

Notices and Limitations for Group Life and Disability Insurance Products

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Eligibility for Coverage ¹:

An eligible Employee is a full-time Employee legally authorized to work and reside in the United States. Eligible Employees cannot be considered a part-time, temporary or seasonal Employee. If any eligible Employee is not Actively at Work on the contract Effective Date, group insurance coverage for that Employee will not exist until he/she returns to full-time active work. After the initial enrollment period, an Employee may apply for coverage under another available AUL coverage option during an AUL approved scheduled enrollment period. However, any amount of coverage requested will then require satisfactory Evidence of Insurability prior to approval.

(The Following Paragraph Applies to Life Coverages Only.)

Any coverage for a spouse or children cannot become effective before the Employee's coverage is approved. If a spouse or child is confined in a medical facility, rehabilitation center, convalescent care facility, nursing home, or correctional facility on the date an Employee's coverage is approved, that Dependent coverage will not become effective until the spouse or child is released from such confinement and pursuant to the contract provisions. Before coverage for any incapacitated Dependent child older than the normal termination age can be considered, the Employee must apply in writing to AUL before or on the Employee's Effective Date of Coverage.

Community Property Notice:

The laws of some community property states may not allow an Employee to name a beneficiary other than his/her spouse without the spouse's written consent. Community properties currently include Arizona, California, Idaho, New Mexico, Texas, Washington, and Wisconsin. If AUL has not previously received written notice of a community property interest, then AUL shall be entitled to rely upon its good faith that no such interest exists. AUL assumes no responsibility of inquiry regarding such interest and, in consideration of acknowledgement of this designation, in insured person for himself/herself and his/her estate, heirs, successors and assigns, agrees to indemnify AUL and hold it harmless from the consequences of acknowledging this beneficiary designation.

Effective Date and Claims Payment Notice:

No insurance coverage shall exist or become effective until approved in writing by American United Life Insurance Company® (AUL) at its Indianapolis, Indiana home office. Coverage continues while required premiums are paid and the Employer receives coverage under the AUL group contract. Premium rates do increase upon reaching certain age brackets, according to contract terms, and are subject to change. AUL shall not be liable or responsible for any loss incurred prior to the effective date of coverage for any insured. Any benefit payable under the contract is based on a percentage of an Employee's covered earnings subject to AUL's approval, contract maximums, contract reductions, and according to contract terms and conditions.

Arbitration Notice, if Applicable²:

Coverage under the group insurance contract for which you have applied may include a binding or nonbinding arbitration agreement. The arbitration agreement requires that any disagreement related to this contract must first be resolved by arbitration and not in a court of law. The results of the arbitration can be final and binding on you and the insurance company. In an arbitration, an arbitrator, who is an independent, neutral party, gives a decision after hearing the positions of the parties. When you accept coverage under this insurance contract you agree to first resolve any disagreement related to the contract by arbitration instead of a trial in court including a trial by jury (note that some states may not allow mandatory arbitration). Arbitration takes the place of resolving disputes by a judge and jury and the decision of the arbitrator often cannot be reviewed in court by a judge and jury.

Religious Freedom Protection and Civil Union Act ("The Act"):

Illinois has passed the Religious Freedom Protection & Civil Union Act ("Act") which became effective June 1, 2011 and creates a legal relationship between two persons of the same or opposite sex who form a civil union. Insureds should be aware AUL's group insurance policy complies with the Act and provides parties to a civil union and a marriage identical benefits and protection as required by the Act. AUL's administration of group insurance coverage will be in compliance with the Act. Additional information regarding the Act can be reviewed in the IL DOI Civil Union & Insurance Benefits materials dated May 2011 and accessible at <http://insurance.illinois.gov/>

Civil Union Notice (Delaware):

In Delaware, all policies applied for comply with all state laws in connection with coverage to parties of a civil union and their dependent children.

Fraud Notice: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance may be guilty of a crime and may be subject to fines or confinement in prison. In Alabama, any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or who knowingly presents false information in an application for insurance is guilty of a crime and may be subject to restitution fines or confinement in prison, or any combination thereof. In Colorado, it is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance, and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado division of insurance within the department of regulatory agencies. In the District of Columbia, it is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant. In Florida, any person who knowingly and with intent to injure, defraud, or deceive any insurer files a statement of claim or an application containing any false, incomplete, or misleading information is guilty of a felony of the third degree. In Kentucky, any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime. In Louisiana and Pennsylvania, any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim contacting any materially false information or conceals

with the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties. In Maine, any person who knowingly provides false, incomplete or misleading information to an insurance company for the purpose of defrauding the company commits a crime. Penalties may include imprisonment, fines or denial of insurance benefits. In Maryland, any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison. In New Jersey, any person who includes any false or misleading information on any application for an insurance policy is subject to criminal and civil penalties. In New Mexico, any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to civil fines and criminal penalties. In Ohio, any person who, with intent to defraud or knowingly that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud. In Rhode Island, any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and containment in prison. In Tennessee, Virginia and Washington, it is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

Required Notices Regarding Certain Contract Limitations³ and Exclusions⁴

Life Limitation/Exclusions:

Suicide Limitation, if Applicable, Except for Washington Residents:

If any insured approved for coverage, commits suicide, while sane or insane:⁵ 1) within two years⁶ from the effective date of this policy, the benefits payable will be limited to the premiums paid; or 2) two or more years after the effective date of this policy, but within two years of the effective date of an increase in the amount of coverage previously obtained, the benefits payable will be limited to the coverage obtained prior to the effective date of the increase, if any, plus the premiums paid for the increased coverage.

Accelerated Life Benefit, if applicable⁷

Certain insured individuals diagnosed with a terminal condition may be eligible to request payment of an Accelerated Life Benefit under the group life insurance contract. A terminal condition is an injury or sickness that despite appropriate medical care is reasonably expected to result in the Person's death within a specified time frame following the date of the Accelerated Life Benefit payment, as determined by AUL. After payment of Accelerated Life Benefits, the amount of the Person's life insurance payable at death to the Person's beneficiary will equal the amount of the Person's life insurance if no Accelerated Life Benefit payment had been made minus the amount of the Accelerated Life Benefit payment minus an interest charge.

The Accelerated Life Benefit offered under the contract may or may not qualify for favorable tax treatment under the Internal Revenue Code of 1986. Whether such benefits qualify depends on factors such as the Person's life expectancy at the time benefits are accelerated or whether the Person uses the benefits to pay for necessary long-term care expenses, such as nursing home care. If the Accelerated Life Benefits qualify for favorable tax treatment, the benefits will be excludable from the Person's income and not subject to federal taxation. Tax laws relating to Accelerated Life Benefits are complex. The Person is advised to consult with a qualified tax advisor about circumstances under which he/she could receive Accelerated Life Benefits excludable from income under federal law.

Receipt of Accelerated Life Benefits may affect a Person's, his/her spouse's, or his/her family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. The Person is advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect a Person's, his/her spouse's, or his/her family's eligibility for public assistance.

Disability Limitations/Exclusions:

Pre-existing Condition Limitation:

Certain disabilities are not covered if the cause of the disability is traceable to a condition existing prior to the insured's effective date of coverage. A pre-existing condition is any condition for which a person has done any of the following at any time, during the period of time stated in the contract, whether or not that condition is diagnosed at all or is misdiagnosed during that period of time: a) received medical treatment or consultation; b) taken or was prescribed drugs or medicine; or c) received care or services, including diagnostic measures. Insureds must also be treatment-free for a time-frame specified in some contracts following the individual effective date of coverage.

Other Income Benefits: The benefits under the group disability insurance contract are subject to reduction due to other sources of income. Types of other sources of income that may result in a reduction of the benefits payable under the contract include but are not limited to: any amount received under any Worker's or Workmen's Compensation Law, any amount received under any Occupational Disease Law, any disability income benefits received under any Compulsory Benefit Act or Law, any disability income benefits received under any other group insurance plan of the employer, any disability or retirement benefits received under the employer's retirement plan, any amount of disability or retirement benefits received under the United States Social Security Act, any amount of disability or retirement benefits received under the Railroad Retirement Act, any earnings received from the employer after the contract's elimination period has been completed, any amounts received under the employer's salary continuance plan and/or sick-leave plan, and any earnings received from any other occupation or employment while disabled and entitled to benefits under the contract.

¹ Any coverage offered by AUL prior to and after the Effective Date of coverage is contingent upon information and documents received by AUL being accurate and reliable.

² Contracts covering insureds residing in KS, LA, MO, MT, NE, OK, and SD do not have arbitration provisions. Contracts covering insureds in AR, CA, CT, FL, ME, NJ, NM, VA, WA, WV, AND WY do not have binding arbitration provisions. Contracts covering insureds residing in KY and NH do not allow any type of arbitration in Life Insurance and Annuity contracts. Contracts in TX do not include an arbitration provision.

³ Limitations may vary by state.

⁴ The policy has exclusions, limitations, reduction of benefits, and terms under which the policy may be continued in force or discontinued. The policy may contain a waiting or elimination period between the effective date of the policy and the effective date of coverage, and a time period between the date a loss occurs and the date benefits begin to be payable for the loss.

⁵ In Colorado suicide/attempted suicide while insane does not apply.

⁶ 1 year for insureds residing in Colorado and North Dakota; 1 year suicide for insureds in Missouri may apply.