

American Fidelity Assurance Company

Rules of Participation

Section 125:

- Changes in the Section 125 Plan elections (except Health Savings Account) can only be made at the end of the plan year unless due to and consistent with a valid status change) and such other events as would permit a revocation or change of election under IRC 125 regulations. Participation in this plan will automatically cease upon termination of employment. In most cases NO change may be made in the Healthcare Flexible Spending Account except for termination of participation of employment. For special rules affecting your plan, please contact your employer. FICA taxes are not paid on Section 125 salary reduction. Therefore, your social security benefits at retirement may be reduced.

Flexible Spending Accounts:

- A Flexible Spending Account ("FSA") election will not automatically renew each plan year. You must complete a new enrollment form each plan year during open enrollment.
- If the dollars allocated to be reimbursed under the provisions of an FSA are not used for such benefits within the coverage period, you must forfeit the balance of the unused amounts ("use or lose").
- A voucher must be completed and submitted with proper documentation in order for you to be reimbursed for a qualifying expense. Your Employer will establish a cut-off date ("runoff period") after the period of coverage for submission of vouchers.
- Medical expenses eligible for reimbursement include only expenses incurred during the period of coverage for the diagnosis, cure, mitigation, treatment, or prevention of disease and do not include certain cosmetic surgery expenses and medical insurance premiums. Medical expenses reimbursed under a Healthcare Flexible Spending Account ("Healthcare FSA") may not be reimbursed under any other health plan and may not be used to claim any federal income tax deduction or credit. Documentation must be submitted for all expenses submitted for reimbursement under the Healthcare FSA as requested by American Fidelity Assurance Company ("American Fidelity").
- During an unpaid leave of absence, contributions to the Healthcare FSA must continue in order to continue participation. For payment options, contact your Employer.
- If employment is terminated and you do not elect to continue Healthcare FSA coverage through COBRA, only eligible expenses incurred before termination of coverage may be reimbursed.
- No reimbursement from the Dependent Care Account ("DCA") may be made until the first contribution is received and posted to the account.
- Dependent day care expenses reimbursed under this plan may not be used to claim any federal income tax deduction or credit.
- DCA elections are irrevocable for the period of coverage, except upon certain events including a change in the need for day care, a provider change, or a change in cost of day care. Please contact your Employer for details.
- Dependent day care expenses eligible for reimbursement must be provided by a third party meeting both applicable state and federal law requirements.
- Claims may only be made for dependent day care that has already been provided.

Benefits Debit Card(s) (if applicable):

- The Benefits Debit Card may only be used at qualified locations that provide medical products and services.
- If a medical provider does not accept the Benefits Debit Card, you will need to pay the expense and submit a voucher for reimbursement to American Fidelity.
- If American Fidelity's request for receipts are not answered in a timely manner or if you pay for an ineligible expense, access to a Benefits Debit Card will be blocked and you may need to pay back the amount of the expense.
- If you do not pay back the plan for an ineligible expense in a timely manner, your Employer will be notified. Your Employer may make an after-tax deduction from your paycheck or adjust a W-2 to make a correction to reflect the ineligible expense.
- If an expense is greater than the amount available in the Healthcare FSA, your card swipe will be denied.
- You will not receive a new card each year. Each year in which participation continues, the new election amount will be loaded to the existing card. Cards will expire 3 years from the day of issue.
- Dependents receiving a Benefits Debit Card may only include a spouse and eligible tax dependents, including adult children who are at least age 18 as on the first day of the plan year.
- Dependents with a Benefits Debit Card will have access to all Healthcare FSA information available to you, including protected health information.
- If a dependent loses tax dependent status, you must notify American Fidelity immediately and the dependent's card will be terminated.

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