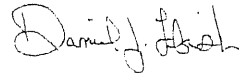


Fort Dearborn  
GROUP INSURANCE CERTIFICATE  
AND SUMMARY PLAN DESCRIPTION  
**HIGHMARK LIFE INSURANCE COMPANY**

FIFTH AVENUE PLACE, 120 FIFTH AVENUE  
PITTSBURGH, PA 15222-3099  
1-800-328-5433

Highmark Life Insurance Company certifies that you will be insured under the Group Policy described below during the time, in the manner, and for the amounts provided in the Group Policy.



PRESIDENT

Revision No. 1, effective April 1, 1999

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GROUP POLICY NUMBER	910510-A
NAME OF POLICYHOLDER	City of Pacific Grove
TYPE OF COVERAGE	Life and Accidental Death And Dismemberment Insurance
GROUP POLICY EFFECTIVE DATE	February 1, 1997
GROUP POLICY DELIVERED IN	California and governed by the laws of that state.

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IMPORTANT: PLEASE READ THIS

A Group Policy has been issued to the Policyholder. Your coverage under that Group Policy is shown in this Certificate. If your coverage is changed by an amendment to the Group Policy, we will provide the Policyholder with a revised Certificate or other notice to be given to you.

PLEASE READ THIS CERTIFICATE OF INSURANCE CAREFULLY. This Certificate Of Insurance has a Table of Contents to help you find specific provisions. "You" and "your" refer to the insured Member. "We", "us", and "our" refer to **Highmark Life Insurance Company**. Other defined terms are printed with an initial capital letter.

ERISA REQUIREMENTS: ERISA means the Employee Retirement Income Security Act of 1974. Under ERISA, the Plan Administrator gives you this Summary Plan Description of the employee benefits insured under the group policy. General plan information and a statement of your rights as a plan participant are found at the end of this document.

## REQUIRED CALIFORNIA NOTICE

To Our California Policyholders and Certificate Holders:

We are here to serve you . . .

As our policyholder or certificate holder, your satisfaction is very important to us. Should you have a valid claim, we fully expect to provide a fair settlement in a timely fashion. In the event you need to contact someone about this policy for any reason, please contact your agent. If you have additional questions, you may contact Highmark Life Insurance Company at the following address and toll-free telephone number:

Highmark Life Insurance Company  
Fifth Avenue Place, 120 Fifth Avenue  
Pittsburgh, Pennsylvania 15222-3099

Telephone number: 1-800-328-5433

If you are not satisfied . . .

Should you feel you are not being treated fairly and you have been unable to contact or obtain satisfaction from us or the agent, we want you to know you may contact the California Department of Insurance with your complaint and seek assistance from the governmental agency that regulates insurance.

To contact the Department, write or call:

Consumer Affairs Division  
California Department of Insurance  
300 South Spring Street  
Los Angeles, CA 90013

Telephone number: 1-800-927-HELP

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**California Life and Health Insurance  
Guarantee Association Act  
Summary Document and Disclaimer**

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Residents of California who purchase life and health insurance and annuities should know that the insurance companies licensed in this state to write these types of insurance are members of the California Life and Health Insurance Guarantee Association ("CLHIGA"). 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 Guarantee Association will assess its other member insurance companies for the money to pay the claims of insured persons who live in this state and, in some cases, to keep coverage in force. The valuable extra protection provided through the Association is not unlimited, as noted in the box below, and is not a substitute for consumers' care in selecting insurers.

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**The California Life and Health Insurance Guarantee 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 California. You should not rely on coverage by the 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 Guarantee Association to induce you to purchase any kind of insurance policy.**

**Policyholders with additional questions should first contact their insurer or agent or may then contact:**

California Life and Health Insurance      or  
Guarantee Association  
P.O. Box 17319  
Beverly Hills, CA 90209-3319  
(213) 782-0182

Consumer Service Division  
California Department of Insurance  
300 South Spring Street  
Los Angeles, CA 90013  
(800) 927-4357 or (213) 897-8921

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Below 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 Association.

## COVERAGE

Generally, individuals will be protected by the California Life and Health Insurance Guarantee 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 Guarantee Association if:

- Their insurer was not authorized to do business in this state when it issued the policy or contract;
- Their policy was issued by a health care service plan (HMO), Blue Cross, Blue Shield, a charitable organization, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company, an insurance exchange, or a grants and annuities society;
- They are eligible for protection under the laws of another state. This may occur when the insolvent insurer was incorporated in another state whose guarantee association protects insureds who live outside that state.

The Guarantee Association also does not provide coverage for:

- Unallocated annuity contracts; that is, contracts which are not issued to and owned by an individual and which guarantee rights to group contract holders, not individuals;
- Employer and association plans, to the extent they are self-funded or uninsured;
- Synthetic guaranteed interest contracts;
- 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 an average rate;
- Any portion of a contract that provides dividends or experience rating credits.

## LIMITS ON AMOUNT OF COVERAGE

The Act limits the Association to pay benefits as follows:

### LIFE AND ANNUITY BENEFITS

- 80% of what the life insurance company would owe under a life policy or annuity contract up to
- \$100,000 in cash surrender values,
- \$100,000 in present value of annuities, or
- \$250,000 in life insurance death benefits.
- A maximum of \$250,000 for any one insured life no matter how many policies and contracts there were with the same company, even if the policies provided different types of coverages.

### HEALTH BENEFITS

- A maximum of \$200,000 of the contractual obligations that the health insurance company would owe were it not insolvent. The maximum may increase or decrease annually based upon changes in the health care cost component of the consumer price index.

### PREMIUM SURCHARGE

Member insurers are required to recoup assessments paid to the Association by way of a surcharge on premiums charged for health insurance policies to which the Act applies.

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## Part 1. BECOMING INSURED

To become insured you must meet each of the requirements of A through E plus the Active Work requirement.

### A. DEFINITION OF MEMBER

You must be a Member. You are a **MEMBER** if you are all of the following:

1. An active employee of the Employer, other than a temporary or seasonal employee or a full time member of the armed forces of any country.
2. Regularly scheduled to work at least 20 hours each week.
3. A citizen or resident of the United States or Canada.

### B. ELIGIBILITY FOR INSURANCE

You must be eligible for Insurance. You are eligible for Insurance on the effective date of the Group Policy if you are a Member on that date. Otherwise, you will become eligible for Insurance on the date you become a Member.

### C. APPLICATION FOR INSURANCE

Your Insurance is Noncontributory. No application for Insurance is required.

### D. EVIDENCE OF INSURABILITY

Your Insurance is Noncontributory; Evidence Of Insurability is not required to become insured.

### E. EFFECTIVE DATE OF INSURANCE

Your Insurance will become effective on the date you become eligible, if you meet the Active Work requirement on that date.

### F. ACTIVE WORK REQUIREMENT

You must meet an Active Work requirement to become insured.

You automatically meet the Active Work requirement on the date your Insurance is scheduled to become effective unless you were Disabled on the day before that date. If you were Disabled on the day before the scheduled effective date of your Insurance, the effective date of your Insurance will be delayed until the first day after you complete one full day of Active Work as a Member.

For purposes of this Active Work requirement, you are Disabled if you are currently unable, as a result of your sickness, accidental bodily injury, or pregnancy, to perform the substantial and material duties of your own occupation.

**ACTIVE WORK** and **ACTIVELY AT WORK** mean performing the usual duties of your job at the Employer's usual place of business.

This Active Work requirement also applies to any increase in your Insurance.

## Part 2. LIFE INSURANCE

### A. INSURING CLAUSE

Subject to all the terms of the Group Policy, we will pay the amount of Life Insurance shown in Part 2B upon receipt of satisfactory written proof of your death while you were insured under the Group Policy.

### B. SCHEDULE OF LIFE INSURANCE

The amount of your Life Insurance before your 65th birthday equals A or B, whichever is less, where:

A = 100% of your Annual Earnings.

B = \$50,000

The amount of your Life Insurance before your 65th birthday is rounded to the next higher multiple of \$1,000, if not already a multiple of \$1,000.

The amount of your Life Insurance on and after your 65th birthday, but before your 70th birthday, is 65% of the amount which would apply if you were under age 65.

The amount of your Life Insurance on and after your 70th birthday, but before your 75th birthday, is 45% of the amount which would apply if you were under age 65.

The amount of your Life Insurance on and after your 75th birthday, but before your 80th birthday, is 30% of the amount which would apply if you were under age 65.

The amount of your Life Insurance on and after your 80th birthday is 20% of the amount which would apply if you were under age 65.

#### Effective date of changes in amount of Life Insurance:

Changes in the amount of your Life Insurance because of changes in your age, classification, or the amount of your Annual Earnings become effective on the first day of the calendar month coinciding with or next following the change. However, you must meet the Active Work requirement in Part 1 before any increase in the amount of your Life Insurance will become effective.

C. CONTINUED LIFE INSURANCE DURING TOTAL DISABILITY

If you become Totally Disabled while insured under the Group Policy and before your 60th birthday, your Life Insurance will be continued while you remain continuously Totally Disabled, but not beyond the end of the calendar month in which you become 70 years of age. After you have been Totally Disabled for six months, no premiums will be charged for the Life Insurance which is continued while you are Totally Disabled. This benefit, called **CONTINUED LIFE INSURANCE**, is subject to the following provisions:

1. Definition of Total Disability

You are Totally Disabled if you are currently unable, as a result of your sickness, accidental bodily injury, or pregnancy, to perform the substantial and material duties of any occupation for which you are or become reasonably fitted by your education, training, or experience.

2. Amount of Continued Life Insurance

The amount of your Continued Life Insurance will be the amount of your Life Insurance in force on the date you become Totally Disabled. This amount will not change while you remain Totally Disabled.

The amount of your Continued Life Insurance will not be affected by the termination or amendment of the Group Policy after the date you become Totally Disabled.

3. Time limits on providing proof of Total Disability

To claim Continued Life Insurance you (or in the event of your death, your Beneficiary) must provide to us satisfactory written proof of your continuous Total Disability within 12 months after the end of the last period for which premiums were paid for your Life Insurance.

If your claim for Continued Life Insurance is approved, we will require satisfactory written proof of continuing Total Disability at reasonable intervals, but not more often than once a year after you have been continuously Totally Disabled for two years.

All proof of Total Disability must be provided to us at your expense.

4. Refund Of Premiums

Upon receipt of satisfactory written proof that you qualify for Continued Life Insurance and that you have been continuously Totally Disabled for six months or more, we will refund to the Policyholder all premiums paid for your Life Insurance after you were continuously Totally Disabled for six months and while you qualified for Continued Life Insurance. No premiums will be refunded for your first six months of Total Disability. Premiums paid for your Life Insurance will not be refunded for more than a one year period prior to the date you provide us with proof of loss in support of your claim.

5. Independent examination

We have the right, at our expense, to have you examined at reasonable intervals while you are claiming Continued Life Insurance coverage. Any such examination will be conducted by one or more physicians or vocational specialists of our choice.

6. When Continued Life Insurance ends

Your Continued Life Insurance will end automatically on the earliest of the following dates:

- a. The date you cease to be Totally Disabled.
- b. The last day of the calendar month in which you have become 70 years of age.
- c. 90 days after the date we mail you a request for proof of your continued Total Disability, unless you provide us with the required proof within that 90 day period.
- d. The date you fail to provide us with a reasonable opportunity to have you independently examined at our expense.
- e. The effective date of any individual policy of life insurance issued to you when you exercise your Right To Convert under Part 2D.

7. Effect Of Exercising The Right To Convert

You are not eligible for Continued Life Insurance after you exercise your Right To Convert under Part 2D.

8. Effect on your Accidental Death And Dismemberment Insurance

Your Accidental Death And Dismemberment Insurance ends on the date your claim for Continued Life Insurance is approved by us.

D. RIGHT TO CONVERT TO AN INDIVIDUAL LIFE INSURANCE POLICY

**RIGHT TO CONVERT** means the right to buy an individual permanent life insurance policy during the 31 day Conversion Period without submitting Evidence Of Insurability.

You have a Right To Convert if the Life Insurance on your life ends or is reduced for any of the following reasons:

1. The termination of your employment with the Employer.
2. The termination of your eligibility for Insurance because you no longer qualify as a Member or because you are no longer Actively At Work.
3. The termination or amendment of the Group Policy on a date when you are Totally Disabled, provided that you became Totally Disabled while you were age 60 or over and while your Life Insurance was in force.

4. For any other reason except your failure to make the premium contribution for your Life Insurance, if required, or the termination or amendment of the Group Policy before the Life Insurance on your life has been in effect for 5 years.

Maximum amount you have a Right To Convert:

The general rule is that the maximum amount you have a Right To Convert is the amount of your Life Insurance which ended, reduced by the amount of any other group life insurance for which you become eligible during the Conversion Period. However, the maximum amount you have a Right To Convert will be limited to that amount or \$2,000, whichever is less, if both of the following are true:

1. You have a Right To Convert under item 4 above based on the termination or amendment of the Group Policy after the Life Insurance on your life has been in effect for five years; and
2. You do not have a Right To Convert under item 3 above based on your Total Disability on the date of the termination or amendment of the Group Policy.

**CONVERSION PERIOD** means the 31 day period after the date the Life Insurance on your life ends or is reduced. You must exercise the Right To Convert during the 31 day Conversion Period by both (a) applying in writing for an individual permanent life insurance policy and (b) paying the first premium for the individual permanent life insurance policy.

If you exercise your Right To Convert, the individual permanent life insurance policy will become effective on the day after the end of the 31 day Conversion Period.

If you have a Right To Convert and you die during the 31 day Conversion Period, we will pay a death benefit equal to the maximum amount of Life Insurance you had a Right To Convert, whether or not you applied for an individual permanent life insurance policy. The death benefit will be paid as if you had died while the Life Insurance was in effect. If you die after the 31 day Conversion Period, no death benefit will be paid unless you exercise the Right To Convert before the date of your death.

If you have a Right To Convert, you may not select (1) an individual term life insurance policy or (2) an individual permanent life insurance policy with disability benefits, accidental death benefits, or any other additional benefits. With these limitations, you may select any form of individual permanent life insurance then being issued by us to persons of the same age for the amount requested. You can apply for less than the maximum amount you have a Right To Convert, but you may not apply for less than the minimum amount then being issued by us for the form of individual permanent life insurance selected.

The premium for the individual permanent life insurance policy will be determined from our published rates for standard risks.

Part 3. ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

A. INSURING CLAUSE

Subject to all the terms of the Group Policy, we will pay the amount shown in the Schedule Of Accidental Death And Dismemberment Insurance upon receipt of satisfactory written proof that you have sustained any of the losses shown in that Schedule, provided that all of the following conditions are met:

1. The loss must be caused solely and directly by accidental bodily injuries, and the loss must occur independently of all other causes.
2. The accident must occur while you are insured under the Group Policy.
3. The loss must occur within 365 days after the date of the accident.

B. SCHEDULE OF ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

1. Amount

The amount of your Accidental Death And Dismemberment Insurance is equal to the amount of your Life Insurance.

If the amount of your Life Insurance changes for any reason, the amount of your Accidental Death And Dismemberment Insurance will also change at the same time.

Note: If your coverage includes a Living Benefit Rider, any Living Benefit paid to you will reduce the amount of your Life Insurance, but will not have any effect on the amount of your Accidental Death And Dismemberment Insurance. However, if you also qualify for Continued Life Insurance, your Accidental Death And Dismemberment Insurance will end on the date your claim for Continued Life Insurance is approved by us.

2. Table of benefits

Benefit for Accidental Loss of:

Life	Full Amount
Both Hands or Feet or Sight of Both Eyes	Full Amount
One Hand and One Foot	Full Amount
Either Hand or Foot and Sight of One Eye	Full Amount
Either Hand or Foot	One-Half Full Amount
Sight of One Eye	One-Half Full Amount

Loss of a hand or a foot means permanent severance of the hand or foot from the body at or above the wrist or ankle joint; loss of sight of an eye means entire and irrecoverable loss of sight.

No more than the full amount of your Accidental Death And Dismemberment Insurance will be paid for all losses resulting from one accident.

3. Seat Belt Benefit

We will pay a Seat Belt Benefit if you die as a result of an Automobile accident and you were wearing a Seat Belt at the time of the accident. The following rules apply:

- a. The Seat Belt Benefit is paid in addition to the Accidental Death And Dismemberment Insurance benefit paid because of your accidental death.
- b. The Seat Belt Benefit equals A or B, whichever is less, where:  
  
A = \$50,000  
  
B = The amount of the Accidental Death And Dismemberment Insurance benefit paid because of your accidental death
- c. We must receive satisfactory written proof that your death resulted from an Automobile accident and that you were wearing a Seat Belt at the time of the accident. A copy of the police accident report should be submitted with the claim.

SEAT BELT means a properly installed seat belt (lap and shoulder restraint) approved by the National Highway Traffic Safety Administration.

AUTOMOBILE means a motor vehicle licensed for use on public highways.

C. EXCLUSIONS

Even though a loss results from accidental bodily injuries, no payment will be made if either the accidental bodily injuries or the loss is caused or contributed to by any of the following:

1. Insurrection, war, or act of war. **WAR** means declared or undeclared war, whether civil or international, and any substantial armed conflict with organized forces of a military nature.
2. Suicide or any other intentionally self-inflicted injury, while sane or insane.
3. Committing or attempting to commit an assault or a felony or your active participation in a violent disorder or riot. "Active Participation" does not include being at the scene of a violent disorder or riot in the performance of your official duties.
4. The voluntary use or consumption of any poison, chemical compound, or drug (including, but not limited to, prescribed medications), unless used or consumed in accordance with the directions of a physician.
5. Any sickness or pregnancy existing at the time of the accident.
6. Heart attack (including, but not limited to, myocardial infarction) or stroke (including, but not limited to, cerebral infarction).
7. Medical or surgical treatment.

#### Part 4. WHEN INSURANCE ENDS

Your Insurance will end automatically on the earliest of the following dates:

1. The date you cease to be a Member as defined in Part 1A.
2. The date you become a full time member of the armed forces of any country.
3. The date the Group Policy terminates or is amended to terminate coverage for your classification of employees.
4. With respect to your Accidental Death And Dismemberment Insurance, the date your claim for Continued Life Insurance is approved by us.
5. The date you cease to be Actively At Work for the Employer on your regular work days for any reason, including the elimination of your job. However, your Insurance will be continued (unless it ends under any of the above items) during the following periods while you are absent from Active Work:
  - a. While you are receiving full salary (including sick pay and vacation pay) from the Employer, but not beyond the date your job is eliminated, the effective date of a severance agreement, or the date your job is terminated by you or the Employer.
  - b. For up to one year while you are unable to be Actively At Work as a result of your sickness, accidental bodily injury, or pregnancy, but not beyond the date your employment is terminated by you or the Employer.
  - c. During the first 60 days of a leave of absence approved by the Employer or a temporary layoff.
  - d. For up to 12 weeks during a period of family or medical leave approved by the Employer in accordance with the Employer's uniform family and medical leave policy patterned after the federal Family and Medical Leave Act of 1993 or applicable state law.

#### Strike continuation provision:

You may continue your Insurance for not more than six months while you are absent from Active Work because of a general work stoppage (including a strike or lockout) resulting from a labor dispute between the Employer and your collective bargaining unit, subject to the following rules:

1. The premiums for your Insurance during the work stoppage will equal 120% of the premium rate in effect under the Group Policy on the date the work stoppage began. We have the right to change the premium rates during the work stoppage in accordance with the terms of the Group Policy.
2. You must pay the entire premium for your Insurance (including the Employer's share) to your collective bargaining unit as each premium comes due during the work stoppage.
3. Your Insurance during a work stoppage will end on the earliest of the following dates:

- a. On any premium due date, if you fail to make the required premium payment to your collective bargaining unit on or before that date.
- b. On the date when you have been absent from Active Work for six months. You will have a Right To Convert to an individual policy of life insurance if your Insurance under this strike continuation provision ends because you have been absent from Active Work for six months.
- c. On the date you begin full time employment with another employer.
- d. At our option, on any premium due date, if less than 75% of the Members eligible to continue their Insurance make the required premium payment to your collective bargaining unit.

#### Part 5. BECOMING INSURED AGAIN AFTER INSURANCE ENDS

You may become insured again under the Group Policy after your Insurance ends. The general rule is that you may become insured again on the same basis as a new Member, as provided in Part 1. However, the following special rules apply to becoming insured again under the Group Policy after your Insurance ends:

1. If your Insurance ends because you cease to be a Member or because you cease to be Actively At Work for the Employer on your regular work days, you will not be required to satisfy the eligibility waiting period shown in Part 1B again if you qualify as a Member and return to Active Work for the Employer within 90 days after your Insurance ends.
2. If your Insurance ends because you become a full time member of the armed forces of the United States, you will not be required to satisfy the eligibility waiting period shown in Part 1B again if you qualify as a Member and return to Active Work for the Employer within 90 days after you leave active military service.
3. If you are immediately eligible for Insurance under rule 1 or 2 and you apply for Insurance within 31 days after you become eligible, you will not be required to provide satisfactory Evidence Of Insurability to become insured again for the amount of Insurance which ended, except as provided in rule 4.
4. If you exercise your Right To Convert to an individual policy of life insurance when your Life Insurance ends, you must either surrender the individual policy of life insurance or provide us with satisfactory Evidence Of Insurability to become insured again.

Your Insurance will become effective again on the date determined from Part 1, and will not be retroactive to the date your Insurance ended.

#### Part 6. PAYMENT OF CLAIMS

##### A. PAYMENT OF BENEFITS

All death benefits will be paid in accordance with the Beneficiary Provisions in Part 6G.

All Accidental Dismemberment benefits will be paid to you. Any Accidental Dismemberment benefits remaining unpaid at your death will be paid in accordance with the Beneficiary Provisions in Part 6G.

B. TIME LIMITS FOR FILING A CLAIM

All benefits must be claimed within 90 days after the date of loss or as soon thereafter as reasonably possible and, in any case, within one year after the end of that 90 day period. Claims not filed within these time limits will be denied and no benefit will be paid. These time limits will not apply during any period when the claimant lacked the legal capacity to file a claim.

C. FILING A CLAIM

All claims for benefits should be submitted on our forms. You should obtain claim forms from the Policyholder or the Plan Administrator.

You may also request claim forms from us. If we fail to provide you with claim forms within 15 days of your request you may submit your claim in a letter stating the occurrence, character, and extent of the event for which the claim is made.

D. PROOF OF LOSS

Satisfactory written proof of loss in connection with a claim for benefits must be provided to us at the expense of the person claiming the benefits.

No benefits will be paid until we have received satisfactory written proof of loss in connection with the claim for benefits.

E. INVESTIGATION OF YOUR CLAIM

We have the right to conduct an independent investigation of any claim for benefits under the Group Policy.

F. INDEPENDENT EXAMINATION AND AUTOPSY

We have the right to have you examined at our expense in connection with a claim for Accidental Dismemberment benefits. Any such examination will be conducted by one or more physicians or vocational specialists of our choice.

We have the right to have an autopsy performed at our expense, except where prohibited by law.

G. BENEFICIARY PROVISIONS

1. Naming a Beneficiary

**BENEFICIARY** or **BENEFICIARIES** mean the person or persons you name to receive the death benefits under the Group Policy if you die. You may name or change Beneficiaries at any time. The consent of a named Beneficiary is not needed to change Beneficiaries.

**BENEFICIARY DESIGNATION** means the written instrument in which you name or change your Beneficiary. Your written Beneficiary Designation must be dated and signed by you and delivered to the Policyholder during your lifetime. Your Beneficiary

Designation will take effect on the date it is delivered to the Policyholder. The Beneficiary Designation must relate to the Insurance provided under the Group Policy. If the Group Policy replaces all or a part of the insurance provided by an earlier policy, a written Beneficiary Designation signed and dated by you under the earlier policy will be accepted as your Beneficiary Designation under the Group Policy.

2. Payment to your Beneficiary

Death benefits will be paid to your surviving Beneficiary or Beneficiaries. To the extent permitted by law, the amount payable to a Beneficiary will not be subject to any legal process against the Beneficiary or to the claims of any creditor or creditor's representative.

3. Beneficiary must survive you

If a Beneficiary dies on the date of your death, or within 15 days after the date of your death, death benefits will be paid as if that Beneficiary had died before you, unless satisfactory proof of loss with respect to your death is delivered to us before the date of the Beneficiary's death.

4. No Surviving Beneficiary

If you do not name a Beneficiary, or if you are not survived by a Beneficiary, all death benefits will be paid in equal shares to the first surviving class of the following classes:

- a. Your spouse.
- b. Your children.
- c. Your parents.

If none of them survives you, the benefits will be paid to your estate.

5. Reliance By Us

We may rely on an affidavit or other written evidence deemed satisfactory to us to determine the identity or the nonexistence of Beneficiaries not identified by name. Any payment made by us in good faith, relying upon such evidence, will fully discharge us to the extent of such payment.

H. NOTICE OF DECISION ON CLAIM

You will receive a written decision on your claim within a reasonable period of time after we receive your claim.

If we deny all or any part of your claim, you will receive a written notice of denial containing:

1. The reason for the denial.
2. Reference to the provisions of the Group Policy on which the denial is based.

3. A description of any additional information or documentation you must submit to obtain benefits and an explanation of why such information or documentation is required.
4. Notice of your right to a review of the denial.
5. A description of the review procedure.

If you do not receive a written decision on your claim within 60 days after your claim is received, you will have an immediate right to request a review under the review procedure, as if your claim had been denied.

#### I. REVIEW PROCEDURE

You have a right to a review of any denial by us of all or any part of your claim. To obtain a review, you should send a written request for review to us within 60 days after you receive notice of the denial. No special form is required.

As a part of your request for review, you may submit issues and comments in writing and provide additional documentation in support of your claim. You may review pertinent documents related to your request for review.

We will review your claim promptly after receiving your request for review. You will receive written notice of our decision within 60 days after your request for review is received, or within 120 days if special circumstances require an extension. The written decision you receive will include the reasons for the decision and reference to the provisions of the Group Policy on which the decision is based.

You may authorize another person to act for you under this review procedure.

### Part 7. TIME LIMITS ON LEGAL ACTIONS

No action at law or in equity may be brought to recover under the Group Policy until 60 days after written proof of loss has been provided to us.

### Part 8. INCONTESTABLE CLAUSES

#### A. INCONTESTABLE CLAUSE FOR YOUR INSURANCE

Any statement you make to obtain Insurance is a representation and not a warranty. No misrepresentation by you will be used to reduce or deny your claim or to deny the validity of your Insurance unless all of the following are true:

1. Your Insurance would not have been approved if we had known the truth.
2. Your misrepresentation is contained in a written instrument signed by you.
3. You have been given a copy of the written instrument containing your misrepresentation.

After your Insurance has been in effect for two years, we will not use a misrepresentation by you to reduce or deny your claim or to deny the validity of your Insurance.

## B. INCONTESTABLE CLAUSE FOR GROUP POLICY

Any statement made by the Policyholder to obtain the Group Policy is a representation and not a warranty. No misrepresentation by the Policyholder will be used to deny a claim or to deny the validity of the Group Policy unless all of the following are true:

1. The Group Policy would not have been issued by us if we had known the truth.
2. The misrepresentation is contained in a written instrument signed by the Policyholder.
3. A copy of the written instrument has been given to the Policyholder.

The validity of the Group Policy will not be contested after it has been in effect for two years, except for non-payment of premiums.

## Part 9. CLERICAL ERROR

Clerical error by the Employer will not:

1. Cause you to become insured.
2. Invalidate Insurance otherwise validly in force.
3. Continue Insurance otherwise validly terminated.

## Part 10. ALLOCATION OF AUTHORITY

Except for those functions which the Group Policy specifically reserves to the Employer, we have the full and exclusive authority to administer claims and to interpret the Group Policy and resolve all questions arising in the administration, interpretation, and application of the Group Policy.

Our authority includes, but is not limited to, the following:

1. The right to resolve all matters when a review has been requested.
2. The right to establish and enforce rules and procedures for the administration of the Group Policy and any claim under it.
3. The right to determine (a) your eligibility for Insurance, (b) your entitlement to benefits, and (c) the amount of the benefits payable to you.

## Part 11. ASSIGNMENT

You may make an absolute assignment of your Insurance. The assignment may be to any person other than the Policyholder. You may not make a collateral assignment.

An absolute assignment will have no effect unless it is made in writing, signed by you, and delivered to the Employer during your lifetime. An absolute assignment will not change the Beneficiary of your Insurance unless the assignee later changes the Beneficiary.

## Part 12. GENERAL DEFINITIONS

**EMPLOYER** means City of Pacific Grove.

**GROUP POLICY** means our group policy number 910510-A issued to the Policyholder.

**INSURANCE** means your insurance under the Group Policy.

**LIFE INSURANCE** means your life insurance under the Group Policy.

**ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE** means your accidental death and dismemberment insurance under the Group Policy.

**ANNUAL EARNINGS** means your annual rate of earnings from the Employer including commissions and tax deferred contributions you make to a qualified plan sponsored by the Employer, but excluding bonuses, overtime pay, and any other extra compensation. The following rules apply to the computation of your annual rate of earnings:

Commissions: Your annual rate of earnings on any date includes the total commissions paid to you by the Employer during the prior calendar year. If you were not a Member throughout the prior calendar year, your annual rate of earnings includes 12 times the average monthly commissions paid to you by the Employer for the period you were a Member.

Monthly pay: Monthly earnings are multiplied by 12 to find your annual rate of earnings.

Weekly pay: Weekly earnings are multiplied by 52 to find your annual rate of earnings.

Hourly pay: Your hourly pay rate is multiplied by the number of hours you are regularly scheduled to work per week (but not more than 40) to find your weekly earnings, which are multiplied by 52 to find your annual rate of earnings. If you do not have regular work hours, your annual rate of earnings on any date will be based on the average number of hours you worked during the prior 52 weeks (or during the period you were a Member, if you were not a Member throughout the prior 52 weeks), but not more than 40.

Providing **EVIDENCE OF INSURABILITY**, if required, means you must do all of the following:

1. Complete and sign our health and medical history form.
2. Sign our form authorizing us to obtain information about your health.
3. Provide any additional information about your insurability reasonably required by us and undergo a physical examination and testing, if required by us.

All required information must be provided to us at your expense.

**CONTRIBUTORY** Insurance means you pay all or a part of the cost of your Insurance. If your Insurance is Contributory, the Employer determines the amount of your contribution toward the cost of your Insurance.

**NONCONTRIBUTORY** Insurance means the Employer pays the entire cost of your Insurance.

# LIVING BENEFIT RIDER

## A LIVING BENEFIT IS AN ACCELERATED BENEFIT WHICH REDUCES THE AMOUNT OF YOUR LIFE INSURANCE

If, while insured under the Group Policy, you provide us with satisfactory written proof that you have a Terminal Condition, we will pay you a benefit during your lifetime called a LIVING BENEFIT. If you qualify, you can elect to receive any amount up to your maximum Living Benefit.

Your maximum Living Benefit equals A or B, whichever is less, where:

A = 75% of the amount of your Life Insurance under the Group Policy

B = \$250,000

This Living Benefit Rider allows you to apply for an accelerated benefit paid to you during your lifetime if you have a Terminal Condition as defined in this Rider. The Living Benefit is the advance payment to you of part of the amount of your Life Insurance. The amount of your Life Insurance under the Group Policy will be reduced by the amount of the Living Benefit paid to you.

The Living Benefit is available to you if you have a Terminal Condition and need or want to receive a part of your Life Insurance during your lifetime. If you decide not to apply for a Living Benefit, the full amount of your Life Insurance will be paid to your Beneficiary if you die while insured under the Group Policy.

### A. DISCLOSURE INFORMATION

1. If you apply for a Living Benefit, we will give you a statement showing the amount of the maximum Living Benefit you are eligible to receive and the amount by which your Life Insurance will be reduced if you elect to receive your maximum Living Benefit.
2. The Living Benefit is paid in one lump sum and is NOT A LONG TERM CARE BENEFIT. The amount of any Living Benefit paid to you is your money and you can use it in any way you like.
3. The full amount of the Living Benefit paid to you MAY BE TAXABLE income to you. Please consult your personal tax advisor before you apply for a Living Benefit.
4. The cost of this Living Benefit Rider is included in the premium paid by you and/or the Employer for your Life Insurance coverage under the Group Policy.
5. The payment of a Living Benefit to you may adversely affect your eligibility for Medicaid or other government benefits or entitlements.

### B. DEFINITION OF TERMINAL CONDITION

A TERMINAL CONDITION means a medically determinable condition which can be expected to result in your death within twelve months, as determined by us.

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To apply for a Living Benefit, you must provide us with certification from a licensed physician (M.D. or D.O.) that you have a medically determinable condition which can be expected to result in your death within twelve months.

We reserve the right to have you examined at our expense in connection with your claim for a Living Benefit. Any such examination will be conducted by one or more physicians of our choice.

### **C. EXCEPTIONS AND LIMITATIONS**

1. No Living Benefit will be paid if you have made an absolute assignment of your Life Insurance or an irrevocable beneficiary designation for your Life Insurance.
2. No Living Benefit will be paid if all or part of your Life Insurance must be paid to your child(ren) or former spouse as a part of a court approved divorce agreement.
3. If you are married and you live in a community property state, no Living Benefit will be paid without the written consent of your Spouse.
4. If the amount of your Life Insurance is scheduled to reduce because of an age-related reduction within 12 months after the date you apply for a Living Benefit, your maximum Living Benefit will be limited to 75% of the amount of your Life Insurance which will be in effect after the scheduled age-related reduction.

### **D. RULES AND CONDITIONS GOVERNING PAYMENT OF THE LIVING BENEFIT**

1. You must apply for the Living Benefit while you are insured for Life Insurance under the Group Policy.
2. The Living Benefit must be paid to you during your lifetime and while you are insured under the Group Policy.
3. The Living Benefit will be paid to you in one lump sum.
4. You can only receive a Living Benefit ONCE. You can apply for less than the maximum Living Benefit, but the minimum Living Benefit we will pay is \$500.
5. If you recover from your Terminal Condition after we have paid a Living Benefit to you, you will NOT be asked to refund any part of the Living Benefit paid to you.
6. If premiums are payable for your Life Insurance after a Living Benefit is paid to you, the premiums will be based on the reduced amount of your Life Insurance.
7. If you receive a Living Benefit and then have a Right To Convert under the Group Policy, the amount you have a Right To Convert will be based on the reduced amount of your Life Insurance after the payment of the Living Benefit.
8. The Living Benefit paid to you reduces the amount of your Life Insurance but does not have any effect on the amount of your Accidental Death And Dismemberment Insurance under the Group Policy.

9. If your Life Insurance reduces because of an age-related reduction after the payment of a Living Benefit, the amount of your Life Insurance after the age-related reduction will equal A minus B, where:

A = The amount of your Life Insurance after the age-related reduction if you had not received a Living Benefit

B = The amount of the Living Benefit paid to you

This Living Benefit Rider is effective on the effective date of your Certificate Of Insurance.

**Highmark Life Insurance Company**

## STATEMENT OF ERISA RIGHTS

The following information required by the "Employee Retirement Income Security Act of 1974" (ERISA) is furnished by the Plan Administrator and is not a part of the Group Policy or this Certificate.

### A. GENERAL PLAN INFORMATION

- |     |  |   |
|-----|--|---|
| 1.  | Name of Plan:  | Life and Accidental Death<br>And Dismemberment Insurance                                |
| 2.  | Name and Address of<br>Policyholder:   | City of Pacific Grove<br>300 Forest Avenue<br>Pacific Grove, CA 93950                   |
| 3.  | Employer Identification Number<br>assigned by IRS:                           | 94-6000388  |
| 4.  | Plan Number assigned by the<br>Policyholder:                                 | 501   |
| 5.  | Type of Plan:  | Group Insurance Plan  |
| 6.  | Type of Administration:  | Contract Administration   |
| 7.  | Name, Address, and Phone<br>Number<br>of Plan Administrator:                 | City of Pacific Grove<br>300 Forest Avenue<br>Pacific Grove, CA 93950<br>(408) 648-3100 |
| 8.  | Name and Address of Registered<br>Agent for the Service of Legal<br>Process: | Plan Administrator  |
| 9.  | Sources of Contributions to the<br>Plan:                                     | Employer  |
| 10. | Funding Medium:  | Fully Insured   |
| 11. | Plan Fiscal Year Ends On:  | December 31   |

### B. TERMINATION OF THE GROUP POLICY

The insurance contract which provides benefits for this plan may be terminated as follows:

1. The Plan Administrator may terminate the insurance contract at any time by giving prior written notice to the insurance carrier.
2. The insurance contract will terminate if the Plan Administrator fails to pay the required premium.
3. The insurance carrier may terminate the insurance contract on any Premium Due Date if the number of persons insured is less than the Minimum Participation Number shown in

the insurance contract or less than the Minimum Participation Percentage shown in the insurance contract.

4. The insurance carrier may terminate the insurance contract on any Premium Due Date if the insurance carrier, in its sole judgment, determines that the Plan Administrator (1) has failed to promptly furnish any necessary information requested by the insurance carrier, or (2) has failed to perform any other obligations relating to this insurance contract.

The insurance carrier will give the Plan Administrator at least 31 days prior written notice of any termination of the insurance contract by the insurance carrier.

### C. YOUR RIGHTS UNDER ERISA

ERISA gives you certain rights and protections as a participant in your Employer's employee benefit plan. Your rights include the following:

1. Right To Examine Plan Documents:

You have the right to examine all plan documents, including the annual reports and plan descriptions filed with the U.S. Department of Labor and any insurance contracts or collective bargaining agreements. The Plan Administrator will tell you where the plan documents are available for examination. There will be no charge for examining plan documents.

2. Right To Obtain Copies Of Plan Documents:

You have the right to obtain copies of all plan documents. You should make your request in writing to the Plan Administrator. There may be a reasonable charge for the copies.

3. Right To Receive A Copy Of Annual Report:

The Plan Administrator must give you a copy of the plan's summary annual financial report if there were 100 or more plan participants at the beginning of the plan year. There will be no charge for the report.

4. Right To Written Explanation Of Denial:

If your claim for benefits under the employee benefit plan is denied in whole or in part, you must be given a written explanation of the reason for denial.

5. Right To Review:

You have the right to request a review and reconsideration of any denial of your claim for plan benefits.

You can protect your rights under ERISA. For example, ERISA gives you the right to file suit in a state or federal court if your claim for benefits under the employee benefit plan is denied or ignored. You can also file suit in a federal court if you request plan documents and do not receive them within 30 days. In such a case the court will require the Plan Administrator to give you the plan documents you requested. In some cases the court could also require the Plan Administrator to pay you up to \$100 a day until you receive the requested materials.

ERISA gives you rights and protections. ERISA also imposes special obligations on the people (called "fiduciaries") who operate your Employer's employee benefit plan. The "fiduciaries" have a duty to protect the plan's money and the interests of plan participants. ERISA prohibits anyone from discriminating against you in any way to prevent you from receiving a plan benefit or from exercising your rights under ERISA.

If you believe that the "fiduciaries" have misused the plan's money, or that you have been discriminated against for asserting your rights, you can ask for help from the U.S. Department of Labor. You can also file suit in a federal court. If you file a suit, the court will decide who must pay the court costs and legal fees. If your suit is successful, the court may require the "fiduciary" to pay those costs and fees.

If you have any questions about your Employer's employee benefit plan, you should contact the Plan Administrator.

If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Area Office of the U.S. Labor-Management Services Administration, Department of Labor.