF LIVING INCREASE FROM DEDUCTIBLE SOURCES OF INCOME

Other than for increases in any income You earn from any form of employment, once We have subtracted any Deductible Source of Income from Your Gross Monthly Payment, We will not further reduce Your payment due to a cost of living increase from that source.

IF YOU QUALIFY FOR DEDUCTIBLE SOURCES OF INCOME

When We determine that You may qualify for benefits for which You are eligible in the Deductible Sources of Income section, We will estimate Your entitlement to these benefits. We can reduce Your benefit under the policy by the estimated amounts if such benefits:

- 1) have not been awarded or denied; or
- 2) have been denied and the denial is being appealed.

Your Gross Monthly Payment will NOT be reduced by the estimated amount if You:

- 1) apply for the disability payments for which You are eligible in the Deductible Sources of Income section and appeal Your denial to all administrative levels We determine are necessary; and
- 2) sign Our form. This form states that You promise to pay Us any overpayment caused by an award and We shall be entitled to impose a constructive trust on any such award.

If Your Gross Monthly Payment has been reduced by an estimated amount, Your Gross Monthly Payment will be adjusted when We receive proof:

- 1) of the amount awarded; or
- 2) that benefits have been denied and all appeals We determine are necessary have been completed. In this case, a lump sum refund of the estimated amount will be made to You.

If You receive a lump sum payment from any Deductible Source of Income, the lump sum will be pro-rated on a monthly basis over the time period for which the sum was given. If no time period is stated, the sum will be pro-rated on a monthly basis from the date of the award over Your expected lifetime as determined by Us.

NON-DEDUCTIBLE SOURCES OF INCOME

We will not subtract from Your Gross Monthly Payment income You receive from, the following:

- 1) 401(k) plans;
- 2) profit sharing plans;
- 3) thrift plans;
- 4) tax-sheltered annuities;
- 5) stock ownership plans;
- 6) credit disability insurance;
- 7) non-qualified plans of deferred compensation;
- 8) pension plans for partners;
- 9) military pension plans;
- 10) franchise disability income plans;
- 11) individual disability plans paid for by the Insured Person;
- 12) a retirement plan from another employer;
- 13) individual retirement accounts (IRA).

MINIMUM PAYMENT

The minimum payment each month for a Payable Claim is \$100.

We may apply this amount to recover an outstanding overpayment.

DURATION OF PAYMENTS

We will send You a payment each month up to the Maximum Period of Payment. Your Maximum Period of Payment is stated in the SCHEDULE OF BENEFITS will be paid during a continuous period of disability, and will be based on Your age at disability.

WHEN PAYMENTS END

We will stop sending You payments and Your claim will end on the earliest of the following:

- 1) the end of the Maximum Period of Payment;
- 2) the date You are no longer disabled under the terms of the policy;
- 3) the date You fail to submit proof of continuing disability;
- 4) the date You die;
- 5) during the Regular Occupation Period when You are able to return to work in Your Regular Occupation on a Part-Time Basis but You do not;
- 6) after the Regular Occupation Period, when You are able to work in any Gainful Occupation on a Part-Time Basis but You do not;
- 7) the date Your Disability Earnings exceed 80% of Your Indexed Monthly Earnings; or
- 8) after 12 months of payments if You are considered to reside outside the United States or Canada. You will be considered to reside outside these countries when You have been outside the United States or Canada for a total period of 6 months or more during any 12 consecutive months of benefits.

We will not pay a benefit for any period of disability during which You are incarcerated.

DISABILITIES NOT COVERED UNDER THE POLICY

The policy does not cover any disabilities caused by, contributed to by, or resulting from Your:

- 1) loss of professional license, occupational license, or certification;
- 2) participation in a felony;
- 3) intentionally self-inflicted injuries;
- 4) attempted suicide, regardless of mental capacity;
- 5) participation in a war, declared or undeclared, or any act of war;
- 6) active military duty;
- 7) active participation in a riot;
- 8) engaging in any illegal or fraudulent occupation, work, or employment;
- 9) commission of a crime for which You have been convicted;
- 10) elective surgery except when required for Your Appropriate Care as a result of Your Injury or Sickness; or
- 11) traveling or flying on any aircraft operated by or under authority of military or any aircraft being used for experimental purposes.

PRE-EXISTING CONDITION LIMITATION

Benefits will not be paid if Your disability begins in the first 12 months following the effective date of Your coverage and Your disability is caused by, contributed to by, or the result of a condition, whether or not that condition is diagnosed at all or is misdiagnosed, for which You received medical treatment, consultation, care or services, including diagnostic measures, or took or were prescribed drugs or medicines in the 3 months just prior to Your effective date of coverage.

If there is an increase in the Maximum Benefit after the Policy Effective Date, this PRE-EXISTING CONDITION LIMITATION provision will apply to the amount of the increase in the Maximum Benefit, as of the effective date of the increase.

MENTAL ILLNESS, ALCOHOLISM OR DRUG ABUSE LIMITATION

The lifetime cumulative Maximum Period of Payment for all disabilities due to Mental Illness, alcoholism or drug abuse is 24 months. Only 24 months of benefits will be paid for any combination of such disabilities even if the disabilities:

- 1) are not continuous; and/or
- 2) are not related.

We will continue to send You payments beyond the 24-month period if You meet one or both of these conditions:

- 1) If You are confined to a Hospital, Health Facility or Institution at the end of the 24-month period, We will continue to send You payment(s) during Your confinement.

If You are still disabled when You are discharged, We will send You payment(s) for a recovery period of up to 90 days.

If You become reconfined at any time during the recovery period and remain confined for at least 14 days in a row, We will send payment(s) during that additional confinement and for one additional recovery period up to 90 more days.

- 2) In addition to Item 1, if You continue to be disabled after the 24-month period, and subsequently become confined to a Hospital, Health Facility or Institution for at least 14 days in a row, We will send payment(s) during the length of the reconfinement.

We will not make payments beyond the limited pay period as indicated above, or the Maximum Period of Payment, whichever occurs first.

We will not apply the Mental Illness limitation to a disability due to dementia if it is a result of:

- 1) stroke;
- 2) trauma;
- 3) viral infection; or
- 4) Alzheimer's disease.

SPECIAL CONDITIONS LIMITATION

The lifetime cumulative Maximum Period of Payment for all disabilities due to Special Conditions is 24 months. Only 24 months of benefits will be paid for any combination of such disabilities even if the disabilities:

- 1) are not continuous; and/or
- 2) are not related.

We will continue to send You payments beyond the 24-month period if You meet one or both of these conditions:

If You are confined to a Hospital, Health Facility or Institution at the end of the 24-month period, We will continue to send You payment(s) during Your confinement.

If You are still disabled when You are discharged, We will send You payment(s) for a recovery period of up to 90 days.

If You become reconfined at any time during the recovery period and remain confined for at least 14 days in a row, We will send payment(s) during that additional confinement and for one additional recovery period up to 90 more days.

In addition to Item 1, if You continue to be disabled after the 24-month period, and subsequently become confined to a Hospital, Health Facility or Institution for at least 14 days in a row, We will send payment(s) during the length of the reconfinement.

We will not make payments beyond the limited pay period as indicated above, or the Maximum Period of Payment, whichever occurs first.

RECURRENT DISABILITY

If You have a Recurrent Disability, and after Your prior disability ended, You returned to work for Your Employer for 6 months or less, We will treat Your disability as part of Your prior claim and You do not have to complete another elimination period.

Your Monthly Payment will be based on Your Monthly Earnings as of the date of Your initial claim.

Your disability, as outlined above, will be subject to the same terms of this certificate as Your prior claim.

Your disability will be treated as a new claim if Your current disability:

- 1) is unrelated to Your prior disability; or
- 2) after Your prior disability ended, You returned to work for Your Employer for more than 6 consecutive months.

The new claim will be subject to all of the provisions of the policy and You will be required to satisfy a new elimination period.

If Our policy terminates and You become eligible for payments under any other group disability plan that replaces Our policy, You will not be eligible for payments under Our policy.

BENEFITS IF YOU DIE - SURVIVOR BENEFIT

When We receive proof that You have died, We will pay Your Eligible Survivor a lump sum benefit equal to 3 times Your last Monthly Payment if, on the date of Your death:

- 1) Your disability had continued for 180 or more consecutive days; and
- 2) You were receiving or were eligible to receive payments under the policy.

If You have no Eligible Survivors, payment will be made to Your estate unless there is none. In this case, no payment will be made.

However, We will first apply the Survivor Benefit to recover any overpayment that may exist on Your claim.

IF YOU ARE NOT IN ACTIVE EMPLOYMENT WHEN YOUR EMPLOYER REPLACES INSURANCE COVERAGE WITH OUR POLICY (Continuity of Coverage)

If You are not in Active Employment due to Injury, Sickness or Leave of Absence on the date Your Employer changes insurance carriers to Our policy, and You were covered under the prior policy at the time Your Employer's coverage under Our policy became effective, We will provide continuity of coverage under Our policy. In order for this provision to apply, the prior policy's coverage must be similar to Our policy.

If You are not in Active Employment due to Injury, Sickness or Leave of Absence on the effective date of Our policy, and You would otherwise be eligible to become insured under Our policy, We will provide limited coverage under Our policy. Coverage under this provision will begin on Our policy effective date and will continue until the earliest of:

- 1) the date You return to Active Employment; or
- 2) the end of any period of continuance or extension provided under the prior policy; or
- 3) the date coverage would otherwise end, according to the provisions of Our policy.

Your coverage under this provision is subject to payment of premium.

Any benefits payable under this provision will be paid as if the prior policy had remained in force. We will reduce Your payment by any amount for which the prior carrier is liable.

If coverage ends under this provision, or if You were not covered under Your Employer's prior policy on the date that policy terminated, the WHEN COVERAGE BEGINS provision under Our policy will apply.

IF YOU HAVE A DISABILITY DUE TO A PRE-EXISTING CONDITION AFTER YOUR EMPLOYER REPLACES INSURANCE COVERAGE WITH OUR POLICY (Continuity of Coverage)

We may send a payment if Your disability is caused by, contributed to by, or results from a Pre-Existing Condition if:

- 1) You were insured by the prior policy at the time Your Employer changed insurance carriers to Our policy; and

- 2) You have been continuously covered under Our policy from the effective date of Your Employer's policy through the date Your disability began.

In order to receive a payment, You must satisfy the Pre-Existing Condition provision under:

- 1) Our policy; or
- 2) the prior policy, if benefits would have been paid had that policy remained in force.

If You satisfy the Pre-Existing Condition provision of Our policy, We will determine Your payments according to Our policy's provisions.

If You do not satisfy the Pre-Existing Condition provision of this certificate, but You do satisfy the prior policy's Pre-Existing Condition provision:

- 1) Your Monthly Payment will be the lesser of:
 - a. the Monthly Payment that would have been payable under the terms of the prior policy if it had remained in force; or
 - b. the Monthly Payment under Our policy; and
- 2) benefits will end on the earlier of:
 - a. the date benefits end under Our policy, as described under the DURATION OF PAYMENTS provision; or
 - b. the date benefits would have ended under the prior policy if it had remained in force.

If You do not satisfy either Our policy's or the prior policy's Pre-Existing Condition provision, We will not make any payments.

We will require proof that You were insured under the prior policy.

All other provisions of Our policy will apply.

VOCATIONAL REHABILITATION SERVICES

We have vocational rehabilitation services available to assist You in returning to work to the extent of Your ability. We will review Your disability claim to determine whether You are eligible for these services, at Our sole discretion. In order to be eligible for vocational rehabilitation services and benefits, You must be medically able to participate in a return to work plan.

Your claim file will be reviewed by a vocational rehabilitation professional to determine if rehabilitation services might help You return to gainful employment. As Your file is reviewed, medical and vocational information will be analyzed to determine an appropriate return to work plan.

We will make the final determination of Your eligibility for these services.

If We determine that vocational rehabilitation services are appropriate, We will provide You with a written Vocational Rehabilitation Plan developed specifically for You.

The Vocational Rehabilitation Plan may include at Our sole discretion, but is not limited to, the following services:

- 1) coordination with Your Employer to assist You to return to work;
- 1) evaluation of adaptive equipment or job accommodations to allow You to work;
- 1) evaluation of possible workplace modifications which might allow You to return to work in Your Regular Occupation or another job or occupation;
- 1) vocational evaluation to determine how Your disability may impact Your employment options;
- 1) job placement services, including resume preparation services and training in job-seeking skills;
- 1) alternative treatment plans such as recommendations for support groups, physical therapy, occupational therapy, or other treatment designed to enhance Your ability to work.

VOCATIONAL REHABILITATION BENEFIT

If You are receiving Monthly Payments under the policy, and You are participating in a Vocational Rehabilitation Plan, You may be eligible for an additional Vocational Rehabilitation Benefit. We will pay an additional benefit of 5% of Your Gross Monthly Payment to a maximum of \$500 per month.

This benefit is not subject to policy provisions which would otherwise increase or reduce the benefit amount such as Deductible Sources of Income. However, the Total Benefit Cap will apply.

WHEN VOCATIONAL REHABILITATION BENEFITS END

Vocational Rehabilitation Benefits will end on the earliest of the following dates:

- 1) the date We determine that You are no longer eligible to participate in a Vocational Rehabilitation Plan;
- 2) the date You are no longer participating in a Vocational Rehabilitation Plan; or
- 3) any other date on which Monthly Payments would stop in accordance with the policy.

WORKPLACE MODIFICATION BENEFIT

If You are disabled and are receiving a payment from Us, an additional Workplace Modification Benefit may be payable to Your Employer for Your benefit. We may reimburse Your Employer for up to 100% of the reasonable costs Your Employer incurs through modifications to the workplace to accommodate Your return to work, and to assist You in remaining at work.

The amount We may pay will not exceed the lesser of:

- 1) 2 times Your last Monthly Payment; or
- 2) \$2000.

To qualify for this reimbursement, You must:

- 1) be disabled according to the terms of the policy; and
- 2) have the reasonable expectation of returning to Active Employment and remaining in Active Employment with the assistance of the proposed workplace modification.

Your Employer must give Us a written proposal of the proposed workplace modification. This proposal must include:

- 1) input from the Employer, You and Your Doctor;
- 2) the purpose of the proposed workplace modification;
- 3) the expected completion date of the workplace modification; and
- 4) the cost of the workplace modification.

We will reimburse the costs of the workplace modification when We:

- 1) approve the proposal in writing;
- 2) receive proof from Your Employer that the workplace modification is complete; and
- 3) receive proof of the costs incurred by Your Employer for the workplace modification.

This benefit is available on a one time basis.

LONG TERM DISABILITY CLAIM INFORMATION

NOTICE OF CLAIM

We encourage You to notify Us of Your claim as soon as possible so that a claim decision can be made in a timely manner. Written notice of a claim should be given to Us within 30 days after the date Your disability begins. The notice may be given to Us at Our home office or to Our authorized agent. Failure to give notice within this timeframe shall not invalidate or reduce any Payable Claim if it can be shown that it was not reasonably possible to give such notice within that time and the notice was given as soon as reasonably possible.

The claim form is available from the Policyholder, or You can request a claim form from Us. If You do not receive the form from Us within 15 days of Your request, send Us written proof of claim without waiting for the form.

You must notify Us immediately when You return to work in any capacity.

FILING A CLAIM

You and Your Employer must fill out Your own sections of the claim form and then give it to Your attending Doctor. Your Doctor should fill out his or her section of the form and send it directly to Us.

PROOF OF YOUR CLAIM

You must send Us written proof of Your claim no later than 180 days after Your elimination period. Failure to give such proof within this timeframe shall not invalidate or reduce any Payable Claim if it was not reasonably possible to give such proof within that time, and the proof was given as soon as reasonably possible. You must provide proof of claim no later than one year after the time proof is otherwise required, except in the absence of legal capacity.

Your proof of claim, provided at Your expense, must show:

- 1) that You are under the Appropriate Care of a Doctor;
- 2) the date Your disability began;
- 3) the cause of Your disability;
- 4) the appropriate documentation of Your earnings and Your activities;
- 5) the extent of Your disability, including restrictions and limitations preventing You from performing Your Regular Occupation;
- 6) the name and address of any Hospital, Health Facility or Institution where You received treatment, including all attending Doctors; and
- 7) documentation of prior disability coverage, if applicable.

In some cases, You will be required to give Us authorization to obtain additional medical information, and to provide non-medical information as part of Your proof of claim, or proof of continuing disability. We will deny Your claim, or stop sending You payments, if the appropriate information is not submitted within 45 days of the request.

You or Your Employer must notify Us immediately when You return to work in any capacity.

MAKING PAYMENTS

Once Your claim has been approved, We will send You a payment at the end of each month for any period for which We are liable.

OVERPAID CLAIMS

We have the right to recover any overpayments due to:

- 1) fraud;
- 2) any administrative error We make in processing a claim; or
- 3) Your receipt of Deductible Sources of Income.

You must reimburse Us in full. We will determine the method by which the repayment is to be made.

We will not recover more money than the amount We paid You. However, We reserve the right to recover any prior or current overpayment from any past, current or new payable disability claim under the policy.