

Flexible Spending Account Information Packet

Dear Participant:

Thank you for electing to participate in the flexible spending portion of the Section 125 Plan being sponsored by your employer. The amounts you have elected to be set aside for your Health Flexible Spending Account (Health FSA) and/or your Dependent Day Care Flexible Spending Account (Dependent Day Care FSA) will be in force for the next plan year.

Although Section 125 Plan regulations permit a benefit election change in the event of a change in status, your employer's plan may not permit election changes to the Health FSA, except for termination of employment by an employee. For special rules affecting your plan, please contact your employer. Election changes for valid status changes and other qualified events are permitted for the Dependent Day Care FSA. Only claims incurred while you are contributing to the account(s) will be eligible for reimbursement.

The following sections are included in this booklet:

- How Flexible Spending Accounts work
- How to file a claim
- Checking balance or claim status
- Q&A
- Information about direct deposit
- Privacy notice

For reimbursement forms and information, visit our web site at americanfidelity.com. You can also review the status of your account online! Just sign up for an account activation code to obtain secured access to your personal account, including balance and claim information. More detailed information on registering for an online account is included in this guide.

We look forward to assisting you with your Flexible Spending Account.

Sincerely,

American Fidelity's Section 125 Plan and Flex Administration

HOW FLEXIBLE SPENDING ACCOUNTS WORK

Flexible Spending Accounts (FSAs) allow you to direct a part of your pay, on a pre-tax basis, into special accounts that can be used throughout the year to reimburse yourself for certain out-of-pocket medical expenses and/or dependent care expenses. Because the money goes into your reimbursement accounts before federal and state income taxes are withheld, you pay less in taxes, and ultimately have more disposable income. There are two accounts: a Health FSA and a Dependent Day Care FSA.

Health Flexible Spending Accounts

Your Health FSA may be used to reimburse eligible medical expenses incurred for yourself, your spouse, and your eligible dependents (minus amounts covered by insurance) up to the maximum benefit amount you elected for the year. Your employer establishes the plan's maximum for each plan year.

You may only be reimbursed for expenses incurred for services rendered during the plan year, not for services rendered in a different plan year but paid in the current plan year. If you are a new employee entering the plan during a plan year, services must be rendered after you are eligible to participate in the plan. Participants are allowed a 90-day run-off period after the plan year ends in which to submit claims that occurred during the plan year but were not yet submitted (*your run-off period may vary; contact your employer for specific provisions offered under your employer's plan*).

Some employers may elect to offer the grace period for the Health FSA. The grace period allows an additional 70 days following the end of your plan year in which you may incur claims and be reimbursed from amounts elected for the prior plan year. Basically, you may have an additional period of time to "use it" before you "lose it."

Here are some important facts to understand about the grace period:

- If you are participating in the Health FSA and an active employee on the last day of the plan year or have elected COBRA for your Health FSA if you have terminated employment, you are entitled to the grace period.
- The grace period applies only to the Health FSA, not to Dependent Day Care FSA.
- You can incur expenses for an additional 70 days following the end of your plan year and get reimbursed for eligible items.
- If you have a balance left in your account from the previous year, the claim will be paid from that balance first.
- If there is not balance left from the previous year, and if you have elected to participate in the Health FSA during the new plan year, the claim will be paid from your new plan year's account, assuming a balance is available.
- If the claim is larger than the balance remaining in your account for the previous plan year, the claim will be paid first from your previous plan year's account, and the remainder will be paid from the new plan year's account, assuming a balance is available.

The 90-day run-off period will run concurrently with the grace period. Any balance not used for reimbursement at the end of the 90-day run-off period will be subject to the "use-or-lose" rule. Check with your employer to ascertain if the grace period has been elected for your Health FSA.

A different option that may be offered under your employer's plan is the carryover provision. The carryover provision allows you to carry over up to a \$500 balance from the previous plan year into the next plan year. The carryover can be used for eligible expenses incurred during the new plan year. Contact your employer for specific provisions offered under your employer's plan.

WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT?

In order to determine what expenses are eligible for reimbursement under your Dependent Day Care FSA or Health FSA, please visit our web site, americanfidelity.com, to review a list of reimbursable items. You can access the list by selecting the **For Individuals** then, **Flexible Spending Accounts** link on the left navigation bar, then the **Eligible Expenses** link under either plan option.

Orthodontia Reimbursements:

For orthodontia expenses paid up front before services are provided, the contract stating the full charge, the date of treatment, and the estimated length of treatment with a receipt showing payment has been made is required to be submitted with the reimbursement voucher.

Capital Expenses:

Your employer's Health FSA plan document does not permit reimbursement of capital expenses. Examples of capital expenses include swimming pools, hot tubs, Jacuzzi tubs, exercise equipment, removal of lead-based paint, air conditioners, air purifiers, mattresses, pillows, vacuums, water filters, automobile modifications for physically handicapped individuals, home improvements such as exit ramps, widening doorways, etc. to accommodate physically handicapped individuals.

DISCLAIMER

As a general rule, employees pay no FICA, federal, or state income taxes on employer or employee Health FSA contributions. However, some state tax rules do not allow the tax-free treatment that applies under federal law and, therefore, Health FSA benefits may need to be included in your income for state tax purposes. For more information, consult your tax advisor.

HEALTH FSA CARDS (if applicable)

If your employer has chosen to offer the Health FSA card in conjunction with your Health FSA, you may elect the card each year at enrollment. The Health FSA card allows you to pay for an eligible expense with your available Health FSA balance at the point of sale or service. Things to know about the card:

- The card may be used at medical offices, dental and vision offices, or merchants who utilize the Inventory Information Approval System (IIAS).
- If you swipe your card for an eligible expense, the transaction will be approved and the merchant/provider is paid. *(The transaction will be declined if your card is not in 'active' status.)*
- **Keep your receipts!** Even though the transaction is approved at the merchant/provider, the IRS guidelines require the expense to be adjudicated. The expense must be verified, just like a reimbursement claim for a Health FSA expense would be verified, including the date of the expense, the type of expense, the service recipient and the amount. If the documentation is needed to verify the expense, you will receive a letter requesting it within a few days of the transaction. While we may know you used your card at a doctor's office, we are required to verify it was for an expense incurred for a plan participant, during the current plan year and the type of service provided qualifies as an eligible expense. *(For swipes at a dental office, we have to verify the expense is not cosmetic. Or, for a swipe at a vision office, we have to verify the glasses are prescription.)*
- Take advantage of our mobile app, AFmobile®, and take a quick picture of your receipt, in case you receive a letter requesting the documentation.
- Make sure to submit the documentation timely in order to keep your card active. You will receive three notices for a swipe before your card is inactivated.
- Cards are valid for three years. If you choose not to use your card one year, do not destroy it. If you decide to use it the next plan year, your new election amount will be loaded to your existing card and be ready for use on the first day of the plan year. *(You must elect the card each year so we know to load your card for you.)*

WHAT IS AUTO-ADJUDICATION?

Auto-adjudication occurs for certain card swipes as permitted by the Treasury Regulations, therefore, requiring no additional documentation to be submitted by you. There are three instances of permissible auto-adjudication: copayments, recurring expenses, and IIAS transactions.

- If you have a recurring expense, submit the documentation with the first documentation request letter and indicate recurring. Your account will be noted for the current plan year. A swipe at the same location for the same amount and service will be auto-adjudicated, and you will not be requested to submit documentation.
- If your employer has submitted dollar amount copayments for your medical plan, card transactions for a copayment will be auto-adjudicated. You will not receive a letter requesting the documentation. Copayments are good for one year only. Employers must provide them annually.
- If you visit a merchant who utilizes the IIAS, the expense is already identified as "eligible" by the IIAS software, and the date of the purchase is provided. Therefore, the swipe is auto-adjudicated, and you will not be requested to submit documentation.

WHO IS A QUALIFYING INDIVIDUAL FOR HEALTH FSA PURPOSES?

A qualifying individual is defined under Code § 21(b)(1), as follows:

A “Qualifying Child” is:

- A child (including natural, adopted, foster and/or step child) and descendent of such person (i.e., grand and great grandchildren), or a brother or sister (including step) and a descendent of such person (i.e., nieces or nephews, including stepnieces and nephews); and,
- Has the same principal abode as the employee for more than half the year;
- Is under the age of 19 at the end of the year, or, if a full-time student, under age 24 at the end of the year, or is permanently disabled; and,
- Does not provide more than half of his or her own support.

An “Adult Child” (as amended in Code Section 105 to be included as a dependent with respect to benefits provided after March 30, 2010) is:

- A child (including natural, adopted, foster and/or step child) of an employee who as of the end of the calendar year has not attained age 27. Only eligible as a dependent with respect to benefits provided after March 30, 2010.

A “Qualifying Relative” is:

- A child (including natural, adopted, foster and/or step child) and descendent of such person (i.e., grand and great grandchildren), or a brother or sister (including step siblings), parent or ancestor, step parent (not including ancestors), aunt or uncle, niece or nephew, in-laws, or any other individual not listed above (i.e., a non-relative) who, for the taxable year (1) has the same principal place of abode as taxpayer, and (2) is a member of taxpayer’s household, and,
- Receives more than half of his or her support from the employee; and,
- Is not a “Qualifying Child” of any taxpayer.

DEPENDENT DAY CARE FSA

Your Dependent Day Care FSA account may be used to reimburse yourself for eligible day care expenses incurred because you (and your spouse, if applicable) work (or are looking for work, or are a full-time student) and your child needs custodial care while you work. If one parent is not working or looking for work, dependent care reimbursements are not an option. Work may include actively looking for work, yet unpaid volunteer work or volunteer work for a nominal salary does not qualify. Expenses for food, clothing, and education are not considered to be expenses paid for the care of a qualifying individual. You may allocate up to \$5,000 per tax year for reimbursement of dependent care services (or \$2,500 if you are married and file a separate return).

The Dependent Day Care FSA expense reimbursements will be for the expenses you claimed up to the amount you have in your account. If the claim is in excess of your account balance, the balance of the amount due will be forwarded to you as additional payments are received.

Student Spouse/Disabled Spouse:

In certain circumstances, your spouse is considered to be employed if:

- For any month, he or she is a full-time student, or;
- He or she is mentally or physically incapable of self-care, and has the same principal place of abode as the taxpayer for more than half of the year.

In these circumstances, your spouse will be considered to have an earned income of \$250 a month if there is one qualifying dependent in your home, or \$500 a month if there are two or more qualifying dependents in your home.

A full-time student is one who is enrolled at a school during each of five calendar months of the year, not necessarily consecutive, for the number of hours considered to be a full-time course of study.

WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT?

In order to determine what expenses are eligible for reimbursement under your Dependent Day Care FSA, please visit American Fidelity's web site, americanfidelity.com, to review a list of reimbursable items. You can access the list by selecting the **For Individuals**, then, **Flexible Spending Accounts** link on the left navigation bar, then the **Eligible Expenses** link under Dependent Day Care Accounts.

WHO IS A QUALIFYING DEPENDENT FOR DEPENDENT DAY CARE FSA PLANS?

For Dependent Day Care FSA plans, the services must be incurred for a "qualifying individual." A qualifying individual is defined under Code § 21(b)(1), as follows:

- A dependent of the taxpayer as defined in Section 152(a)(1), (i.e., qualifying child) who has not reached the age of 13 and has the same principal place of abode for more than one-half of the year.
- A dependent of the taxpayer (qualifying child or qualifying relative) who is physically or mentally incapable of self-care and who has the same principal place of abode as the taxpayer for more than one-half of the year. The individual must regularly spend at least eight hours per day in the employee's household.
- A spouse who is physically or mentally incapable of self-care and who has the same principal place of abode as the taxpayer for more than one-half of the year. The individual must regularly spend at least eight hours per day in the employee's household.

When determining whether a person who is incapable of self-care is a qualifying individual, status as a dependent is determined without regard to the income test for being a qualifying relative.

A special rule for parents who are divorced or separated provides that a child is a qualifying individual with respect to the custodial parent, the parent having custody for the greater portion of the calendar year.

Payments to Relatives:

Day care providers typically include babysitters, family day care, child care centers, home care, custodial care, or other types of child care such as after-school programs, church programs or programs offered by other tax-exempt entities. If the day care provider is a relative, expenses will not be considered to be eligible for reimbursement if the relative is (1) claimed as a dependent for federal income tax purposes, or; (2) your child, who is not age 19 or over by the end of the year. Election changes due to a cost-increase/decrease will not be eligible if the day care provider is a relative.

Earned Income Limit:

Your maximum allocation during a calendar year may not be more than:

1. Your earned income for the year if you are single at the end of the calendar year.
2. The smaller of your earned income or your spouse's earned income for the year if you are married at the end of the calendar year.

Tax Credit Alternative for Dependent Care:

- You should be aware that you may be able to take a federal tax credit of up to 35% of the amount you can pay for dependent day care expenses instead of participating in the dependent day care reimbursement account.
- You may use up to \$3,000 of dependent day care expenses to figure your credit if you have one qualifying dependent, and up to \$6,000 if you have two or more qualifying dependents.
- Your credit can be as much as \$1,050 if you have one qualifying dependent, or as much as \$2,100 if you have two or more qualifying dependents.
- The tax credit is a direct reduction of the tax you owe to the federal government, unlike the income exclusion of participating in the Dependent Day Care FSA. Many states also provide a state tax credit for dependent care expenses.

You should consult with your tax advisor as to whether the tax credit may be more favorable for you than participating in the Dependent Day Care FSA. You may also wish to obtain IRS Publication 503 for more information about the federal tax credit.

IMPORTANT INFORMATION ABOUT YOUR FLEXIBLE SPENDING ACCOUNT(S)

- You must elect to participate prior to the beginning of each plan year or if you are a new hire, within your eligibility waiting period. There is no allowance for late enrollment.
- The amounts that you designate for the Health FSA may not subsequently be used for reimbursement of dependent day care expenses, and vice versa.
- If an expense is covered by your health insurance plan, submit your bills to the insurance company first, then submit the insurance company's statement of benefits along with your voucher.
- Certain cosmetic procedures directed at improving a patient's appearance which do not treat an illness or promote proper function of the body, are not reimbursable items. However, procedures that are necessary to improve birth defects, disfiguring diseases, accidents or traumas are allowed.
- Be sure to keep a copy of all claims submitted for your records. It is especially important to keep copies of the Dependent Day Care Provider Acknowledgement Form as you will need the information for income tax preparation purposes. There may be a \$50 charge for pulling claims that have been processed (this applies in all situations other than an appeal of a denied claim).

Important Tax Information for Dependent Day Care FSA

Regardless of whether you participate in the Dependent Day Care FSA under a Section 125 Plan, or claim the credit on your income tax return, you must provide the IRS with the name, address and taxpayer identification number (TIN) or Social Security number of your dependent care provider(s) by completing Schedule 2 of Form 1040A or Form 2441 and attaching it to your annual income tax return. Be sure that you follow the current instructions given by the IRS for preparing your annual income tax return. Failure to provide this information to the IRS could result in loss of the pre-tax exemption for your dependent care expenses.

LEAVE OF ABSENCE OPTIONS

If you are enrolled in the Health FSA and take a leave of absence during the plan year, you may:

1. Prepay the contributions pre-tax, or
2. Continue the contributions on an after-tax basis (pre-tax contributions may continue when you return to work), or
3. Prorate the unpaid contributions over the remaining pay periods when you return to work.

Participants in the Health FSA who are out on an unpaid leave of absence (whether qualifying under Family Medical Leave or otherwise) must make all contributions.

ELECTION CHANGES

Dependent Day Care FSA elections are irrevocable for the period of coverage (the plan year) except for a change in status which affects your need for day care. Examples of a change in status include your marriage, divorce or legal separation; death of your spouse or child; birth or adoption of a child; change in residence, or change in your or your spouse's work site. An election change may also be allowed for a cost or coverage change (cost changes are not eligible if the care provider is a relative). If you drop your Dependent Day Care FSA election due to a change in status, only claims incurred while you are actively participating will be eligible for reimbursement.

Generally, no changes are permitted for the Health FSA for any reason except for termination of employment. Please contact your employer for special rules affecting your plan.

OPTIONS AT EMPLOYMENT TERMINATION

Upon termination of employment, an employee may elect to discontinue participation in the Health FSA or to continue the payment, if eligible, either by pre-taxing the remaining contributions for the plan year from severance pay or by paying for them on an after-tax basis (COBRA) through the end of the plan year. If you elect to continue the contribution, the coverage under the Health FSA will continue and expenses incurred during the period of coverage will be reimbursed. The coverage may not continue beyond the current plan year. If you are paying the contributions on an after-tax basis, Health FSA coverage will continue as long as payments are made. If payments cease, the Health FSA coverage ends.

If you do not elect to continue the payments on an after-tax basis, only expenses incurred during the period of coverage will be reimbursed. Contact your employer for information regarding eligibility for COBRA.

APPEAL OF CLAIM DENIAL

Please consult your employer for copies of these provisions.

AMERICAN FIDELITY'S SERVICE COMMITMENT

- Quick processing of claims—Look for our average turn-around to be 5-7 working days from the receipt of your claim.
- Toll free fax for claim submission—Just fax your claim to 800-543-3539.
- Reimbursements via direct deposit—Complete the "Authorization Agreement for Automatic Deposits," located on our website.
- Toll free customer service line—We're happy to assist you with all of your FSA questions!

Please contact us toll free at 800-662-1113.

HOW TO FILE A CLAIM

1. Complete a Health FSA Expense Reimbursement Voucher or Dependent Day Care Provider Acknowledgement Form. (These forms are available on americanfidelity.com.)
2. Submit your completed form and documentation to American Fidelity in one of the following ways:
 - **AFmobile***, our mobile app—Easily submit your reimbursement request by taking a picture of your receipts or other documentation using your mobile device.
 - **Electronically**—Sign up for secure access to your account at americanfidelity.com/MyAccount, and submit your claims online via our OSC.
 - **Paper**—Complete an FSA Expense Reimbursement Voucher, along with any third-party documentation. Once completed, either mail it to us at the address at the bottom of the reimbursement voucher or fax toll free to 800-543-3539.
 - Your claim will be processed in 5-7 business days, and you will be reimbursed for your eligible expenses. The Health FSA reimbursement check will be for the expenses claimed up to the maximum benefit amount you elected for the plan year minus any previously reimbursed amounts. The Dependent Day Care FSA expense check will be for the expense you claimed up to the amount you have in your account. If the Dependent Day Care FSA expense claim is in excess of your account balance, the balance of the amount due will be forwarded to you as additional contributions are received.
3. You can choose to have your reimbursement mailed to you, or electronically transferred into your checking or savings account.

WHAT TYPE OF THIRD-PARTY DOCUMENTATION IS REQUIRED?

Health FSA Acceptable Documentation with an Expense Reimbursement Voucher:

1. Bill or receipt that includes provider of service, type of service rendered, to whom the service was rendered, original date of service, and charge for the service.
2. Insurance company Explanation of Benefits (EOB).
3. Pharmacy statement that includes the prescription number and the name of prescription, person to whom medication was prescribed, along with amount charged.
4. Over-the-counter (OTC) drugs and medicine (medical practitioner's prescription required). Including:
 - a. The name and address of the patient;
 - b. The name and quantity of the drug prescribed and directions for use;
 - c. The date of issue;
 - d. The name, address, and phone number of the prescriber, his or her license classification, and his or her federal registry number;

- e. A description of the condition for which the drug is being prescribed;
- f. The signature of the medical practitioner issuing the order.

Unacceptable Documentation: Claims substantiated without the Health FSA/HRA Voucher and with only the following items will be denied.

- 1. Cancelled checks/credit card receipts.
- 2. Bill or receipt that shows a balance forward/previous balance or payment.

Dependent Day Care FSA Acceptable Documentation

The Dependent Day Care FSA Reimbursement Voucher/Provider Acknowledgement Form must be signed by both the participant and the day care provider.

Unacceptable Documentation: Claims substantiated without the Dependent Day Care Reimbursement Voucher/Provider Acknowledgement Form and with only the following items will be denied.

- 1. Cancelled checks/credit card receipts.
- 2. Bill or receipt that shows a balance forward/previous balance or payment.

HOW TO CHECK YOUR BALANCE OR CLAIM STATUS:

As a FSA participant, you have several options to inquire about the status of your reimbursement account.

1. By Internet:

American Fidelity's web site, **americanfidelity.com**, offers participants access to a secured area providing account information, including online FSA balance and claim status.

In order to utilize the **americanfidelity.com** secured site, you will need to register online for an Account Activation Code (AAC). You can register for an AAC by selecting the "Get an Activation Code" link on our home page, **americanfidelity.com**. The system will then guide you through the steps necessary to register. Once you have registered, your AAC will be mailed to you at your confirmed mailing address in 7-10 business days. You will be issued an AAC immediately if we have your email address on file already! You will then be ready to actively review your account throughout your plan year.

2. By Automated Telephone:

American Fidelity's FlexConnection® is an automated voice response system that allows you to make inquiries about your Health FSA and/or Dependent Day Care FSA from your phone. The FlexConnection® is available 24 hours a day, not just during our office hours. By calling FlexConnection®, you can obtain current account balances plus review the last activity in your account, the date and amount of your last reimbursement, your last claim entry, and your last deposit. **Contact American Fidelity's FlexConnection® at 800-662-1113.**

3. Contact our Customer Engagement Center:

You can always choose to speak directly with one of our customer service representatives. We are happy to hear from you and are eager to answer your questions. You can reach us at 800-662-1113 from 7am to 7pm CST, Monday through Friday. ***Besure to include your e-mail address on the expense reimbursement voucher if you would like to receive an e-mail when a payment is made.***

QUESTIONS & ANSWERS:

Q. Can I view my account Online?

Yes, simply access americanfidelity.com and register for an Account Activation Code. Your AAC number will be mailed to you within 7-10 business days or emailed to you if we have an email address on file. An online account will enable you to view information such as account balance, last claim paid, and deposits received.

Q. How long will it take for my claim to be processed?

Claims are processed an average of 5-7 working days from received date. If you fax your claim or submit the claim online or through AFmobile®, you will save on mail time. You can also sign up to have your reimbursements deposited directly into your savings or checking account.

Q. How can I find out if you received my fax?

The best way to confirm that your fax was received is to contact us at 800-662-1113. Please allow 24 hours before calling to confirm.

Q. What paperwork is required for a Health FSA Claim?

In addition to the reimbursement voucher, we need a receipt or an itemized statement from the medical provider of service that includes; (1) Date of service, (2) Type of service, (3) person to whom service was rendered and (4) Charge for the service. Over-the-counter drugs and medicines require a doctor's prescription to accompany the reimbursement voucher.

Q. May I be reimbursed for the full amount of my child's orthodontics?

Yes. You may claim your total out of pocket expenses anticipated for orthodontia. In addition to the reimbursement voucher, please submit a contract from the orthodontist stating (1) The start date of treatment; (2) The amount of the contract; (3) The estimated length of treatment time; (4) To whom the service was rendered. Effective January 1, 2009, proof of payment will be required for reimbursement. Remember to deduct any amount that is covered by insurance!

Q. I am making monthly payments to pay for surgery I had last year, are these eligible?

No. The date of the surgery must fall within your plan year, while you are actively participating in the Health FSA. Payments for services that occurred before your plan year are not eligible.

Q. What paperwork is required for a Dependent Day Care FSA claim?

Please submit the Dependent Day Care Reimbursement Form/Provider Acknowledgement. This form must include the tax ID or individual social security number of the provider, and must be signed both by you and the provider.

Q. Can I change my Dependent Day Care FSA election?

A Dependent Day Care FSA election may be changed if you experience a change in status that affects your need for the benefit, a cost increase or decrease (cost changes are not eligible if the provider is a relative), or another qualified event. Otherwise, your election will remain in force until the end of the plan year.

Q. Why do I only receive partial reimbursements for my Dependent Day Care FSA?

Dependent Day Care FSA reimbursements are paid up to the amount available in your account. Many times, claims submitted will exceed the balance in your account. If a contribution is posted and there is a pending amount (claims in excess of deposits) then we will automatically pay on the pending claims when we receive an additional contribution.

Q. Can I submit day care expenses for reimbursement if my spouse is not employed?

If a spouse does not work and is not disabled or a full-time student, day care expenses are not reimbursable. If your spouse is either a full-time student or not able to care for himself or herself, your spouse will be considered to have earned income, therefore qualified day care expenses would be reimbursable.

DIRECT DEPOSIT

Have you signed up to have your FSA expenses deposited directly into your bank account? By selecting this method of payment, you will be saving days of waiting for your reimbursement check to arrive in the mail.

- Direct deposit eliminates the possibility of your check being lost or delayed by the mail.
- Direct deposit eliminates that trip to the bank to deposit your reimbursement check.

Each time a deposit is made to your account, you will be mailed an Explanation of Benefits that shows the deposit made as well as a summary of your account. This will help you keep track of your account.

How do you get started on direct deposit?

Just complete the "Authorization Agreement for Automatic Deposit," located on our web site, and mail or fax it back to us at the number on the form.

How do you make a change?

If you change banks or account numbers, simply complete a new authorization agreement. We will stop your deposits as soon as we receive the new authorization.

How long will this authorization remain in effect?

This authorization will remain in effect until you send us written notification to terminate it. If you elect to participate in the reimbursement accounts again for the next plan year, your authorization will carry over. If you elect not to participate in the reimbursement accounts for the next plan year, there will simply be no deposits made to your account following the run-off period.

We hope that you'll decide to take advantage of this "fast payment" service. If you have any questions, please call us at 800-662-1113.

HIPAA Notice of Privacy Practices

Effective date of this notice: September 1, 2014

This notice describes how medical information about you may be used and disclosed and how you can get access to this information. Please review this document carefully.

American Fidelity Assurance Company • P.O. Box 25523, Oklahoma City, OK 73125

If you have questions about this notice, please contact the person listed under "Who to Contact" at the end of this notice.

SUMMARY

In order to provide you with benefits, the Health Insurance Portability and Accountability Act of 1996 (HIPAA) provides that if American Fidelity Assurance Company receives personal information about your health from you, your physicians, hospitals, and others who provide you with health care services, we are required to keep this information confidential. This notice of our privacy practices is intended to inform you of the ways we may use your information and the occasions on which we may disclose this information to others.

KINDS OF INFORMATION TO WHICH THIS NOTICE APPLIES

This notice applies to individually identifiable protected health information that is created or received by us and that relates to the past, present, or future physical or mental health or condition of an individual; the provision of health care to an individual; or the past, present, or future payment for the provision of health care to an individual; and that identifies the individual, or for which there is a reasonable basis to believe the information can be used to identify the individual (hereinafter referred to as "protected health information").

POLICIES AND/OR RIDERS AFFECTED BY THIS NOTICE

The following policies and/or riders and any combination thereof, provided by American Fidelity Assurance Company are subject to the privacy policies and procedures set forth in this notice: cancer insurance; medical expense insurance; health indemnity insurance; hospital indemnity insurance; dental insurance; long term care insurance; flexible health care spending accounts; Medicare supplement insurance; vision insurance; medical expense reimbursement plans; and any other coverages offered by us that meet the definition of a health plan contained in the HIPAA Privacy Rule.

WHO MUST ABIDE BY THIS NOTICE

All employees, staff, students, volunteers, and other personnel whose work involves one of the products covered under this notice and who are under the direct control of American Fidelity

Assurance Company must abide by this notice. The people and organizations to which this notice applies (referred to as "we," "our," and "us") have agreed to abide by its terms. We may share your information with each other for purposes of payment and operations activities as described below. When the minimum necessary requirement applies, we will make reasonable efforts to limit your protected health information to the minimum necessary to accomplish the intended purpose of the use, disclosure, or request.

OUR LEGAL DUTIES

- We are required by law to maintain the privacy of your protected health information.
- We are required to provide this notice of our privacy practices and legal duties regarding protected health information to anyone who asks for it.
- We are required to abide by the terms of the notice that is currently in effect.
- We are required to notify affected individuals following a breach of unsecured protected health information.

OUR RIGHT TO CHANGE THIS NOTICE

We reserve the right to change our privacy practices, as described in this notice, at any time. We reserve the right to apply these changes to any protected health information which we already have, as well as to protected health information we receive in the future. Before we make any material change in the privacy practices described in this notice, we will write a new notice that includes the change. The new notice will include an effective date. We will mail the new notice to all named insureds then covered by a product subject to the notice within 60 days of the effective date. We will also post the revised notice on our website, americanfidelity.com, by the effective date of the revised notice.

HOW WE MAY USE OR DISCLOSE YOUR PROTECTED HEALTH INFORMATION

We may use your protected health information or disclose it to others for a number of different reasons. This notice describes these reasons. For each reason, we have written a brief explanation. We also provide some examples. These examples do not include all of the specific ways we may use or disclose your information.

1. Payment.

We will use your protected health information and disclose it to others as necessary to make payment for the health care services you receive. For instance, an employee in our claim-processing department may use your protected health information to pay your claims. We will also send you information about claims we pay and claims we do not pay (called an "explanation of benefits"). The explanation of benefits will include information about claims we receive for the Insured and each dependent who are enrolled together under a single contract or identification number. Under certain circumstances, you may receive this information confidentially; see the "Confidential Communication" section in this notice. We may also disclose some of your protected health information to companies with which we contract for payment-related services. For instance, if you owe us money, we may give information about you to a collection company with which we contract to collect bills for us. We will not use or disclose more information for payment purposes than is necessary.

2. Health Care Operations.

We may use and disclose your protected health information for activities that are necessary to operate this organization. This includes reading your protected health information to review the performance of our staff. We may also use your information and the information of other members to plan what services we need to provide, expand, or reduce. We may disclose your protected health information as necessary to others with which we contract to provide administrative services. This includes our lawyers, auditors, accreditation services, and consultants, for instance. While we may use and disclose your protected health information for underwriting purposes, we are prohibited from using or disclosing genetic information of an individual for such purposes.

3. Legal Requirement to Disclose Information.

We may use or disclose your information when we are required by law to do so. This includes reporting information to government agencies that have the legal responsibility to monitor the health care system. For instance, we may be required to disclose your protected health information, and the information of others, if we are audited by the state insurance department.

4. Public Health Activities.

We will disclose your protected health information when required to do so for public health purposes. This includes reporting certain diseases, births, deaths, and reactions to certain medications. It also includes reporting certain information regarding products and activities regulated by the federal Food and Drug Administration. It may also include notifying people who have been exposed to a communicable disease.

5. To Report Abuse.

We may disclose your protected health information when the information relates to a victim of abuse, neglect or domestic violence. We will make this report only in accordance with laws that require or allow such reporting, or with your permission.

6. Government Oversight.

We may disclose your protected health information if authorized by law to a government oversight agency (e.g., a state insurance department) conducting audits, investigations, or civil or criminal proceedings.

7. Judicial or Administrative Proceedings.

We may disclose your protected health information in the course of a judicial or administrative proceeding (e.g., to respond to a subpoena or discovery request).

8. Law Enforcement.

We may disclose a limited amount of your protected health information for law enforcement purposes. This includes providing information to help locate a suspect, fugitive, material witness or missing person, or in connection with suspected criminal activity. We must also disclose your protected health information to a federal agency investigating our compliance with federal privacy regulations.

9. Coroners.

We may disclose your protected health information to coroners, medical examiners, and/or funeral directors consistent with the law.

10. Organ Donation.

We may use or disclose your protected health information for cadaveric organ, eye, or tissue donation.

11. Workers' Compensation.

We may disclose your protected health information to workers' compensation agencies if necessary for your workers' compensation benefit determination.

12. Limited Data Sets.

We may use or disclose, under certain circumstances, limited amounts of your protected health information that is contained in limited data sets.

13. Research.

We may use or disclose your protected health information for research purposes, but only as permitted by law.

14. Specialized Purposes.

We may use or disclose the protected health information of members of the armed forces as authorized by military command authorities. We may disclose your protected health information for a number of other specialized purposes. For instance, we may disclose your protected health information for national security, intelligence, and protection of the president.

15. To Avert a Serious Threat.

We may use or disclose your protected health information if we have a good faith basis to believe that the disclosure is necessary to prevent serious harm to the public or to an individual. The disclosure will only be made to someone who is able to prevent or reduce the threat.

16. Family and Friends.

We may disclose your protected health information to a member of your family or to someone else that is involved in your medical care or payment for care. This may include telling a family member about the status of a claim or what benefits you are eligible to receive. In the event of a disaster, we may provide information about you to a disaster relief organization so they can notify your family of your condition and location. We will not disclose your information to family or friends if you object.

17. Health Benefits Information.

If your employer sponsors your enrollment in American Fidelity's health plan, your protected health information may be disclosed to your employer, as necessary for the administration of your employer's health benefit program for employees. Employers may receive this information only for purposes of administering their employee group health plans, and must have special rules to prevent the misuse of your information for other purposes.

18. Treatment.

We may disclose information to health care providers who are involved in your care. For example, we may disclose information to your physician to help them care for you.

MORE STRINGENT LAW

In the event applicable law, other than the HIPAA Privacy Rule, prohibits or materially limits our uses and disclosures of protected health information, as set forth above, we will restrict our uses or disclosure of your protected health information in accordance with the more stringent standard.

1. Authorization.

We may use or disclose your protected health information for any purpose that is listed in this notice without your written authorization. We will not use or disclose your protected health information for any other reason that is not described in this notice without your written authorization. Specifically, we must have your written authorization to use or disclose psychotherapy notes except as permitted or required by law and personal information for marketing purposes, in most instances. In addition, we cannot sell your personal information unless we have your written authorization which must state that the disclosure of the information will result in remuneration to us. If you authorize us to use or disclose your protected health information, you have the right to revoke the authorization at any time. For information about how to authorize us to use or disclose your protected health information, or about how to revoke an authorization, contact the person listed under "Whom to Contact" at the end of this notice. You may not revoke an authorization for us to use and disclose your information to the extent that we have taken action in reliance on the authorization or if the authorization was obtained as a condition of obtaining insurance, and we have the right, under other law, to contest a claim under the policy or the policy itself.

2. Request Restrictions.

You have the right to request restrictions on certain of our uses and disclosures of your protected health information for insurance payment or health care operations, disclosures made to persons involved in your care, and disclosures for disaster relief purposes. For example, you may request that we not disclose your protected health information to your spouse. Your request must be in writing and describe in detail the restriction you are requesting. We will consider your request, but we are not required to agree, except for a request to restrict disclosure of protected health information about you to a health plan if the disclosure is for the purpose of carrying out payment or health care operations and is not otherwise required by law and the information pertains solely to a health care item or service for

which you or someone acting on your behalf paid the provider in full. We cannot agree to restrict disclosures that are required by law.

3. Confidential Communication.

If you believe that the disclosure of certain information could endanger you, you have the right to ask us to communicate with you at a special address or by a special means. For example, you may ask us to send explanations of benefits that contain your protected health information to a different address rather than to your home. Or you may ask us to speak to you personally on the telephone rather than sending your protected health information by mail. We will agree to any reasonable request. Requests for confidential communications must be in writing, must state that the disclosure of the protected health information could endanger you, must be signed by you or your representative, and sent to us at the address under "Whom to Contact" at the end of the notice.

4. Inspect and Receive a Copy of Protected Health Information.

You have a right to inspect certain protected health information about you that we have in our records and to receive a copy of it. This right is limited to information about you that is kept in records that are used to make decisions about you. For instance, this includes claim and enrollment records. If you want to review or receive a copy of these records, you must make the request in writing, you must state that you are requesting access to your protected health information and either you or your representative must sign the request. We may charge a reasonable fee for the cost of copying and mailing the records. To ask to inspect your records, or to receive a copy, contact us at the address under "Whom to Contact" at the end of this notice. We may deny you access to certain information. If we do, we will give you the reason, in writing. We will also explain how you may appeal the decision.

5. Amend Protected Health Information.

You have the right to ask us to amend protected health information about you, which you believe is not correct, or not complete. If you want to request that we amend your protected health information you must make this request in writing, it must be signed by either you or your representative, and you must give us the reason you believe the information is not correct or complete. Your request to amend your information must be sent to the address under "Whom to Contact" at the end of this notice. We may deny your request if we did not create the information, if it is not part of the records we use to make decisions about you, if the information is something you would not be permitted to inspect or copy, or if it is complete and accurate.

6. Accounting of Disclosures.

You have a right to receive an accounting of certain disclosures of your information to others. This accounting will list the times we have given your protected health information to others. The list will include dates of the disclosures, the names of the people or organizations to which the information was disclosed, a description of the information, and the reason. We will provide the first list of disclosures you request at no charge. We may charge you for any additional lists you request during the following 12 months. You must tell us the time period you (CONT)

want the list to cover. To be considered, your accounting requests must be in writing, signed by you or your representative, and sent to the address under "Whom to Contact" at the end of this notice.

7. Paper Copy of this Privacy Notice.

You have a right to receive a paper copy of this notice. If you have received this notice electronically, you may receive a paper copy by contacting the person listed under "Whom to Contact" at the end of this notice.

8. Complaints.

You have a right to complain about our privacy practices, if you think your privacy rights have been violated. You may file your complaint with the person listed under "Whom to Contact" at the end of this notice. You may also file a complaint directly with the Secretary of the U. S. Department of Health and Human Services. All complaints must be in writing, must describe the situation giving rise to the complaint, and must be filed within 180 days of the date you know, or should have known, of the event giving rise to the complaint. You will not be subject to any retaliation for filing a complaint.

Who to Contact

Contact the person listed below:

- For more information about this notice, or
- For more information about our privacy policies, or
- If you want to exercise any of your rights, as listed on this notice, or If you want to request a copy of our current notice of privacy practices.

Privacy Official

P.O. Box 25523

Oklahoma City, OK 73125

866-55-HIPAA

Copies of this notice are also available by sending an e-mail to: hipaa@americanfidelity.com

This notice is also available on our website: americanfidelity.com

SB-29752-0914

HELPFUL TIPS ON YOUR REIMBURSEMENT ACCOUNT

Online at americanfidelity.com

Need more forms? Visit us online at americanfidelity.com and click on the **For Individuals** tab, then click **Claim and Flex Forms** under the **Quick Access** menu. You can then select and print the claim forms you need. While visiting our web site, be sure to sign up for secured access to detailed account information, including account balance and claims information.

FlexConnection®

Check out your account at any time by calling our interactive phone response system at 800-662-1113.

Customer Service Representative:

We are happy to help with any questions you may have. Give our Customer Engagement Team a call at 800-662-1113, and one of our friendly team members will be right with you. Our call center is open Monday through Friday, 7am to 7pm CST.

PUT YOUR CLAIM ON THE FAST TRACK:

Download our mobile app on the App StoreSM or Google PlayTM Store

Visit us at www.americanfidelity.com/MyAccount to submit claims online

or sign up for direct deposit of reimbursement

Fax claim toll free to:

800-543-3539