

#49

OCT 30 2008



Chandler + Arizona
Where Values Make The Difference

MEMORANDUM

DATE: October 30, 2008

TO: Mayor and Council

THRU: W. Mark Pentz, City Manager
Richard Dlugas, Assistant City Manager

FROM: Debra Stapleton, Director, Human Resources Division *WAS*

SUBJECT: Recommendation for Approval of 2009 Employee Benefits Program

RECOMMENDATION: Amend Agreements with providers as needed for implementation of the 2009 Employee Benefits Program and approve the 2009 Employee Benefits Program.

BACKGROUND: City staff reviews the employee benefits package each year with the assistance of an employee benefits consulting firm. Pending Council approval, the City's 2009 employee benefits program will consist of the following: health care, dental care, group life and accidental death & dismemberment insurance, voluntary term life insurance, group travel accident insurance, short and long term disability, cancer insurance for fire fighters and police officers, employee assistance plan, flexible spending accounts, a legal plan, group auto and homeowners insurance, long term care, deferred compensation, retiree health savings plan, retirement, short term disability supplemental insurance, and vision care.

The City was successful in holding down medical rates to 5.53% against a national trend above 10% with no reduction in benefits. Dental plan rates will increase only 2% compared to a national trend over 5% with no change in the benefit. The rate with Sun Life Assurance Company only increased one-cent per \$1000 of life insurance. As the result, the growth in rates for these plans are within acceptable levels.

Amendments to the Agreements with Aetna Healthcare Inc, Anthem Life Insurance Company, PayFlex Systems USA, Inc., Sun Life Assurance Company and approval of the agreement with Liberty Mutual Insurance Company, are required for extensions and/or rate increases. Agreements with other Providers do not require amendments for 2009.

City Staff recommends the benefits carriers/administrators for calendar year 2009 as outlined below:

| <u>COVERAGE</u> | <u>PROVIDER</u> | <u>PAID BY</u> |
|--|-------------------------------|----------------|
| 1. Group Life Insurance and Accidental Death & Dismemberment | Sun life Assurance Company | City |
| 2. Long Term Disability for Public Safety Personnel | Anthem Life Insurance Company | City |
| 3. Flexible Spending Accounts | PayFlex Systems USA, Inc. | City |
| 4. Employee Assistance Plan | APS Healthcare | City |
| 5. Business Travel & Commuter Accident Insurance | Gerber Life Insurance Company | City |
| 6. Health Care | Aetna Health, Inc. | City/Employee |
| 7. Dental Care Claims Administration | Delta Dental Plan | City/Employee |
| 8. Retirement Health Saving Plan | ICMA -- RC | City/Employee |
| 9. Deferred Compensation | ICMA - RC | City/Employee |
| 10. Vision Care | Vision Service Plan | Employee |
| 11. Voluntary Term Life Insurance | Sun Life Assurance Company | Employee |
| 12. Pre-Paid Legal Services | Pre-Paid Legal Services, Inc. | Employee |
| 13. Home and Auto Insurance | Liberty Mutual | Employee |
| 14. Long Term Care | AFLAC | Employee |
| 15. Short Term Disability Supplemental Insurance | Colonial Life | Employee |

The following employee benefit programs are statutorily required or self-administered by the City.

| <u>COVERAGE</u> | <u>PROVIDER</u> | <u>PAID BY</u> |
|--|-----------------------------------|----------------|
| • Short Term Disability | City of Chandler Human Resources | City |
| • Cancer Insurance – Fire Fighters and Police Officers | Public Safety Retirement System | City |
| • Retirement Plan – Civilian | Arizona State Retirement System | City/Employee |
| • Retirement Plan – Public Safety | Public Safety Retirement System | City/Employee |
| • Retirement Plan – Elected Officials | Elected Officials Retirement Plan | City/Employee |
| • Long Term Disability – Civilian | Arizona Sate Retirement System | City/Employee |

PROPOSED MOTION: Move to Amend the Agreements set forth below and to approve the 2009 benefits programs with providers set forth above.

1. Amend Agreement with Aetna Healthcare, Inc. to extend the contract from January 1, 2009 through December 31, 2009 and increase the rates for coverage under the retrospective rating arrangement.
2. Amend Agreement with Anthem Life Insurance Company to extend the contract from January 1, 2009 through December 31, 2009 at the same rate.
3. Amend Agreement with Sun Life Assurance Company to extend the contract from January 1, 2009 through December 31, 2009 with an increase in the rate for basic life insurance.
4. Amend Agreement with FlexAmerica, Inc. for flexible spending account administration and assumption of contract rights and obligations by PayFlex Systems USA, Inc., to maintain current rates and services from January 1, 2009 through December 31, 2009, and to authorize an annual renewal fee of \$925.00.
5. Approve Agreement with Liberty Mutual Insurance Company to extend the contract from January 1, 2009 through December 31, 2009.

The Amendments are available for review at the City Clerk's Office.

**CALENDAR YEAR 2009
AMENDMENT TO THE
MEMORANDUM OF AGREEMENT
BETWEEN THE CITY OF CHANDLER AND
AETNA, INC. DOING BUSINESS AS
AETNA HEALTH, INC.**

This Amendment ("Calendar Year 2009 Amendment"), is made and entered this _____ day of _____, 2008 to the *Memorandum of Agreement Between the City of Chandler and Aetna, Inc. doing business as Aetna Health, Inc.* dated September 24, 2006 ("Contract").

WHEREAS, the City of Chandler and Aetna, Inc. entered into a Contract effective September 23, 2004, with an initial term from January 1, 2005, through December 31, 2005, and have subsequently extended that Contract ("CY 2008 Amendment"), subject to the Calendar Year 2008 Amendment to the Memorandum of Agreement Between the City of Chandler and Aetna, Inc. doing business as Aetna Health, Inc. ("Calendar Year 2008 Amendments"); and

WHEREAS, the City and Aetna, Inc. want to extend this Contract, as amended, for the term January 1, 2009, through December 31, 2009, subject to the same terms and conditions as the Contract except to amend the premiums to be charged under the Contract.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. *The Memorandum of Agreement Between the City of Chandler and Aetna, Inc. doing business as Aetna Health, Inc.*, dated September 23, 2004 ("Contract") is incorporated herein by this reference.
2. Section I of the Contract ("Description of Project") is hereby amended to extend the term of the Contract through December 31, 2009.
3. Section II of the Contract ("Contract Documents") is hereby amended to include Exhibit I and Exhibit J, copies of which are attached hereto and by this reference are incorporated herein.

4. Section IV of the Contract ("Payments") is hereby amended as follows:

| | <u>Health Maintenance Organization</u> | <u>Choice Point of Service</u> |
|-------------------|--|------------------------------------|
| Employee Only | \$493.24 | \$599.68 |
| Employee + Spouse | \$823.66 | \$1,001.42 |
| Employee + Child | \$729.92 | \$887.44 |
| Employee + Family | \$1,198.48 | \$1,457.08 |

5. Section IV of the Contract ("Payments"), is further amended by adding the following: "The City of Chandler and Contractor agree to the Retrospective Premium Arrangement described in Exhibit J, a copy of which is attached hereto and by this reference is incorporated herein."

6. Except for the provisions amended herein, the contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2009, Amendment to the Memorandum of Agreement Between the City of Chandler and Aetna, Inc. doing business as Aetna Health, Inc.* to be duly executed this ____ day of _____, 2008.

CITY OF CHANDLER,
an Arizona municipal corporation

AETNA, INC.

By: _____
Mayor

By: Kelly H. Walter
Title: Underwriting Unit Head

APPROVED AS TO FORM:

ATTEST: (If corporation)

City Attorney

Secretary

ATTEST:

City Clerk

EXHIBIT I

COMPLIANCE WITH APPLICABLE LAWS

CONTRACTOR shall comply with all applicable Federal, state and local laws, and with all applicable license and permit requirements.

1. Pursuant to the provisions of A.R.S. § 41-4401, the Contractor hereby warrants to the City that the Contractor and each of its subcontractors (“Subcontractors”) will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter “Contractor Immigration Warranty”).
2. A breach of the Contractor Immigration Warranty (Exhibit I-A) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.
3. The City retains the legal right to inspect the papers of any Contractor or Subcontractor employee who works on this Contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty. The Contractor agrees to assist the City in the conduct of any such inspections.
4. The City may, at its sole discretion, conduct random verifications of the employment records of the Contractor and any Subcontractors to ensure compliance with Contractors Immigration Warranty. The Contractor agrees to assist the City in performing any such random verifications.
5. The provisions of this Exhibit I must be included in any contract the Contractor enters into with any and all of its subcontractors who provide services under this Contract or any subcontract. “Services” are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.
6. In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Iran.
7. In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Sudan.

#

EXHIBIT I-A

CONTRACTOR IMMIGRATION WARRANTY

To Be Completed By Contractor Prior To Execution Of Contract

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the contractor and subcontractors with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

By completing and signing this form the contractor shall attest that it and all subcontractors performing work under the cited contract meet all conditions contained herein.

| | | |
|--|---------------|------------------|
| Contract Number: | | |
| Name (as listed in the contract): | | |
| Street Name and Number: | | |
| City: | State: | Zip Code: |

I hereby attest that:

1. The contractor complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing work under this contract;
2. All subcontractors performing work under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees.

Signature of Contractor (Employer) or Authorized Designee:

Printed Name: _____

Title: _____

Date (month/day/year): _____

EXHIBIT J

RETROSPECTIVE PREMIUM ARRANGEMENT

Effective at 12:01 am on January 1, 2009, the following additional terms shall apply:

1. Definitions:

- a. "Accounting Balance" means, for a given Contract Year (or part thereof), the following calculation:

premiums paid by the City for the Contract Year
- Claims Incurred during the Contract Year
- Pooling Charges for the Contract Year
- Retention Charges for the Contract Year

The calculation of the Accounting Balance will use combined data from all coverage options offered by Contractor to the City and will be based on an entire Contract Year (or part thereof) during which the Contract is in effect.

- b. "City" means the City of Chandler, Arizona.
- c. "Claims Incurred" means claims that are incurred for covered services under the Contract, *but excludes* any amount in excess of the applicable pooling point.
- d. "Contract Year" means the calendar year.
- e. "Contractor" means Aetna, Inc., doing business as Aetna Health, Inc.
- f. "Cumulative Surplus or Deficit" means the sum of the Accounting Balance from the Contract Year and any surplus or deficit carried forward from previous Contract Years. *For example*, the 2008 Cumulative Surplus or Deficit will be the sum of the 2008 Accounting Balance and any surplus or deficit that has been carried forward.
- g. "Pooling Charges" means the charges imposed as an adjustment for large claims. For 2009, these equal \$13.04 per member per month, for members enrolled in the "POS" option, and \$10.95 per member per month, for members enrolled in the City's "HMO" option.
- h. "Retention Charges" means the charges imposed by Contractor for the underwriting and administrative services it provides to the City. For 2009, these equal \$54.41 per member per month, for members enrolled in the "POS" option, and \$42.76 per member per month, for members enrolled in the City's "HMO" option.

2. The City will pay the required premiums to Contractor. The required premiums for the 2009 Contract Year are described on the amendment to which this Exhibit is attached. The City and Contractor will separately negotiate the required premiums for the 2010 Contract Year.
3. Contractor will pay all covered claims incurred prior to the termination of the Contract, including those which exceed the applicable pooling point.
4. Within approximately 120 days after the end of a Contract Year, Contractor will calculate and provide the City with the Accounting Balance and Cumulative Surplus or Deficit for that Contract Year. *For example*, in approximately April 2009, Contractor will calculate and provide the City with the 2008 Accounting Balance and 2008 Cumulative Surplus or Deficit.
5. If the City renews its coverage with Contractor for the 2010 Contract Year:
 - a. Any 2008 Cumulative Surplus will be applied to offset the City's required premium increases for the 2010 Contract Year;
 - b. If, after the offset described in the previous paragraph, there is any remaining 2008 Cumulative Surplus, such surplus will be carried forward; and
 - c. Any 2008 Cumulative Deficit will be carried forward.
6. If the City's coverage with Contractor terminates for any reason, then within approximately 120 days after the effective date of such termination, Contractor shall calculate the Accounting Balance and Cumulative Surplus or Deficit for the final Contract Year (or part thereof), and:
 - a. Any Cumulative Surplus will be refunded by Contractor to the City; and
 - b. Any Cumulative Deficit will be forgiven by Contractor and will not be due and owing by the City.
7. Contractor will provide the City with monthly reports showing total premiums paid and claims incurred during the 2008 Contract Year, 2009 Contract Year, and 2010 Contract Year.

#

**CALENDAR YEAR 2009
AMENDMENT TO THE CONTRACT
PROVIDING LONG-TERM DISABILITY INSURANCE
TO PUBLIC SAFETY PERSONNEL
BETWEEN THE CITY OF CHANDLER AND
ANTHEM LIFE INSURANCE COMPANY**

This Amendment ("Calendar Year 2009 Amendment"), is made and entered this 1st day of October, 2008 to the *Contract Providing Long-Term Disability Insurance to Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company*, dated January 1, 2004 ("Contract").

WHEREAS, the City of Chandler and Anthem Life Insurance Company ("Contractor") entered into a Contract effective January 1, 2004, and have subsequently extended that Contract, subject to the same terms and conditions as the initial Contract for the terms January 1, 2005 through December 31, 2005; January 1, 2006 through December 31, 2006; January 1, 2007 through December 31, 2007 subject to certain Amendments (the "2007 Contract"); and January 1, 2008 through January 31, 2008; and

WHEREAS, the City and Anthem Life Insurance Company want to (1) extend this Contract, as amended in 2008, for the term January 1, 2009 through December 31, 2009 and (2) amend the Contract to include certain provisions for required compliance with Arizona procurement law.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Calendar Year 2008 Amendment to the Contract Providing Long-Term Disability Insurance to Public Safety Personnel between the City of Chandler and Anthem Life Insurance Company* ("Calendar Year 2008 Amendment") is attached hereto as Attachment 1 and incorporated herein by this reference.
2. The *Calendar Year 2007 Amendment to the Contract Providing Long-Term Disability Insurance to Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company* ("Calendar Year 2007 Amendment") is attached hereto as Attachment 2 and incorporated herein by this reference.
3. The term of the Contract is extended through December 31, 2009.
4. Attachment 3, Required Compliance with Arizona Procurement Law, is incorporated herein by this reference as part of this Contract.
5. The Exhibit B of the Contract, titled Fee Schedule, shall continue to state: "36 cents per \$100 of payroll."

6. Except for the provisions amended by Calendar Year 2007 Amendment, and items 3 and 4 above, the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2009 Amendment to the Contract Providing Long-Term Disability Insurance to Public Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company* to be duly executed this 1st day of October, 2008.

CITY OF CHANDLER,
an Arizona municipal corporation

ANTHEM LIFE INSURANCE
COMPANY

By: _____
Mayor

By: Brent Fran
Title: Group Underwriter

APPROVED AS TO FORM:

ATTEST: (If corporation)

City Attorney *CH for*

Secretary

ATTEST:

City Clerk

**CALENDAR YEAR 2008
AMENDMENT TO THE CONTRACT
PROVIDING LONG-TERM DISABILITY INSURANCE
TO PUBLIC SAFETY PERSONNEL
BETWEEN THE CITY OF CHANDLER AND
ANTHEM LIFE INSURANCE COMPANY**

This Amendment, ("Calendar Year 2008 Amendment"), is made and entered this 31st day of October, 2007 to the *Contract Providing Long-Term Disability Insurance to Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company*, dated January 1, 2004 ("Contract").

WHEREAS, the City of Chandler and Anthem Life Insurance Company entered into a Contract effective January 1, 2004, and have subsequently extended that Contract, subject to the same terms and conditions as the initial Contract for the terms January 1, 2005 through December 31, 2005; January 1, 2006 through December 31, 2006 and January 1, 2007 through December 31, 2007 subject to certain Amendments (the "2007 Contract"); and

WHEREAS, the City and Anthem Life Insurance Company want to extend this Contract, as amended in 2007, for the term January 1, 2008 through December 31, 2008, subject to the same terms and conditions as the 2007 Contract.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Calendar Year 2007 Amendment to the Contract Providing Long-Term Disability Insurance to Public Safety Personnel between the City of Chandler and Anthem Life Insurance Company* ("Calendar Year 2007 Amendments") is attached hereto as Attachment 1 and incorporated herein by this reference.
2. The term of the Contract is extended through December 31, 2008.
3. Except for the provisions amended by Calendar Year 2007 Amendments, and extension of the term as amended herein, the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2008 Amendment to the Contract Providing Long-Term Disability Insurance to Public Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company* to be duly executed this 31st day of October, 2007.

CITY OF CHANDLER,
an Arizona municipal corporation

ANTHEM LIFE INSURANCE
COMPANY

By: [Signature]
Mayor

By: Jennifer M. Potts
Title: Group Underwriter II

APPROVED AS TO FORM:
Cynthia J. Haglin for
City Attorney CH

ATTEST: (If corporation)

Secretary

ATTEST:
[Signature]
City Clerk



**CITY OF CHANDLER
PROFESSIONAL SERVICES AGREEMENT**

Service: Providing Long Term Disability insurance to Public Safety Personnel
at City of Chandler

THIS AGREEMENT is made and entered into this 1st day of January 2004, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "CITY", and Anthem Life Insurance Company, hereinafter referred to as "CONTRACTOR".

WHEREAS, the Mayor and City Council of the City of Chandler is authorized and empowered by provisions of the City Charter to execute contracts for professional services; and

WHEREAS, CONTRACTOR represents that CONTRACTOR has the expertise and is qualified to perform the services described in the Agreement.

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. CONTRACT ADMINISTRATOR

- 1.1. To provide the professional services required by this Agreement CONTRACTOR shall act under the authority and approval of Human Resources Director or designee, (the Contract Administrator), who shall oversee the execution of this Agreement, assist the CONTRACTOR with any necessary information, audit billings, and approve payments. The CONTRACTOR shall channel reports and special requests through the Contract Administrator.
- 1.2. **CONTRACTOR** shall provide CITY with written notice of any material changes to CONTRACTOR'S staff which may affect the level of services CONTRACTOR is obligated to provide to the CITY during the term of this Agreement
2. **SCOPE OF WORK:** CONTRACTOR shall provide those services described in Exhibit A attached hereto and made a part hereof by reference.
3. **ACCEPTANCE AND DOCUMENTATION:** Each task shall be reviewed and approved by CITY to determine acceptable completion. All documents, including but not limited to, data compilations, studies, and reports which are prepared in the performance of this Agreement, shall be and remain the property of CITY and shall be delivered to CITY before final payment is made to CONTRACTOR.
4. **FEE SCHEDULE:** For the services described in paragraph 2 of this Agreement, CITY shall pay CONTRACTOR a fee in accordance with the fee schedule attached hereto as Exhibit B and incorporated herein by reference.
5. **TERM:** Following execution of this Agreement by CITY, CONTRACTOR shall immediately commence work as is necessary to provide services as of the effective date. The term of the contract shall be for one year and renewable thereafter for one-year increments.
6. **TERMINATION:** The City and Contractor hereby agree to the full performance of the covenants contained herein. The City and the Contractor reserve the right, as their discretion, to terminate the services provided for in this contract with a thirty (30) day written notice to the Contractor or the City.
7. **INDEMNIFICATION:** The Contractor agrees to indemnify, defend, and save harmless the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively; from all losses, claims, suits, actions, payments and judgments, demands, expenses, attorney's fees, defense costs, or actions of any kind and nature resulting from personal injury to any person, including employees of the Contractor or of any Sub

Providing Long Term Disability insurance to Public Safety personnel at City of Chandler

Anthem Life

Page 1 of 8

the work to be performed hereunder, except any such injury or damages arising out of the sole negligence of the City, its officers, agents or employees. IT IS THE INTENTION OF THE PARTIES to this contract that the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively, are to be indemnified against their own negligence unless and except their negligence is found to be the sole cause of the injury to persons or damages to property.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

8. **INSURANCE REQUIREMENTS:** CONTRACTOR shall provide and maintain the insurance as listed in Exhibit C attached hereto and made a part hereof by reference.
9. **ENTIRE AGREEMENT:** This Agreement constitutes the entire understanding of the parties and supersedes all previous representations, written or oral, with respect to the services specified herein. This Agreement may not be modified or amended except by a written document, signed by authorized representatives of each party.
10. **ARIZONA LAW:** This Agreement shall be governed and interpreted according to the laws of the State of Arizona.
11. **NOTICES:** All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other party in writing, delivered by hand or registered or certified mail, at the addresses set forth below, or to such other address as the parties may substitute by written notice given in the manner prescribed in this paragraph.

In the case of CONTRACTOR:

| | |
|------------------|---|
| Address | Anthem Life 1801 Watermark Dr. Suite 200 |
| City, State, Zip | Columbus, Oh 43215 |
| Contact Name | Brenda Eisnaugle |
| Phone Number | 614-433-8360 |

In the case of City:

City of Chandler
Human Resources
Human Resources Director
55 N. Arizona Place, #204
Chandler, AZ 85225
480.782.2350

Notices shall be deemed received on date delivered, if delivered by hand, and on the delivery date indicated on receipt if delivered by certified or registered mail.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names to this day of 2003

CITY OF CHANDLER

CONTRACTOR


MAYOR

Anthem Life Insurance Company
By: Brenda Eisnaugle
Title: Underwriting Analyst

ADDRESS FOR NOTICE

ADDRESS FOR NOTICE

Po Box 4008 MS 603
Chandler Az 85244

1801 Watermark Dr. Suite 200
Columbus, OH 43215

Phone: _____

Phone: 614-438-3500

ATTEST:

ATTEST: If Corporation


City Clerk


Asst. Secretary

APPROVED AS TO FORM:

WITNESS: (If Individual or Partnership)


City Attorney



**EXHIBIT A
SCOPE OF WORK**

See attached "A Proposed Long Term Disability Program For City of Chandler"

**EXHIBIT B
FEE SCHEDULE**

35 cents per \$100 of payroll guaranteed for 2 years.

EXHIBIT C INSURANCE REQUIREMENTS

1. CONTRACTOR, at its own expense, shall purchase and maintain insurance of the types and amounts required in this section, with companies possessing a current A.M. Best, Inc. rating of B++6, or better and legally authorized to do business in the State of Arizona with policies and forms satisfactory to CITY.
2. Policies written on a "Claims made" basis are not acceptable without written permission from the City's Risk Manager.
3. All insurance required herein shall be maintained in full force and effect until all work or services required to be performed under the terms of this Agreement is satisfactorily completed and formally accepted. Failure to do so may, at the sole discretion of CITY, constitute a material breach of this Agreement and may result in termination of this contract.
4. If any of the insurance policies are not renewed prior to expiration, payments to the CONTRACTOR may be withheld until these requirements have been met.
5. All insurance policies, except Workers' Compensation and Professional Liability required by this Agreement, and self-insured retention or deductible portions, shall name, to the fullest extent permitted by law for claims arising out of the performance of this contract, the City of Chandler, its agents, representatives, officers, directors, officials and employees as Additional Insureds.
6. CONTRACTOR's insurance shall be primary insurance over any insurance available to the CITY and as to any claims resulting from this contract, it being the intention of the parties that the insurance policies so effected shall protect both parties and be primary coverage for any and all losses covered by the described insurance.
7. The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against CITY, its agents, representatives, officers, directors, officials and employees for any claims arising out of CONTRACTOR's acts, errors, mistakes, omissions, work or service.
8. The insurance policies may provide coverage, which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall be assumed by and be for the account of, and at the sole risk of CONTRACTOR. CONTRACTOR shall be solely responsible for the deductible and/or self-insured retention. The amounts of any self-insured retentions shall be noted on the Certificate of Insurance. CITY, at its option, may require CONTRACTOR to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit. Self-insured retentions in excess of \$10,000 will not be accepted except with permission of the Management Services Director/designee.
9. All policies and certificates shall contain an endorsement providing that the coverage afforded under such policies shall not be reduced, canceled or allowed to expire until at least thirty (30) days prior written notice has been given to CITY.
10. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the CONTRACTOR with reasonable promptness in accordance with the CONTRACTOR's information and belief.
11. In the event that claims in excess of the insured amounts provided herein, are filed by reason of any operations under this contract, the amount of excess of such claims, or any portion thereof, may be withheld from payment due or to become due the CONTRACTOR until such time as the CONTRACTOR shall furnish such additional security covering such claims as may be determined by the CITY.

C.1 PROOF OF INSURANCE - CERTIFICATES OF INSURANCE

1. Prior to commencing work or services under this Agreement, CONTRACTOR shall furnish to CITY Certificates of Insurance, issued by CONTRACTOR's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Agreement are in full force and effect and obtain from the City's Risk Management Division approval of such Certificates.
2. If a policy does expire during the life of this Agreement, a renewal certificate must be sent to the City of Chandler five (5) days prior to the expiration date.

3. All Certificates of Insurance shall identify the policies in effect on behalf of CONTRACTOR, their policy period(s), and limits of liability. Each Certificate shall include the job site and project number and title. Coverage shown on the Certificate of Insurance must coincide with the requirements in the text of the contract documents. Information required to be on the certificate of Insurance may be typed on the reverse of the Certificate and countersigned by an authorized representative of the insurance company.
4. CITY reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements. CITY shall not be obligated, however, to review same or to advise CONTRACTOR of any deficiencies in such policies and endorsements, and such receipt shall not relieve CONTRACTOR from, or be deemed a waiver of CITY's right to insist on, strict fulfillment of CONTRACTOR's obligations under this Agreement.

C.2 REQUIRED COVERAGE

1. Such insurance shall protect CONTRACTOR from claims set forth below which may arise out of or result from the operations of CONTRACTOR under this Contract and for which CONTRACTOR may be legally liable, whether such operations be by the CONTRACTOR or by a Sub-contractor or subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. Coverage under the policy will be at least as broad as Insurance Services Office, Inc., policy form CG00011093 or equivalent thereof, including but not limited to severability of interest and waiver of subrogation clauses.
2. Claims under workers' compensation, disability benefit and other similar employee benefit acts which are applicable to the Work to be performed;
3. Claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;
4. Claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;
5. Claims for damages insured by usual personal injury liability coverage;
6. Claims for damages, other than to Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
7. Claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle; Coverage will be at least as broad as Insurance Service Office, Inc., coverage Code "I" "any auto" policy form CA00011293 or equivalent thereof.
8. Claims for bodily injury or property damage arising out of completed operations;
9. Claims involving contractual liability insurance applicable to the Contractor's obligations under the Indemnification Agreement;
10. Claims for injury or damages in connection with one's professional services;

C.2.1 Commercial General Liability - Minimum Coverage Limits

The Commercial General Liability insurance required herein shall be written for not less than \$1,000,000 limits of liability or ten percent (10%) of the Contract Price, whichever coverage is greater. Any combination between general liability and excess general liability alone amounting to a minimum of \$1,000,000 per occurrence (or 10% per occurrence) and an aggregate of \$2,000,000 (or 20% whichever is greater) in coverage will be acceptable. The Commercial General Liability additional insured endorsement shall be as broad as the Insurance Services, Inc.'s (ISO) Additional Insured, Form B, CG 20101001, and shall include coverage for CONTRACTOR's operations and products, and completed operations.

C.2.2 General Liability - Minimum Coverage Limits

The General Liability insurance required herein, including, Comprehensive Form, Premises-Operations, Explosion and Collapse, Underground Hazard, Products/Completed Operations, Contractual Insurance, Broad Form Property Damage, Independent Contractors, and Personal Injury shall be written for Bodily Injury and Property Damage Combined shall be written for not less than \$1,000,000 or 10% of the contract cost and with a \$2,000,000 aggregate.

Providing Long Term Disability Insurance to Public Safety personnel at City of Chandler

Anthem Life
Page 7 of 8

C.2.3 Automobile Liability

CONTRACTOR shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to any owned, hired, and non-owned vehicles assigned to or used in performance of the CONTRACTOR's work. Coverage shall be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00011293, or any replacements thereof). Such insurance shall include coverage for loading and off loading hazards if hazardous substances, materials or wastes are to be transported and a MCS 90 endorsement shall be included with coverage limits of \$5,000,000 per accident for bodily injury and property damage.

C.2.4 Worker's Compensation and Employer's Liability

CONTRACTOR shall maintain Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over CONTRACTOR's employees engaged in the performance of the work or services; and, Employer's Liability insurance of not less than \$1,000,000 for each accident, \$1,000,000 disease coverage for each employee, and \$1,000,000 disease policy limit.

In case any work is subcontracted, CONTRACTOR will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of CONTRACTOR.

C.2.5 Professional Liability

CONTRACTOR shall maintain Professional Liability Insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by CONTRACTOR, or any person employed by CONTRACTOR, with the coverage limit of not less than \$1,000,000 per each occurrence

Employer/Group Application

PLEASE COMPLETE IN INK. Read and complete all of this form. If you need more space, attach a separate sheet of paper. Please use 4 digits for years (e.g. 1998, not 98).

Anthem Life

Anthem Life Insurance Company
 P.O. Box 182361
 Columbus, OH 43218-2361
 800-551-7265 614-433-8880 Fax

SECTION A. ANTHEM LIFE USE ONLY

| | | |
|--------------|------------|----------------|
| Group Number | Group Name | Effective Date |
|--------------|------------|----------------|

SECTION B. APPLICANT INFORMATION

| | | | | |
|---|--|---|---|---|
| REASON FOR APPLICATION | <input checked="" type="checkbox"/> New Application <input type="checkbox"/> Change of Benefits | <input type="checkbox"/> Change of Address <input type="checkbox"/> Reinstatement | REQUESTED EFFECTIVE DATE | 11/1/04 |
| The benefits you have selected are outlined on the attached proposal, herein incorporated by reference. | | | | |
| <input type="checkbox"/> Basic Life | <input type="checkbox"/> Dependent Life | <input type="checkbox"/> Supplemental AD&D | <input checked="" type="checkbox"/> Long Term Disability | <input type="checkbox"/> Other: _____ |
| <input type="checkbox"/> Basic AD&D | <input type="checkbox"/> Supplemental Life | <input type="checkbox"/> Short Term Disability | <input type="checkbox"/> Voluntary Group Term Life | <input type="checkbox"/> Other: _____ |
| Tax Identification/FEIN | Legal Name of Group | Name of Association (if applicable) | | |
| 866000232 | City of Chandler | NA | | |
| Head of Firm/Title | Administrative Contact/Title | Years in Business | Full-time employees | |
| Debra Stapleton, HR Director | Gina Soehner, Benefits | 1912 | 1475/425 | |
| Home Office Address | City | State/Zip | County | Municipality |
| 55 N. Arizona Pl. #204 | Chandler | AZ 85225 | Maricopa | City |
| Billing Address (if different from Home Office Address) | City | State/Zip | Type of Business | |
| | | | City | |
| Standard Industry Code (SIC) | Phone Number | Fax Number | E-Mail Address | Does group have a cafeteria plan under IRS Section 125? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| 9229 | 480 782 2359 | 480 782 2348 | soehner@ci... | |
| Type of Organization | <input type="checkbox"/> Partnership <input type="checkbox"/> Labor Union <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other <input checked="" type="checkbox"/> Government Unit | Is coverage subject to bargaining agreement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Will bargaining agreement participants be considered eligible employees? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Union name, number & contract expiration date: (attach copy of agreement) Chandler.az.us |

Affiliates/Subsidiaries/Divisions to be included: List name, location, and number of employees at each location.

Are separate billings required for subsidiaries/affiliates? Yes No (for classes? Yes No (if yes, attach detailed information.)

Has your group been turned down for coverage in the last 12 months? Yes No If yes, by whom, when, and why:

SECTION C. ELIGIBILITY AND WAITING PERIOD

Eligible full-time employees must work at least 20 hrs per week (25 hours per week in Ohio if under 50 lives), must be actively-at-work, and must satisfy any applicable eligibility waiting period.

The waiting period for individuals employed on or before the effective date will be:
 none 180 days continuous employment first premium due date following _____ days of continuous employment

The waiting period for individuals employed after the effective date will be:
 none _____ days continuous employment first premium due date following _____ days of continuous employment

Does any class have a different waiting period? Yes No If yes, please describe:

SECTION D. CONTRIBUTIONS

Group contribution percentage for life insurance products:

| | | | |
|-------------------|--------------------------|------------------------------|----------------------------------|
| Basic Life _____% | Dependent Life _____% | Supplemental AD&D _____% | Long Term Disability 100% |
| Basic AD&D _____% | Supplemental Life _____% | Short Term Disability _____% | Voluntary Group Term Life _____% |
| Other: _____% | Other: _____% | | |

Does any class(es) have a different group contribution? Yes No If yes, please describe:

SECTION E. ACTIVELY AT WORK REQUIREMENTS

The employees listed below are not presently actively-at-work and/or are not expected to be actively-at-work on the requested group effective date. Anthem Life may make an exception and assume liability, subject to Underwriting approval, for certain employees. Unless this exception is applied for and granted as indicated below, they will not be covered until they return to active work. To qualify for this exception, the following conditions must all be satisfied. 1) The employee's absence must be due to illness or injury. 2) The employee must be covered by the prior carrier on the day immediately prior to Anthem Life's effective date of coverage for your group. 3) The employee must not be eligible to have coverage continued or extended by the prior carrier after that policy/contract terminates. In no event will the actively-at-work requirement be waived for coverage which provides benefits due to total disability, such as short term disability, waiver of premium or extension of benefits. In no event will any increase in coverage or any additional coverage become effective until the employee returns to work. Coverage approved below will end when your group's coverage under Anthem Life's policy ends or at the end of any time period shown below, whichever occurs first. (Attach additional sheet if necessary.)

| Name of Employee | Amount of Insurance | Date of Birth | Date Last Worked | Reason Not Working | Date Expected To Return | Insured by Prior Carrier | Request Actively-At-Work Waiver | Waiver Request Approved | Underwriter Approval |
|------------------|---------------------|---------------|------------------|--------------------|-------------------------|--|--|--|----------------------|
| NTA | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |

SECTION F. VOLUNTARY GROUP INSURANCE

Mode of Payment Payroll Deduction Quarterly Semi-Annual Annual
 If payroll deduction, bill: 1/12 Annual Special Frequency

For VGTL: Is Accidental Death included?
 Yes No

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Schedule of Benefits

| Class | Description | LTD Benefit | Elimination Period | Maximum Payment Duration |
|-------|--|-----------------------------------|--------------------|--------------------------|
| 1 | All full-time eligible Public Safety employees | 66.67% of Pre-Disability Earnings | 180 days | RBD |

Benefit Plan Highlights

- This rate provides \$100 or 10% Minimum Monthly Benefit.
- Maximum Benefit is \$5,000.
- Definition of Disability is 24 months Own Occupation with Residual.
- Work Benefit is 12 Months.
- Pre-Existing Condition Limitation is 3/12 Exclusion.
- LTD benefits integrate with Family Social Security Benefits.
- Disability due to Mental Illness or Substance Abuse is limited to 24 months. Disability due to Self-Reported Symptoms is unlimited.
- 3 Month Survivor Benefit.
- LTD rate(s) are Non-Contributory, a minimum of 100% of eligible employees must participate. If the plan should change to contributory, an adjustment to the rate will be necessary.
- Continuity of Coverage (no loss/no gain) is included, provided that a complete copy of the prior carrier's policy is submitted to Anthem Life.
- Group must be in business 1 year to be eligible for benefits.
- The proposed Long Term Disability rate is guaranteed for 2 Years.

LTD Standard Provisions

- | | |
|--|---|
| <ul style="list-style-type: none"> • Full Maternity Benefits • Waiver of Premium • Accumulation of Elimination Period • 6 Month Recurrent Disability • Cost of Living Freeze (Super Freeze for groups in CT, KS, MD, MN and MO) | <ul style="list-style-type: none"> • Workplace Modification • Vocational Rehabilitation • Social Security Assistance |
|--|---|

Proposed LTD Rate

| Coverage | Monthly Rate Per \$100 of Covered Payroll | No. of Insured | Monthly Covered Payroll | Monthly Costs | Annual Costs |
|----------|---|----------------|-------------------------|---------------|--------------|
| LTD | \$0.35 | 428 | \$1,721,387 | \$6,024.85 | \$72,298.25 |

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

General Provisions:

- 1) Only full-time, eligible employees working 20 or more hours per week are eligible for coverage.
- 2) This proposal is subject to underwriting approval. Rates are proposed for an effective date of 1/1/2004. Final rates will be based on the actual effective date. Rates are based on a SIC code of 9229. Anthem Life reserves the right to review rates if there should be any change in the original data quoted on (i.e. lives, occupations, salaries, or other pertinent facts) and/or continuation provisions desired by CITY OF CHANDLER differ from those included in this proposal. Please do not cancel your coverage until the application is approved in writing. This information is intended to present only a general overview of the benefits. Not all details, limitations and exclusions are included.
- 3) This proposal is offered on a fully insured non-refunding basis.
- 4) Anthem Life does not permit open enrollment on any lines of coverage.
- 5) The LTD rate assumes CITY OF CHANDLER participates in a Workers' Compensation Plan.
- 6) The LTD benefits and rate will not be part of any bargaining agreement. If Union employees are to be included, further rate adjustments may be necessary.
- 7) It is Anthem Life's intent to match the requested benefits. However, Anthem Life's standard policy provisions will apply as our contract is filed and approved in Arizona where the contract will be issued. If there are employees located in other states, Anthem Life will need to comply with any extraterritorial requirements of those states. Some states may require Anthem Life to file its policy language and may ask us to make minor modifications for the residents of that state.
- 8) This proposal is valid until 12/04/2003.
- 9) Anthem Life reserves the right to modify the proposed terms or to issue coverage in accordance with its internal procedures, which may include, among other things, issued classes different from those that are proposed. Eligibility by class, as indicated in the "Schedule of Benefits" section of the proposal will not be affected by this change. Anthem Life will notify the employer of any such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued.

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Please complete the section below:

Is this a replacement of similar coverage? Yes No

Previous LTD Carrier Name: The Standard

Planned Termination Date: 1/1/04

This coverage has been selected for employees, subject to the terms and conditions of this proposal and the application to which this is attached.

 HR Director
Authorized Signature/Title

9-22-03
Date

SECTION G. AUTHORIZATION (Read carefully before signing)

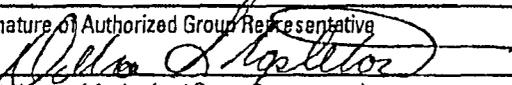
The undersigned employer and/or authorized representative hereby requests that it be approved for insurance coverage through Anthem Life Insurance Company (Anthem Life). Employer understands and represents, to the best of his knowledge and belief the following, and if approved for coverage, agrees by payment of the required premiums; and the authorized representative certifies on behalf of the employer:

1. To comply with all terms and provisions of the Group Contract(s) issued, and trust agreements, if applicable, and also accepts enrollment under the Anthem Life trust policy(ies), if applicable;
2. To make the insurance coverage available to all eligible employees and their eligible dependents and to distribute information and documents to enrolled employees as needed;
3. To maintain records and furnish to Anthem Life or their designated agent(s), any information required in connection with administration of the insurance coverage;
4. To provide notice of applicable conversion rights to eligible employees and eligible dependents;
5. That approval for this insurance may cancel any prior contracts and/or coverage with Anthem Life effective immediately preceding the effective date of the employer's coverage;
6. To pay Anthem Life by the premium due date, the premiums on behalf of each member covered under the contract, unless otherwise stated in any financial agreement between the parties, to submit applications of employees prior to their date of eligibility, to keep all necessary records regarding membership;
7. That claims filed by or on behalf of members may, at Anthem Life's option, be suspended if premiums are not received timely;
8. Employer will receive, on behalf of members, all notices delivered by Anthem Life, and immediately forward such notices to persons involved, at their last known address, including certificates of coverage;
9. The advance premium check does not create temporary or interim insurance coverage and that receipt and deposit of that payment does not guarantee issuance of insurance coverage. Rather, issuance of insurance coverage is expressly conditioned on Anthem Life's determination that the group is an acceptable risk based on their current underwriting practices and procedures. Unless these conditions are

met, there shall be no liability on the part of Anthem Life except to refund the payment. The employer will be responsible for returning to individual employees any part of the payment contributed by those employees;

10. That in order for Anthem Life to accept or decline this application, all the information requested on this application must be completed. In the event the application is not complete, Anthem Life, or its designated agent(s), is authorized to obtain the necessary information and to complete that information on this application. The employer understands that the coverage issued by Anthem Life may be different than the coverage applied for herein. In that event, Anthem Life shall notify the employer of such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued;
11. The premium rates calculated for the employer are contingent, based upon the accuracy of the eligibility data submitted on employees and covered dependents to Anthem Life by the employer. Anthem Life reserves the right to review such rates upon receipt of all individual applications for employers' employees and modify the rates, if the enrollment information so warrants. Any misstatements on employees' applications or failure to report new medical information prior to the employees' effective dates may result in a material change to the groups' coverage or premium rate as of the effective date of coverage;
12. The entire application for Group Insurance has been reviewed, and all answers contained herein are true and complete to the best of the employer's and/or authorized representative's knowledge and belief;
13. All employees applying for coverage are employees of the employer, receive salary or wages documented on state and/or federal payroll reports, work full-time (unless otherwise approved by Anthem Life in writing) and meet any other eligibility requirements for coverage;
14. The requested coverage is not in effect unless and until this application is approved by Anthem Life, that approval of coverage shall be evidenced by issuing insurance contracts and/or policies to the employer, and an employee's coverage is not in effect unless and until the employee applies and is approved for coverage by Anthem Life.

ATTACH A CHECK FOR THE FIRST MONTH'S PREMIUM.

| | | |
|---|--|-----------------|
| Signature of Authorized Group Representative  | City/State where signed Chandler, AZ | Date 9/22/03 |
| Print Name of Authorized Group Representative Debra Stapleton | Title of Authorized Group Representative Human Resources Director | |

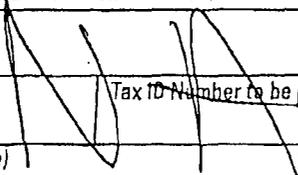
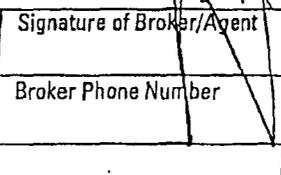
The laws of some states require us to provide you with the following information:

In Indiana and Ohio: Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

In Kentucky: Any person who knowingly and with intent to defraud any insurance company, or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

Broker Certification

I hereby certify that: (1) I have reviewed the attached employee and group applications and waivers for completeness and accuracy. (2) I am not aware of any health history of any applicant that does not appear on the application. (3) I have not completed any of the information contained in the applications except with permission of the applicant and as noted by my initials on the application. (4) I have not signed any of the applications for a group representative or individual applicant. (5) I have fully explained to the Employer that an employee not actively at work on the policy effective date or their eligibility date will not be covered until such employee returns to active work full-time. (6) I have advised the group that a failure to provide complete and accurate information may result in a loss of coverage retroactive to the effective date of coverage or a re-rating of the group's premium retroactive to the effective date of coverage, and that coverage shall not be effective until Anthem Life reviews and approves the application and the group receives a written notice and contract from Anthem Life. (7) I am licensed in the state of this group for the types of insurance solicited.

| | |
|---|---|
| Name of Broker/Agent  | Signature of Broker/Agent  |
| Broker Number | Tax ID Number to be paid |
| Agency Name (if applicable) | General Agent |
| Broker Phone Number | Date |
| | Anthem Sales Representative |

A PROPOSED
LONG TERM DISABILITY PROGRAM
FOR
CITY OF CHANDLER

Benefits Provided By:

Anthem Life

Anthem Life Insurance Company
1801 Watermark Drive, Suite 200
Columbus, OH 43215-7088

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Schedule of Benefits

| Class | Description | LTD Benefit | Elimination Period | Maximum Payment Duration |
|-------|--|-----------------------------------|--------------------|--------------------------|
| 1 | All full-time eligible Public Safety employees | 66.67% of Pre-Disability Earnings | 180 days | RBD |

Benefit Plan Highlights

- This rate provides \$100 or 10% Minimum Monthly Benefit.
- Maximum Benefit is \$5,000.
- Definition of Disability is 24 months Own Occupation with Residual.
- Work Benefit is 12 Months.
- Pre-Existing Condition Limitation is 3/12 Exclusion.
- LTD benefits integrate with Family Social Security Benefits.
- Disability due to Mental Illness or Substance Abuse is limited to 24 months. Disability due to Self-Reported Symptoms is unlimited.
- 3 Month Survivor Benefit.
- LTD rate(s) are Non-Contributory, a minimum of 100% of eligible employees must participate. If the plan should change to contributory, an adjustment to the rate will be necessary.
- Continuity of Coverage (no loss/no gain) is included, provided that a complete copy of the prior carrier's policy is submitted to Anthem Life.
- Group must be in business 1 year to be eligible for benefits.
- The proposed Long Term Disability rate is guaranteed for 2 Years.

LTD Standard Provisions

- | | |
|--|---|
| <ul style="list-style-type: none"> • Full Maternity Benefits • Waiver of Premium • Accumulation of Elimination Period • 6 Month Recurrent Disability • Cost of Living Freeze (Super Freeze for groups in CT, KS, MD, MN and MO) | <ul style="list-style-type: none"> • Workplace Modification • Vocational Rehabilitation • Social Security Assistance |
|--|---|

Proposed LTD Rate

| Coverage | Monthly Rate Per \$100 of Covered Payroll | No. of Insured | Monthly Covered Payroll | Monthly Costs | Annual Costs |
|----------|---|----------------|-------------------------|---------------|--------------|
| LTD | \$0.35 | 428 | \$1,721,387 | \$6,024.85 | \$72,298.25 |

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

General Provisions:

- 1) Only full-time, eligible employees working 20 or more hours per week are eligible for coverage.
- 2) This proposal is subject to underwriting approval. Rates are proposed for an effective date of 1/1/2004. Final rates will be based on the actual effective date. Rates are based on a SIC code of 9229. Anthem Life reserves the right to review rates if there should be any change in the original data quoted on (i.e. lives, occupations, salaries, or other pertinent facts) and/or continuation provisions desired by CITY OF CHANDLER differ from those included in this proposal. Please do not cancel your coverage until the application is approved in writing. This information is intended to present only a general overview of the benefits. Not all details, limitations and exclusions are included.
- 3) This proposal is offered on a fully insured non-refunding basis.
- 4) Anthem Life does not permit open enrollment on any lines of coverage.
- 5) The LTD rate assumes CITY OF CHANDLER participates in a Workers' Compensation Plan.
- 6) The LTD benefits and rate will not be part of any bargaining agreement. If Union employees are to be included, further rate adjustments may be necessary.
- 7) It is Anthem Life's intent to match the requested benefits. However, Anthem Life's standard policy provisions will apply as our contract is filed and approved in Arizona where the contract will be issued. If there are employees located in other states, Anthem Life will need to comply with any extraterritorial requirements of those states. Some states may require Anthem Life to file its policy language and may ask us to make minor modifications for the residents of that state.
- 8) This proposal is valid until 12/04/2003.
- 9) Anthem Life reserves the right to modify the proposed terms or to issue coverage in accordance with its internal procedures, which may include, among other things, issued classes different from those that are proposed. Eligibility by class, as indicated in the "Schedule of Benefits" section of the proposal will not be affected by this change. Anthem Life will notify the employer of any such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued.

Anthem Life Insurance Company
P.O. Box 182361
Columbus, Ohio 43218-2361
Tel 614 436-0688
Fax 614 433-8869



October 1, 2007

GROUP BENEFIT ADMINISTRATOR
City of Chandler
55 N Arizona Place #204
Chandler AZ 85225

Group Number: AZ001-AL00001212
Anniversary Date: 1/1/2008

RE: NOTICE OF RENEWAL ACTION

Group Benefit Administrator:

We have completed our annual review of your Anthem Life insurance program. We are pleased to inform you that your insurance program will be renewed at inforce rates shown below.

| <u>Coverage</u> | <u>Renewal Rates</u> |
|-----------------|----------------------|
| LTD | \$0.36/\$100 |

We appreciate the opportunity to service your group insurance needs. If you have any questions regarding your insurance program with Anthem Life, please contact your local representative or Anthem Life's Group Underwriting Department at (614) 436-0688.

Sincerely,

Jennifer M. Potts
Group Underwriting Department

*CALENDAR YEAR 2007
AMENDMENT TO THE CONTRACT
PROVIDING LONG-TERM DISABILITY INSURANCE
TO PUBLIC SAFETY PERSONNEL
BETWEEN THE CITY OF CHANDLER AND
ANTHEM LIFE INSURANCE COMPANY*

This Amendment ("Calendar Year 2007 Amendment"), is made and entered this 10th day of September, 2006 to the *Contract Providing Long-Term Disability Insurance to Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company*, dated January 1, 2004 ("Contract").

WHEREAS, the City of Chandler and Anthem Life Insurance Company entered into a Contract effective January 1, 2004, and have subsequently extended that Contract, subject to the same terms and conditions as the initial Contract for the terms January 1, 2005 through December 31, 2005 and January 1, 2006 through December 31, 2006; and

WHEREAS, the City and Anthem Life Insurance Company want to extend this Contract, as amended, for the term January 1, 2007 through December 31, 2007, subject to the same terms and conditions as the initial Contract, except to amend the fee charged under the Contract as set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Contract Providing Long-Term Disability Insurance to Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company*, effective January 1, 2004 ("Contract") is attached hereto as Attachment 1 and incorporated herein by this reference.
2. The term of the Contract is extended through December 31, 2007.
3. Exhibit B of the Contract, titled "Fee Schedule" is amended to delete the sentence: "35 cents per \$100 of payroll guaranteed for two years." The following sentence is inserted: "36 cents per \$100 of payroll."
4. Employees must work at least twenty hours per week in order to be eligible for coverage, as set forth in Section C, Eligibility and Waiting Period, of the Employer/Group Application.
5. Except for the provisions amended herein, the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2007 Amendment to the Contract Providing Long-Term Disability Insurance to Public Safety Personnel at City of Chandler Between the City of Chandler and Anthem Life Insurance Company* to be duly executed this 15th day of September, 2006. 17

CITY OF CHANDLER,
an Arizona municipal corporation

ANTHEM LIFE INSURANCE
COMPANY

By: [Signature]
Mayor

By: Jennifer M. Potts
Title: Group Underwriter II

APPROVED AS TO FORM:

ATTEST: (If corporation)

[Signature]
City Attorney *CH*

Secretary

ATTEST:

[Signature]
City Clerk



**CITY OF CHANDLER
PROFESSIONAL SERVICES AGREEMENT**

Service: Providing Long Term Disability insurance to Public Safety Personnel
at City of Chandler

THIS AGREEMENT is made and entered into this 1st day of January 2004, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "CITY", and Anthem Life Insurance Company, hereinafter referred to as "CONTRACTOR".

WHEREAS, the Mayor and City Council of the City of Chandler is authorized and empowered by provisions of the City Charter to execute contracts for professional services; and

WHEREAS, CONTRACTOR represents that CONTRACTOR has the expertise and is qualified to perform the services described in the Agreement.

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. CONTRACT ADMINISTRATOR

1.1. To provide the professional services required by this Agreement CONTRACTOR shall act under the authority and approval of Human Resources Director or designee, (the Contract Administrator), who shall oversee the execution of this Agreement, assist the CONTRACTOR with any necessary information, audit billings, and approve payments. The CONTRACTOR shall channel reports and special requests through the Contract Administrator.

1.2. CONTRACTOR shall provide CITY with written notice of any material changes to CONTRACTOR'S staff which may affect the level of services CONTRACTOR is obligated to provide to the CITY during the term of this Agreement

2. **SCOPE OF WORK:** CONTRACTOR shall provide those services described in Exhibit A attached hereto and made a part hereof by reference.

3. **ACCEPTANCE AND DOCUMENTATION:** Each task shall be reviewed and approved by CITY to determine acceptable completion. All documents, including but not limited to, data compilations, studies, and reports which are prepared in the performance of this Agreement, shall be and remain the property of CITY and shall be delivered to CITY before final payment is made to CONTRACTOR.

4. **FEE SCHEDULE:** For the services described in paragraph 2 of this Agreement, CITY shall pay CONTRACTOR a fee in accordance with the fee schedule attached hereto as Exhibit B and incorporated herein by reference.

5. **TERM:** Following execution of this Agreement by CITY, CONTRACTOR shall immediately commence work as is necessary to provide services as of the effective date. The term of the contract shall be for one year and renewable thereafter for one-year increments.

6. **TERMINATION:** The City and Contractor hereby agree to the full performance of the covenants contained herein. The City and the Contractor reserve the right, as their discretion, to terminate the services provided for in this contract with a thirty (30) day written notice to the Contractor or the City.

7. **INDEMNIFICATION:** The Contractor agrees to indemnify, defend, and save harmless the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively; from all losses, claims, suits, actions, payments and judgments, demands, expenses, attorney's fees, defense costs, or actions of any kind and nature resulting from personal injury to any person, including employees of the Contractor or of any Sub

Providing Long Term Disability Insurance to Public Safety personnel at City of Chandler

Anthem Life

Page 1 of 8

the work to be performed hereunder, except any such injury or damages arising out of the sole negligence of the City, its officers, agents or employees. IT IS THE INTENTION OF THE PARTIES to this contract that the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively, are to be indemnified against their own negligence unless and except their negligence is found to be the sole cause of the injury to persons or damages to property.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

8. **INSURANCE REQUIREMENTS:** CONTRACTOR shall provide and maintain the insurance as listed in Exhibit C attached hereto and made a part hereof by reference.
9. **ENTIRE AGREEMENT:** This Agreement constitutes the entire understanding of the parties and supersedes all previous representations, written or oral, with respect to the services specified herein. This Agreement may not be modified or amended except by a written document, signed by authorized representatives or each party.
10. **ARIZONA LAW:** This Agreement shall be governed and interpreted according to the laws of the State of Arizona.
11. **NOTICES:** All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other party in writing, delivered by hand or registered or certified mail, at the addresses set forth below, or to such other address as the parties may substitute by written notice given in the manner prescribed in this paragraph.

| | |
|----------------------------|------------------------------|
| In the case of CONTRACTOR: | Anthem Life |
| Address | 1801 Watermark Dr. Suite 200 |
| City, State, Zip | Columbus, Oh 43215 |
| Contact Name | Brenda Eisnaugle |
| Phone Number | 614-433-8360 |

In the case of City:

City of Chandler
Human Resources
Human Resources Director
55 N. Arizona Place, #204
Chandler, AZ 85225
480.782.2350

Notices shall be deemed received on date delivered, if delivered by hand, and on the delivery date indicated on receipt if delivered by certified or registered mail.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names to this day of 2003

CITY OF CHANDLER

CONTRACTOR

[Signature]
MAYOR

Anthem Life Insurance Company
By: Brenda Elsnaugle
Title: Underwriting Analyst

ADDRESS FOR NOTICE

ADDRESS FOR NOTICE

Po Box 9008 MS 603
Chandler Az 85244

1801 Watermark Dr. Suite 200
Columbus, OH 43215

Phone: _____

Phone: 614-438-3500

ATTEST:

ATTEST: If Corporation

[Signature]
City Clerk

[Signature]
Asst. Secretary

APPROVED AS TO FORM:

WITNESS: (If Individual or Partnership)

[Signature]
City Attorney



**EXHIBIT A
SCOPE OF WORK**

See attached "A Proposed Long Term Disability Program For City of Chandler"

**EXHIBIT B
FEE SCHEDULE**

35 cents per \$100 of payroll guaranteed for 2 years.

EXHIBIT C INSURANCE REQUIREMENTS

1. CONTRACTOR, at its own expense, shall purchase and maintain insurance of the types and amounts required in this section, with companies possessing a current A.M. Best, Inc. rating of B++6, or better and legally authorized to do business in the State of Arizona with policies and forms satisfactory to CITY.
2. Policies written on a "Claims made" basis are not acceptable without written permission from the City's Risk Manager.
3. All insurance required herein shall be maintained in full force and effect until all work or services required to be performed under the terms of this Agreement is satisfactorily completed and formally accepted. Failure to do so may, at the sole discretion of CITY, constitute a material breach of this Agreement and may result in termination of this contract.
4. If any of the insurance policies are not renewed prior to expiration, payments to the CONTRACTOR may be withheld until these requirements have been met.
5. All insurance policies, except Workers' Compensation and Professional Liability required by this Agreement, and self-insured retention or deductible portions, shall name, to the fullest extent permitted by law for claims arising out of the performance of this contract, the City of Chandler, its agents, representatives, officers, directors, officials and employees as Additional Insureds.
6. CONTRACTOR's insurance shall be primary insurance over any insurance available to the CITY and as to any claims resulting from this contract, it being the intention of the parties that the insurance policies so effected shall protect both parties and be primary coverage for any and all losses covered by the described insurance.
7. The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against CITY, its agents, representatives, officers, directors, officials and employees for any claims arising out of CONTRACTOR's acts, errors, mistakes, omissions, work or service.
8. The insurance policies may provide coverage, which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall be assumed by and be for the account of, and at the sole risk of CONTRACTOR. CONTRACTOR shall be solely responsible for the deductible and/or self-insured retention. The amounts of any self-insured retentions shall be noted on the Certificate of Insurance. CITY, at its option, may require CONTRACTOR to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit. Self-insured retentions in excess of \$10,000 will not be accepted except with permission of the Management Services Director/designee.
9. All policies and certificates shall contain an endorsement providing that the coverage afforded under such policies shall not be reduced, canceled or allowed to expire until at least thirty (30) days prior written notice has been given to CITY.
10. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the CONTRACTOR with reasonable promptness in accordance with the CONTRACTOR's information and belief.
11. In the event that claims in excess of the insured amounts provided herein, are filed by reason of any operations under this contract, the amount of excess of such claims, or any portion thereof, may be withheld from payment due or to become due the CONTRACTOR until such time as the CONTRACTOR shall furnish such additional security covering such claims as may be determined by the CITY.

C.1 PROOF OF INSURANCE - CERTIFICATES OF INSURANCE

1. Prior to commencing work or services under this Agreement, CONTRACTOR shall furnish to CITY Certificates of Insurance, issued by CONTRACTOR's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Agreement are in full force and effect and obtain from the City's Risk Management Division approval of such Certificates.
2. If a policy does expire during the life of this Agreement, a renewal certificate must be sent to the City of Chandler five (5) days prior to the expiration date.

Providing Long Term Disability insurance to Public Safety personnel at City of Chandler
Anthem Life
Page 6 of 8

3. All Certificates of Insurance shall identify the policies in effect on behalf of CONTRACTOR, their policy period(s), and limits of liability. Each Certificate shall include the job site and project number and title. Coverage shown on the Certificate of Insurance must coincide with the requirements in the text of the contract documents. Information required to be on the certificate of Insurance may be typed on the reverse of the Certificate and countersigned by an authorized representative of the insurance company.
4. CITY reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required insurance policies and/or endorsements. CITY shall not be obligated, however, to review same or to advise CONTRACTOR of any deficiencies in such policies and endorsements, and such receipt shall not relieve CONTRACTOR from, or be deemed a waiver of CITY's right to insist on, strict fulfillment of CONTRACTOR's obligations under this Agreement.

C.2 REQUIRED COVERAGE

1. Such insurance shall protect CONTRACTOR from claims set forth below which may arise out of or result from the operations of CONTRACTOR under this Contract and for which CONTRACTOR may be legally liable, whether such operations be by the CONTRACTOR or by a Sub-contractor or subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. Coverage under the policy will be at least as broad as Insurance Services Office, Inc., policy form CG00011093 or equivalent thereof, including but not limited to severability of interest and waiver of subrogation clauses.
2. Claims under workers' compensation, disability benefit and other similar employee benefit acts which are applicable to the Work to be performed;
3. Claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;
4. Claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;
5. Claims for damages insured by usual personal injury liability coverage;
6. Claims for damages, other than to Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
7. Claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle; Coverage will be at least as broad as Insurance Service Office, Inc., coverage Code "I" "any auto" policy form CA00011293 or equivalent thereof.
8. Claims for bodily injury or property damage arising out of completed operations;
9. Claims involving contractual liability insurance applicable to the Contractor's obligations under the Indemnification Agreement;
10. Claims for injury or damages in connection with one's professional services;

C.2.1 Commercial General Liability - Minimum Coverage Limits

The Commercial General Liability Insurance required herein shall be written for not less than \$1,000,000 limits of liability or ten percent (10%) of the Contract Price, whichever coverage is greater. Any combination between general liability and excess general liability alone amounting to a minimum of \$1,000,000 per occurrence (or 10% per occurrence) and an aggregate of \$2,000,000 (or 20% whichever is greater) in coverage will be acceptable. The Commercial General Liability additional insured endorsement shall be as broad as the Insurance Services, Inc's (ISO) Additional Insured, Form B, CG 20101001, and shall include coverage for CONTRACTOR's operations and products, and completed operations.

C.2.2 General Liability - Minimum Coverage Limits

The General Liability Insurance required herein, including, Comprehensive Form, Premises-Operations, Explosion and Collapse, Underground Hazard, Products/Completed Operations, Contractual Insurance, Broad Form Property Damage, Independent Contractors, and Personal Injury shall be written for Bodily Injury and Property Damage Combined shall be written for not less than \$1,000,000 or 10% of the contract cost and with a \$2,000,000 aggregate.

C.2.3 Automobile Liability

CONTRACTOR shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to any owned, hired, and non-owned vehicles assigned to or used in performance of the CONTRACTOR's work. Coverage shall be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00011293, or any replacements thereof). Such insurance shall include coverage for loading and off loading hazards if hazardous substances, materials or wastes are to be transported and a MCS 90 endorsement shall be included with coverage limits of \$5,000,000 per accident for bodily injury and property damage.

C.2.4 Worker's Compensation and Employer's Liability

CONTRACTOR shall maintain Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over CONTRACTOR's employees engaged in the performance of the work or services; and, Employer's Liability insurance of not less than \$1,000,000 for each accident, \$1,000,000 disease coverage for each employee, and \$1,000,000 disease policy limit.

In case any work is subcontracted, CONTRACTOR will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of CONTRACTOR.

C.2.5 Professional Liability

CONTRACTOR shall maintain Professional Liability Insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by CONTRACTOR, or any person employed by CONTRACTOR, with the coverage limit of not less than \$1,000,000 per each occurrence

Employer/Group Application

PLEASE COMPLETE IN INK. Read and complete all of this form. If you need more space, attach a separate sheet of paper. Please use 4 digits for years (e.g. 1998, not 98).

Anthem Life

Anthem Life Insurance Company
P.O. Box 182361
Columbus, OH 43218-2361
800-551-7265 614-433-8880 Fax

SECTION A. ANTHEM LIFE USE ONLY

Group Number _____ Group Name _____ Effective Date _____

SECTION B. APPLICANT INFORMATION

REASON FOR APPLICATION: New Application Change of Address Change of Benefits R reinstatement REQUESTED EFFECTIVE DATE: 11/1/04

The benefits you have selected are outlined on the attached proposal, herein incorporated by reference.
 Basic Life Dependent Life Supplemental AD&D Long Term Disability Other: _____
 Basic AD&D Supplemental Life Short Term Disability Voluntary Group Term Life Other: _____

| | | | | |
|---|---|---|---|---|
| Tax Identification/FEIN 866000232 | Legal Name of Group City of Chandler | Name of Association (if applicable) NA | | |
| Head of Firm/Title Debra Stapleton, HR Director | Administrative Contact/Title Ann Sochner, Benefits | Years in Business 1912 | Full-time employees 1475/425 | |
| Home Office Address 55 N. Arizona Pl. #204 | City Chandler | State/Zip AZ 85225 | County Maricopa | Municipality City |
| Billing Address (if different from Home Office Address) | City | State/Zip | Type of Business City | |
| Standard Industry Code (SIC) 9229 | Phone Number 480 782 2359 | Fax Number 480 782 2345 | E-Mail Address sochner@ci... | Does group have a cafeteria plan under IRS Section 125? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Type of Organization <input checked="" type="checkbox"/> Government Unit | <input type="checkbox"/> Partnership <input type="checkbox"/> Labor Union <input type="checkbox"/> Corporation <input type="checkbox"/> Trust <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Other | Is coverage subject to bargaining agreement? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Will bargaining agreement participants be considered eligible employees? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Union name, number & contract expiration date: (attach copy of agreement) Chandler.g2.us |

Affiliates/Subsidiaries/Divisions to be included: List name, location, and number of employees at each location.

Are separate billings required for subsidiaries/affiliates? Yes No for classes? Yes No (If yes, attach detailed information.)
 Has your group been turned down for coverage in the last 12 months? Yes No If yes, by whom, when, and why:

SECTION C. ELIGIBILITY AND WAITING PERIOD

Eligible full-time employees must work at least 20 hrs per week (25 hours per week in Ohio if under 50 lives), must be actively-at-work, and must satisfy any applicable eligibility waiting period.

The waiting period for individuals employed on or before the effective date will be: *Except for Police Officers (100) + Richard Speer + Matthew Goose*
 none 180 days continuous employment first premium due date following _____ days of continuous employment

The waiting period for individuals employed after the effective date will be:
 none _____ days continuous employment first premium due date following _____ days of continuous employment

Does any class have a different waiting period? Yes No If yes, please describe:

SECTION D. CONTRIBUTIONS

Group contribution percentage for life insurance products:

Basic Life _____% Dependent Life _____% Supplemental AD&D _____% Long Term Disability 100%
 Basic AD&D _____% Supplemental Life _____% Short Term Disability _____% Voluntary Group Term Life _____%
 Other: _____% Other: _____%

Does any class(es) have a different group contribution? Yes No If yes, please describe:

SECTION E. ACTIVELY AT WORK REQUIREMENTS

The employees listed below are not presently actively-at-work and/or are not expected to be actively-at-work on the requested group effective date. Anthem Life may make an exception and assume liability, subject to Underwriting approval, for certain employees. Unless this exception is applied for and granted as indicated below, they will not be covered until they return to active work. To qualify for this exception, the following conditions must all be satisfied. 1) The employee's absence must be due to illness or injury. 2) The employee must be covered by the prior carrier on the day immediately prior to Anthem Life's effective date of coverage for your group. 3) The employee must not be eligible to have coverage continued or extended by the prior carrier after that policy/contract terminates. In no event will the actively-at-work requirement be waived for coverage which provides benefits due to total disability, such as short term disability, waiver of premium or extension of benefits. In no event will any increase in coverage or any additional coverage become effective until the employee returns to work. Coverage approved below will end when your group's coverage under Anthem Life's policy ends or at the end of any time period shown below, whichever occurs first. (Attach additional sheet if necessary.)

| Name of Employee | Amount of Insurance | Date of Birth | Date Last Worked | Reason Not Working | Date Expected To Return | Insured by Prior Carrier | Request Actively-At-Work Waiver | Waiver Request Approved | Underwriter Approval |
|------------------|---------------------|---------------|------------------|--------------------|-------------------------|--|--|--|----------------------|
| NTA | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| | | | | | | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | <input type="checkbox"/> Yes <input type="checkbox"/> No | |

SECTION F. VOLUNTARY GROUP INSURANCE

Mode of Payment: Payroll Deduction Quarterly Semi-Annual Annual
 If payroll deduction, bill: 1/12 Annual Special Frequency
 For VGTL: Is Accidental Death included? Yes No

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Schedule of Benefits

| Class | Description | LTD Benefit | Elimination Period | Maximum Payment Duration |
|-------|--|-----------------------------------|--------------------|--------------------------|
| 1 | All full-time eligible Public Safety employees | 66.67% of Pre-Disability Earnings | 180 days | RBD |

Benefit Plan Highlights

- This rate provides \$100 or 10% Minimum Monthly Benefit.
- Maximum Benefit is \$5,000.
- Definition of Disability is 24 months Own Occupation with Residual.
- Work Benefit is 12 Months.
- Pre-Existing Condition Limitation is 3/12 Exclusion.
- LTD benefits integrate with Family Social Security Benefits.
- Disability due to Mental Illness or Substance Abuse is limited to 24 months. Disability due to Self-Reported Symptoms is unlimited.
- 3 Month Survivor Benefit.
- LTD rate(s) are Non-Contributory, a minimum of 100% of eligible employees must participate. If the plan should change to contributory, an adjustment to the rate will be necessary.
- Continuity of Coverage (no loss/no gain) is included, provided that a complete copy of the prior carrier's policy is submitted to Anthem Life.
- Group must be in business 1 year to be eligible for benefits.
- The proposed Long Term Disability rate is guaranteed for 2 Years.

LTD Standard Provisions

- | | |
|---|---|
| <ul style="list-style-type: none"> • Full Maternity Benefits • Waiver of Premium • Accumulation of Elimination Period • 6 Month Recurrent Disability • Cost of Living Freeze | <ul style="list-style-type: none"> • Workplace Modification • Vocational Rehabilitation • Social Security Assistance |
|---|---|
- (Super Freeze for groups in CT, KS, MD, MN and MO)

Proposed LTD Rate

| Coverage | Monthly Rate Per \$100 of Covered Payroll | No. of Insured | Monthly Covered Payroll | Monthly Costs | Annual Costs |
|----------|---|----------------|-------------------------|---------------|--------------|
| LTD | \$0.35 | 428 | \$1,721,387 | \$6,024.85 | \$72,298.25 |

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

General Provisions:

- 1) Only full-time, eligible employees working 20 or more hours per week are eligible for coverage.
- 2) This proposal is subject to underwriting approval. Rates are proposed for an effective date of 1/1/2004. Final rates will be based on the actual effective date. Rates are based on a SIC code of 9229. Anthem Life reserves the right to review rates if there should be any change in the original data quoted on (i.e. lives, occupations, salaries, or other pertinent facts) and/or continuation provisions desired by CITY OF CHANDLER differ from those included in this proposal. Please do **not** cancel your coverage until the application is approved in writing. This information is intended to present only a general overview of the benefits. Not all details, limitations and exclusions are included.
- 3) This proposal is offered on a fully insured non-refunding basis.
- 4) Anthem Life does not permit open enrollment on any lines of coverage.
- 5) The LTD rate assumes CITY OF CHANDLER participates in a Workers' Compensation Plan.
- 6) The LTD benefits and rate will not be part of any bargaining agreement. If Union employees are to be included, further rate adjustments may be necessary.
- 7) It is Anthem Life's intent to match the requested benefits. However, Anthem Life's standard policy provisions will apply as our contract is filed and approved in Arizona where the contract will be issued. If there are employees located in other states, Anthem Life will need to comply with any extraterritorial requirements of those states. Some states may require Anthem Life to file its policy language and may ask us to make minor modifications for the residents of that state.
- 8) This proposal is valid until 12/04/2003.
- 9) Anthem Life reserves the right to modify the proposed terms or to issue coverage in accordance with its internal procedures, which may include, among other things, issued classes different from those that are proposed. Eligibility by class, as indicated in the "Schedule of Benefits" section of the proposal will not be affected by this change. Anthem Life will notify the employer of any such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued.

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Please complete the section below:

Is this a replacement of similar coverage? Yes No

Previous LTD Carrier Name: The Standard

Planned Termination Date: 1/1/04

This coverage has been selected for employees, subject to the terms and conditions of this proposal and the application to which this is attached.

 HR Director
Authorized Signature/Title

9-22-03
Date

SECTION G. AUTHORIZATION (Read carefully before signing.)

The undersigned employer and/or authorized representative hereby requests that it be approved for insurance coverage through Anthem Life Insurance Company (Anthem Life). Employer understands and represents to the best of his knowledge and belief the following, and if approved for coverage, agrees by payment of the required premiums; and the authorized representative certifies on behalf of the employer:

1. To comply with all terms and provisions of the Group Contract(s) issued, and trust agreements, if applicable, and also accepts enrollment under the Anthem Life trust policy(ies), if applicable;
2. To make the insurance coverage available to all eligible employees and their eligible dependents and to distribute information and documents to enrolled employees as needed;
3. To maintain records and furnish to Anthem Life or their designated agent(s), any information required in connection with administration of the insurance coverage;
4. To provide notice of applicable conversion rights to eligible employees and eligible dependents;
5. That approval for this insurance may cancel any prior contracts and/or coverage with Anthem Life effective immediately preceding the effective date of the employer's coverage;
6. To pay Anthem Life by the premium due date, the premiums on behalf of each member covered under the contract, unless otherwise stated in any financial agreement between the parties, to submit applications of employees prior to their date of eligibility, to keep all necessary records regarding membership;
7. That claims filed by or on behalf of members may, at Anthem Life's option, be suspended if premiums are not received timely;
8. Employer will receive, on behalf of members, all notices delivered by Anthem Life, and immediately forward such notices to persons involved, at their last known address, including certificates of coverage;
9. The advance premium check does not create temporary or interim insurance coverage and that receipt and deposit of that payment does not guarantee issuance of insurance coverage. Rather, issuance of insurance coverage is expressly conditioned on Anthem Life's determination that the group is an acceptable risk based on their current underwriting practices and procedures. Unless these conditions are

met, there shall be no liability on the part of Anthem Life except to refund the payment. The employer will be responsible for returning to individual employees any part of the payment contributed by those employees;

10. That in order for Anthem Life to accept or decline this application, all the information requested on this application must be completed. In the event the application is not complete, Anthem Life, or its designated agent(s), is authorized to obtain the necessary information and to complete that information on this application. The employer understands that the coverage issued by Anthem Life may be different than the coverage applied for herein. In that event, Anthem Life shall notify the employer of such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued;
11. The premium rates calculated for the employer are contingent, based upon the accuracy of the eligibility data submitted on employees and covered dependents to Anthem Life by the employer. Anthem Life reserves the right to review such rates upon receipt of all individual applications for employers' employees and modify the rates, if the enrollment information so warrants. Any misstatements on employees' applications or failure to report new medical information prior to the employees' effective dates may result in a material change to the groups' coverage or premium rate as of the effective date of coverage;
12. The entire application for Group Insurance has been reviewed, and all answers contained herein are true and complete to the best of the employer's and/or authorized representative's knowledge and belief;
13. All employees applying for coverage are employees of the employer, receive salary or wages documented on state and/or federal payroll reports, work full-time (unless otherwise approved by Anthem Life in writing) and meet any other eligibility requirements for coverage;
14. The requested coverage is not in effect unless and until this application is approved by Anthem Life, that approval of coverage shall be evidenced by issuing insurance contracts and/or policies to the employer, and an employee's coverage is not in effect unless and until the employee applies and is approved for coverage by Anthem Life.

ATTACH A CHECK FOR THE FIRST MONTH'S PREMIUM.

| | | |
|--|--|-----------------|
| Signature of Authorized Group Representative <i>Debra Stalton</i> | City/State where signed Chandler, AZ | Date 9/22/03 |
| Print Name of Authorized Group Representative Debra Stalton | Title of Authorized Group Representative Human Resources Director | |

The laws of some states require us to provide you with the following information:

In Indiana and Ohio: Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

In Kentucky: Any person who knowingly and with intent to defraud any insurance company, or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

Broker Certification

I hereby certify that: (1) I have reviewed the attached employee and group applications and waivers for completeness and accuracy, (2) I am not aware of any health history of any applicant that does not appear on the application, (3) I have not completed any of the information contained in the applications except with permission of the applicant and as noted by my initials on the application, (4) I have not signed any of the applications for a group representative or individual applicant, (5) I have fully explained to the Employer that an employee not actively at work on the policy effective date or their eligibility date will not be covered until such employee returns to active work full-time, (6) I have advised the group that a failure to provide complete and accurate information may result in a loss of coverage retroactive to the effective date of coverage or a re-rating of the group's premium retroactive to the effective date of coverage, and that coverage shall not be effective until Anthem Life reviews and approves the application and the group receives a written notice and contract from Anthem Life. (7) I am licensed in the state of this group for the types of insurance solicited.

| | |
|--|---|
| Name of Broker/Agent <i>Debra Stalton</i> | Signature of Broker/Agent <i>Debra Stalton</i> |
| Broker Number | Tax ID Number to be paid |
| Agency Name (if applicable) | General Agent |
| | Brother Phone Number |
| | Date |
| | Anthem Sales Representative |

A PROPOSED
LONG TERM DISABILITY PROGRAM
FOR
CITY OF CHANDLER

Benefits Provided By:

Anthem Life

Anthem Life Insurance Company
1801 Watermark Drive, Suite 200
Columbus, OH 43215-7088

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

Schedule of Benefits

| Class | Description | LTD Benefit | Elimination Period | Maximum Payment Duration |
|-------|--|-----------------------------------|--------------------|--------------------------|
| 1 | All full-time eligible Public Safety employees | 66.67% of Pre-Disability Earnings | 180 days | RBD |

Benefit Plan Highlights

- This rate provides \$100 or 10% Minimum Monthly Benefit.
- Maximum Benefit is \$5,000.
- Definition of Disability is 24 months Own Occupation with Residual.
- Work Benefit is 12 Months.
- Pre-Existing Condition Limitation is 3/12 Exclusion.
- LTD benefits integrate with Family Social Security Benefits.
- Disability due to Mental Illness or Substance Abuse is limited to 24 months. Disability due to Self-Reported Symptoms is unlimited.
- 3 Month Survivor Benefit.
- LTD rate(s) are Non-Contributory, a minimum of 100% of eligible employees must participate. If the plan should change to contributory, an adjustment to the rate will be necessary.
- Continuity of Coverage (no loss/no gain) is included, provided that a complete copy of the prior carrier's policy is submitted to Anthem Life.
- Group must be in business 1 year to be eligible for benefits.
- The proposed Long Term Disability rate is guaranteed for 2 Years.

LTD Standard Provisions

- | | |
|---|---|
| <ul style="list-style-type: none"> • Full Maternity Benefits • Waiver of Premium • Accumulation of Elimination Period • 6 Month Recurrent Disability • Cost of Living Freeze | <ul style="list-style-type: none"> • Workplace Modification • Vocational Rehabilitation • Social Security Assistance |
|---|---|
- (Super Freeze for groups in CT, KS, MD, MN and MO)

Proposed LTD Rate

| Coverage | Monthly Rate Per \$100 of Covered Payroll | No. of Insured | Monthly Covered Payroll | Monthly Costs | Annual Costs |
|----------|---|----------------|-------------------------|---------------|--------------|
| LTD | \$0.35 | 428 | \$1,721,387 | \$6,024.85 | \$72,298.25 |

CITY OF CHANDLER

Proposed Effective Date: 1/1/2004

Proposal Date: 09/04/2003

General Provisions:

- 1) Only full-time, eligible employees working 20 or more hours per week are eligible for coverage.
- 2) This proposal is subject to underwriting approval. Rates are proposed for an effective date of 1/1/2004. Final rates will be based on the actual effective date. Rates are based on a SIC code of 9229. Anthem Life reserves the right to review rates if there should be any change in the original data quoted on (i.e. lives, occupations, salaries, or other pertinent facts) and/or continuation provisions desired by CITY OF CHANDLER differ from those included in this proposal. Please do **not** cancel your coverage until the application is approved in writing. This information is intended to present only a general overview of the benefits. Not all details, limitations and exclusions are included.
- 3) This proposal is offered on a fully insured non-refunding basis.
- 4) Anthem Life does not permit open enrollment on any lines of coverage.
- 5) The LTD rate assumes CITY OF CHANDLER participates in a Workers' Compensation Plan.
- 6) The LTD benefits and rate will not be part of any bargaining agreement. If Union employees are to be included, further rate adjustments may be necessary.
- 7) It is Anthem Life's intent to match the requested benefits. However, Anthem Life's standard policy provisions will apply as our contract is filed and approved in Arizona where the contract will be issued. If there are employees located in other states, Anthem Life will need to comply with any extraterritorial requirements of those states. Some states may require Anthem Life to file its policy language and may ask us to make minor modifications for the residents of that state.
- 8) This proposal is valid until 12/04/2003.
- 9) Anthem Life reserves the right to modify the proposed terms or to issue coverage in accordance with its internal procedures, which may include, among other things, issued classes different from those that are proposed. Eligibility by class, as indicated in the "Schedule of Benefits" section of the proposal will not be affected by this change. Anthem Life will notify the employer of any such differences, and by payment of the appropriate premiums, the employer will accept the coverage as issued.

Anthem Life Insurance Company
Box 182361
Columbus, Ohio 43218-2361
Tel 614 436-0688
Fax 614 433-8869

Anthem Life

October 1, 2007

GROUP BENEFIT ADMINISTRATOR
City of Chandler
55 N Arizona Place #204
Chandler AZ 85225

Group Number: AZ001-AL00001212
Anniversary Date: 1/1/2008

RE: NOTICE OF RENEWAL ACTION

Group Benefit Administrator:

We have completed our annual review of your Anthem Life insurance program. We are pleased to inform you that your insurance program will be renewed at inforce rates shown below.

| <u>Coverage</u> | <u>Renewal Rates</u> |
|-----------------|----------------------|
| LTD | \$0.36/\$100 |

We appreciate the opportunity to service your group insurance needs. If you have any questions regarding your insurance program with Anthem Life, please contact your local representative or Anthem Life's Group Underwriting Department at (614) 436-0688.

Sincerely,



Jennifer M. Potts
Group Underwriting Department

Attachment 3

REQUIRED COMPLIANCE WITH ARIZONA PROCUREMENT LAW

1. Compliance with A.R.S. § 41-4401. Pursuant to the provisions of A.R.S. § 41-4401, the Contractor hereby warrants to the City that the Contractor and each of its subcontractors (“Subcontractors”) will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter “Contractor Immigration Warranty”).

1.1 A breach of the Contractor Immigration Warranty (Exhibit A) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.

1.2 The City retains the legal right to inspect the papers of any Contractor or Subcontractor employee who works on this Contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty. The Contractor agrees to assist the City in the conduct of any such inspections.

1.3 The City may, at its sole discretion, conduct random verifications of the employment records of the Contractor and any Subcontractors to ensure compliance with Contractors Immigration Warranty. The Contractor agrees to assist the City in performing any such random verifications.

1.4 The provisions of this Article must be included in any contract the Contractor enters into with any and all of its subcontractors who provide services under this Contract or any subcontract. “Services” are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

1.5 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Iran.

1.6 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Sudan.

Exhibit A

Contractor Immigration Warranty
To Be Completed by Contractor Prior to Execution of Contract

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the contractor and subcontractors with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

By completing and signing this form and attached Employee Verification Worksheet the contractor shall attest that it and all subcontractors performing work under the cited contract meet all conditions contained herein.

| | | | |
|--|--------|-----------------|--|
| Contract Number/PO Number _____ | | Division: _____ | |
| Name (as listed in the contract. Anthem Life Insurance Company | | | |
| Street Name and Number: | | | |
| City: | State: | Zip Code: | |

I hereby attest that:

1. The contractor complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing work under this contract;
2. All subcontractors performing work under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees; and
3. The contractor has identified all contractor and subcontractor employees who perform work under the contract on the attached Employee Verification Worksheet and has verified compliance with Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214.

Signature of Contractor (Employer) or Authorized Designee:

Brent Tran

Printed Name: Brent Tran

Title: Group Underwriter

Date (month/day/year): 10-01-08

Anthem Life Insurance Company
21555 Oxnard Street, CAAC12A
Woodland Hills, CA 91367
Tel 614-436-0688
Fax 866-594-0516
Email Life.Disability.MBU@WellPoint.com

Anthem[®]Life

CITY OF CHANDLER
ATTN: GLYN SOEHNER
55 NORTH ARIZONA PLACE #204
CHANDLER, AZ 85225

JULY 30, 2008

Dear Benefits Administrator:

Thank you for the opportunity to provide Anthem Life coverage to your employees. All of us at Anthem Life appreciated the confidence you have placed in us, and we remain dedicated to providing you and your employees with quality, cost effective coverage.

We have completed our evaluation of your group coverage with Anthem Life. Our analysis takes into consideration a variety of elements that include overall industry trends in claims incidence, shifts in employee composition as well as other financial or premium related issues that have a bearing on our cost structure. After careful consideration of the above factors, we have established the pricing for your upcoming policy period.

The resulting renewal rates, along with your current rates for Long Term Disability will be extended for another year.

| <u>Coverage</u> | <u>Current Rates</u> | <u>Renewal Rates</u> |
|-----------------|----------------------|----------------------|
| LTD | \$0.36 / \$100 | \$0.36 / \$100 |

Anthem offers a variety of products including optional/supplemental life, short and long term disability, dental and vision coverage, and an Employee Assistance Program (EAP). If you have any questions regarding our renewal assessment or would like additional information regarding our products, please do not hesitate to contact your insurance broker or your Anthem Sales representative.

We appreciate the opportunity to provide your employee benefits and look forward to continuing our relationship.

Sincerely,

Brent Tran

Anthem Life Underwriter

Enclosures

Broker- Segal Co.
Group Number- HO001 AL000012120000
Effective Date: 01-01-2009

**CALENDAR YEAR 2009
AMENDMENT TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE CITY OF CHANDLER AND
SUN LIFE ASSURANCE COMPANY OF CANADA
FOR GROUP LIFE INSURANCE**

This Amendment ("Calendar Year 2009 Amendment"), is made and entered this _____ day of _____, 2008 to the *Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada*, providing group life, voluntary life, and dismemberment insurance, with an effective date of January 1, 2004 ("Contract").

WHEREAS, the City of Chandler and Sun Life Assurance Company of Canada entered into a Contract effective January 1, 2004, and have subsequently extended that Contract, since 2004 through June 30, 2006, subject to the same terms and conditions except that (1) on January 1, 2005, the policy was extended for the period January 1 through December 31, 2005 (2) on March 17, 2005, the anniversary date was changed to July 1st and the annual enrollment period for Optional Life Insurance was May 1st to May 31st and changed certain maximum life insurance; (3) on July 1, 2006, the policy was extended for the period July 1, 2006 through June 30, 2007; (4) on August 13, 2007 the policy was extended for the period June 30, 2007; and December 31, 2008 with certain amendments; and

WHEREAS, the City and Sun Life Assurance Company of Canada ("Contractor") want to extend this Contract, as amended, for the term January 1, 2009 through December 31, 2010, to: (1) amend the rates charged under the Contract and (2) add certain provisions for required compliance with Arizona procurement law.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada* effective January 1, 2004 is attached hereto as Attachment 1 and incorporated herein by this reference.

2. The policy dated effective January 1, 2004 is attached hereto as Attachment 2 and incorporated herein by this reference.

3. The policy amendment dated effective January 1, 2005 is attached hereto as Attachment 3 and incorporated herein by this reference.

4. The policy amendment dated effective March 17, 2005 is attached hereto as Attachment 4 and incorporated herein by reference.

5. The rates for Basic Life Insurance, Basic Accidental Death and Dismemberment Insurance, and Voluntary Life Insurance shall continue to be as stated in the letter dated October 19, 2005 from Mr. John Coyle, Segal Company, to Mr. Harley Barnes, attached hereto as Attachment 5 and incorporated herein by this reference, except that the rate for Basic Life (per \$1,000) shall continue to be \$0.15, in place of \$.014.

6. The *Calendar Year 2009 Amendment to Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada for Group Life Insurance* dated August 13, 2007 is attached hereto as Attachment 6 and incorporated herein by reference.

7. The Sun Life Assurance Company of Canada policy, effective date January 1, 2005, policy effective date of March 17, 2005, attached hereto as Attachment 4, is amended as follows:

a. At Page 3, under Class 1, Life, remove "\$150,000", insert "\$300,000". At Page 3, under Class 1, AD&D, remove "\$150,000", insert: "An amount equal to the Employee's amount of basic life insurance in force."

b. At Page 4, delete the following sentence: "The Basic Maximum Benefit for Class 2 shall be \$200,000." The following sentence is inserted: "The Basic Maximum Benefit for Class 1 and 2 is \$300,000."

c. Attachment 7, Required Compliance with Arizona Procurement Law, is incorporated herein by this reference as part of this policy.

8. That the term of the policy shall be extended from January 1, 2009 to December 31, 2010, and the anniversary date shall continue to be based on the calendar year.

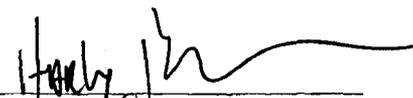
9. Except for the provisions amended in items 7 and 8 above, the Contract as amended as of August 13, 2007, attached hereto as Attachment 6, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2009 Amendment to Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada for Group Life Insurance* to be duly executed this ____ day of _____, 2008.

CITY OF CHANDLER,
an Arizona municipal corporation

SUN LIFE ASSURANCE
COMPANY OF CANADA

By: _____
Mayor

By: 
Title: Phoenix Group Manager

APPROVED AS TO FORM:

City Attorney

CH for

ATTEST: (If corporation)

Secretary

ATTEST:

City Clerk

City of Chandler
Professional Services Agreement

SERVICE: Providing Group Life, Voluntary Life and Accidental Death and Dismemberment insurance to certain employees of the City of Chandler under the terms and conditions of the group insurance policy issued by Sun Life Assurance Company of Canada to the City of Chandler.

THIS AGREEMENT is made and entered into this 1st day of January 2004, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "CITY" and Sun Life Assurance Company of Canada, hereinafter referred to as "CONTRACTOR."

WHEREAS, the Mayor and City Council of the City of Chandler is authorized and empowered by provisions of the City Charter to execute contracts for professional services; and

WHEREAS, CONTRACTOR represents that CONTRACTOR has the expertise and is qualified to perform the service described in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. **CONTRACT ADMINISTRATOR:** To provide the professional services described in this Agreement CONTRACTOR shall act at the direction of Human Resources Director or designee, (the Contract Administrator), who shall oversee the execution of the services described in this Agreement, assist CONTRACTOR with any necessary information, audit billings, and approve payments. CONTRACTOR shall channel reports and special requests through the Contract Administrator.
2. **SCOPE OF WORK:** CONTRACTOR shall provide Group Term Life, Voluntary Term Life and Accidental Death and Dismemberment insurance to certain employees of CITY in accordance with the terms and conditions of the group insurance policy issued by CONTRACTOR to CITY.
3. **FEE SCHEDULE:** For the services described in paragraph 2 above, CITY shall pay CONTRACTOR a fee in accordance with the fee schedule attached hereto as Exhibit A and incorporated herein by reference and as is further described in the group insurance policy issued by CONTRACTOR to CITY.
4. **TERM:** Following execution of this Agreement by CITY, CONTRACTOR shall immediately commence work as is necessary to provide services as of the effective date of the group insurance policy issued by CONTRACTOR to CITY. The term of the group insurance policy shall be one year and renewable thereafter for one-year terms.
5. **TERMINATION:** As set forth in the Termination Provisions of the group insurance policy issued by CONTRACTOR to CITY. CITY reserves the right, at its discretion, to terminate the services described in this Agreement with a thirty-one (31) day written notice to CONTRACTOR.
6. **INSURANCE REQUIREMENTS:** CONTRACTOR shall provide and maintain the insurance as listed in Exhibit B and made a part hereto by reference.

7. ENTIRE AGREEMENT: This Agreement along with the group insurance policy issued by CONTRACTOR to CITY constitutes the entire understanding of the parties and supercedes all previous representations, written or oral, with respect to services specified herein. This agreement may not be modified or amended except by written document, signed by authorized representatives of each party.
8. ARIZONA LAW: This Agreement shall be governed and interpreted according to the laws of the State of Arizona.
9. NOTICES: All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other party in writing, delivered by hand or registered or certified mail, at the addresses set forth below, or to such other address as the parties may substitute by written notice given in the manner prescribed in this paragraph.

In the case of CONTRACTOR: Sun Life Assurance Company of Canada
 Attn: Scott W. Cooper
 6991 E. Camelback Road
 Suite C-340
 Scottsdale, AZ 85251
 480-945-0078

In the case of CITY: City of Chandler
 Human Resources, Human Resources Director
 55 N. Arizona Place, #204
 Chandler AZ, 85225
 480-782-2350

Notices shall be deemed received on the date delivered, if delivered by hand, and on the delivery date indicated on receipt if delivered by certified or registered mail.

IN WITNESS WHEREOF, the parties have hereunto have executed this agreement the day and year first written above.

CITY OF CHANDLER

SUN LIFE ASSURANCE
 COMPANY OF CANADA

By: [Signature]
 MAYOR

By: [Signature]
 (For President)

Dated: 3-24-07

Title: VP Group Insurance

Dated: 11-7-03

ATTEST:

[Signature]
 City Clerk
 Dated: 3-29-2004

By: [Signature]
 (For Secretary)

Title: AVP + Controller

APPROVED AS TO FORM:

[Signature]
 City Attorney

Dated: 11/06/03

Dated: _____

SEAL

Exhibit A - FEE SCHEDULE in effect as of January 1, 2004

Group Life - \$0.14/\$1,000 of life insurance
 Accidental Death & Dismemberment - \$0.025/\$1,000 Of life insurance

Voluntary Term Life Insurance

Rates are guaranteed for 3 years

| RATES PER \$1,000 | Non-Smoker Employee | Non-Smoker Spouse | Smoker Employee | Smoker Spouse |
|-------------------------|---------------------|-------------------|-----------------|---------------|
| Under 20 | \$0.034 | \$0.024 | \$0.048 | \$0.034 |
| 20 - 24 | \$0.048 | \$0.034 | \$0.070 | \$0.050 |
| 25 - 29 | \$0.058 | \$0.042 | \$0.082 | \$0.060 |
| 30 - 34 | \$0.070 | \$0.054 | \$0.106 | \$0.082 |
| 35 - 39 | \$0.090 | \$0.070 | \$0.144 | \$0.114 |
| 40 - 44 | \$0.140 | \$0.126 | \$0.234 | \$0.187 |
| 45 - 49 | \$0.218 | \$0.168 | \$0.374 | \$0.290 |
| 50 - 54 | \$0.402 | \$0.360 | \$0.676 | \$0.492 |
| 55 - 59 | \$0.800 | \$0.640 | \$1.030 | \$0.707 |
| 60 - 64 | \$1.320 | \$0.972 | \$1.550 | \$1.152 |
| 65 and over | \$1.964 | \$1.546 | \$2.220 | \$1.629 |
| Optional Dependent Life | \$0.123 | | | |

Exhibit B – Insurance Policies in effect as of December 31, 2002

| Policy Type | Coverage Description |
|--|--|
| Directors' & Officers Liability | Liability of directors and officers for actual and alleged wrongful acts causing economic loss to third parties |
| Corporate Errors & Omissions/ Blended Excess | Coverage for liability to third parties resulting from performance of |
| Fidelity Bonds | Coverage for losses caused by infidelity of employees, agents, third party administrators and estate agents. Also includes coverage for loss on premises, in transit, forgery or alteration, computer, fraudulent mortgages and loss of securities |
| Employment Practices | Coverage for allegations of wrongful dismissal, discrimination, harassment and other employment-related issues |
| Fiduciary Liability | Covers trustees of company pension and benefit plans and their fiduciary responsibilities |
| Property | "All Risks" coverage for company owned buildings and contents of every description |
| Commercial General Liability | Liability to third parties for bodily injury and/or property damage |
| Automobile | Property and liability coverage for owned and leased automobiles |
| U.S. Workers' Compensation | In accordance with state laws |
| Agents Errors & Omissions | Sponsored plan in the U.S. to facilitate purchase of errors and omissions coverage by brokers |
| Special Coverage | Coverage to provide for kidnap, ransom, extortion, detention, hijack, and repatriation relating employees and their family members, and company property and information |

SUN LIFE ASSURANCE COMPANY OF CANADA

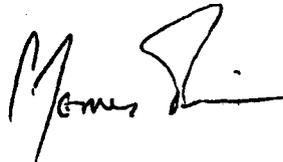
Policyholder: City of Chandler
Policy Number: 88444
Policy Effective Date: January 1, 2004
Policy Anniversary: January 1, 2005

This Policy is delivered in Arizona and is subject to the laws of that jurisdiction. Premiums are due and payable monthly on the first day of each month. Policy anniversaries will be annual beginning on January 1, 2005.

Sun Life Assurance Company of Canada (Sun Life) agrees to pay the benefits in accordance with all provisions provided by this Policy for Employee Basic Life, Employee Basic Accidental Death and Dismemberment, Employee Optional Life, and Dependent Optional Life Insurance. This Policy is issued in consideration of the Application of the Policyholder, a copy of which is attached, and continued payment of premiums by the Policyholder. The following pages including any Riders, Endorsements or Amendments are a part of this Policy.

For the purpose of effective dates and termination dates under this Policy, all days begin at 12:00 midnight and end at 11:59:59 pm.

Signed at Sun Life's U.S. Headquarters, One Sun Life Executive Park, Wellesley Hills, MA 02481.



President

READ YOUR POLICY CAREFULLY

Group Term Insurance Policy

Non-Participating

Table of Contents

Page Numbers

| | | |
|--------------|---|----|
| Section I | Schedule of Benefits | 3 |
| Section II | Definitions | 8 |
| Section III | Eligibility and Effective Date | 14 |
| Section IV | Benefit Provisions..... | 17 |
| | Employee Life Insurance..... | 17 |
| | Dependent Optional Life Insurance | 24 |
| | Employee Accidental Death and Dismemberment Insurance | 28 |
| Section V | Termination Provisions | 31 |
| Section VI | General Policy Provisions..... | 35 |
| Section VII | Claim Provisions..... | 38 |
| Section VIII | Premiums..... | 42 |

**Section I
Schedule of Benefits**

ELIGIBLE CLASSES

All Full-Time Employees scheduled to work at least 20 hours per week.

WAITING PERIOD

Until the first of the month following 1 month of continuous employment. However, if the first day of employment occurs on Monday the 2nd or 3rd of any month, an Employee will be eligible on the first of the following month. If the first day of employment occurs on a Tuesday after a Monday the 1st, 2nd, or 3rd which is a holiday, an Employee will be eligible on the first of the following month.

EMPLOYEE LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

BASIC INSURANCE

CLASSIFICATION

- 1 - City Manager
- 2 - City Attorney, City Clerk, City Magistrate and Presiding City Magistrate
- 3 - Council Members
- 4 - All Other Employees

| CLASS | LIFE | AD&D |
|--------------|---|---|
| 1 | \$150,000 | \$150,000 |
| 2 | 1.5 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |
| 3 | \$50,000 | \$50,000 |
| 4 | 1 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |

Section I
Schedule of Benefits

OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees

LIFE

An Employee may elect an
amount of Optional Life
Insurance in \$10,000 increments

* rounded to the next higher \$1,000, if not already a multiple of \$1,000

The **Optional Maximum Benefit** is the lesser of:

- \$500,000; or
- 5 times the Employee's Basic Annual Earnings.

The **Basic Maximum Benefit** for Class 2 is \$200,000.

The **Basic Maximum Benefit** for Class 4 is \$125,000.

The **Minimum Benefit** for Classes 2 and 4 for Basic Life Insurance is \$50,000.

(Applicable to Employees insured on December 31, 2003)

The **Guaranteed Issue Amount** for Optional Life Insurance is the amount of Optional Life Insurance the Employee had in force on December 31, 2003.

(Applicable to Employees hired on or after January 1, 2004)

The **Guaranteed Issue Amount** for Optional Life Insurance is \$120,000.

An Employee's amount of Basic and Optional Life and Basic Accidental Death and Dismemberment Insurance shown in the Schedule will reduce to 65% when he attains age 70 and to 50% when he attains age 75.

An Employee's Basic Life Insurance terminates at the Employee's retirement, unless the Employee is eligible for Retiree Life Insurance. An Employee's Optional Life and Basic Accidental Death and Dismemberment Insurance terminates at the Employee's retirement.

Evidence of Insurability, satisfactory to Sun Life, will be required for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects Basic Life Insurance only and subsequently elects Optional Life Insurance; or
- an Employee who elects an increase in his amount of Optional Life Insurance in excess of \$10,000; or
- an Employee whose amount of Life Insurance is in excess of the Guaranteed Issue Amount.

Section I
Schedule of Benefits

RETIRED EMPLOYEES (Basic Life Insurance only)

CLASSIFICATION

All Employees

LIFE

50% of the Employee's amount of Basic Life
Insurance in force prior to his retirement.

The **Retiree Maximum Benefit** is \$50,000.

The Employee must elect Retiree Life Insurance within 31 days following retirement. A Retired Employee may not elect Retiree Life Insurance after 31 days following retirement, nor reinstate terminated coverage.

Section I
Schedule of Benefits

DEPENDENT OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees enrolled in Employee Optional Life Insurance

Spouse

An Employee may elect an amount of Dependent Spouse Optional Life Insurance in \$5,000 increments

Child under age 19**

An Employee may elect one of the following Options:

Option I \$ 1,000*
Option II \$ 5,000*
Option III \$10,000*

The Dependent Spouse **Optional Maximum Benefit** is \$250,000

** to age 25 if the Employee's child is an enrolled full-time student and depends on the Employee for 50% or more of his support.

(The amount of Dependent Optional Life Insurance cannot exceed 50% of the Employee's amount of Optional Life Insurance)

The **Guaranteed Issue Amount** for Employees insured for Dependent Spouse Optional Life Insurance prior to January 1, 2004 is the amount of Dependent Spouse Optional Life Insurance the Employee had in force on December 31, 2003.

The **Guaranteed Issue Amount** for Employees hired on or after January 1, 2004 for Dependent Spouse Optional Life Insurance is \$60,000.

Evidence of Insurability, satisfactory to Sun Life, will be required for an Employee's Dependent for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects no Dependent Life coverage and subsequently elects Dependent Optional Life Insurance; or
- an Employee who elects Employee Basic Life Insurance only and subsequently elects Employee Optional Life Insurance and Dependent Optional Life Insurance; or
- an Employee who elects an amount of Life Insurance for a Dependent in excess of the Guaranteed Issue Amount; or
- an Employee who elects an increase in his amount of Dependent Optional Life Insurance in excess of \$5,000.

Section I
Schedule of Benefits

CONTRIBUTIONS

Employees will contribute to the cost of their Employee Optional Life and Dependent Optional Life Insurance.

Employees will not contribute to the cost of their Employee Basic Life and Employee Basic Accidental Death and Dismemberment Insurance.

Retirees will contribute to the cost of their Retiree Basic Life Insurance.

INITIAL MONTHLY PREMIUM RATES

| | |
|---|-----------------------|
| Employee Basic Life Insurance | Refer to Attachment A |
| Employee Optional Life Insurance | Refer to Attachment A |
| Employee Basic Accidental Death and Dismemberment Insurance | Refer to Attachment A |
| Dependent Optional Life Insurance | Refer to Attachment A |

The initial monthly premium rates are guaranteed until December 31, 2006, unless otherwise specified in Section VIII, Premiums. See Section VIII, Premiums for more information.

Section II Definitions

In this section Sun Life defines some basic terms needed to understand this Policy. All male terms include the female term, unless stated otherwise.

For purposes of this Policy:

Actively at Work means that an Employee performs all the regular duties of his job for a full work day scheduled by the Employer at the Employer's normal place of business or a site where the Employer's business requires the Employee to travel.

An Employee is considered Actively at Work on any day that is not his regular scheduled work day (e.g. vacation or holiday), provided the Employee was Actively at Work on his immediately preceding scheduled work day and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

An Employee is considered Actively at Work if he usually performs the regular duties of his job at his home, provided the Employee can perform all the regular duties of his job for a full work day and could do so at the Employer's normal place of business if required to do so, and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

Annual Enrollment Period means the period from November 1st - November 30th of each year as designated by the Policyholder and Sun Life.

Application means the document pertaining to the plan of insurance applied for by the Policyholder. This document is attached to this Policy.

Certificate means a written booklet prepared by Sun Life which includes any Riders, Endorsements or Amendments, containing a summary of:

1. the insurance benefits an Employee is entitled to;
2. to whom the benefits are payable; and
3. any limitations, exclusions or requirements that may apply.

Contributory Insurance means insurance for which the Employee is required to pay all or part of the premium.

Eligibility Date means the date or dates an Employee in an Eligible Class becomes eligible for insurance under this Policy. Classes eligible for insurance are shown in Section I, Schedule of Benefits.

Employee means a person who is employed by the Employer, scheduled to work at least the number of hours shown in Section I, Schedule of Benefits, and paid regular earnings.

Employer means City of Chandler and includes any Subsidiary or Affiliated company named in the Application.

Evidence of Insurability means a statement or proof of an Employee's or Dependent's medical history upon which acceptance for insurance will be determined by Sun Life. The Employee or Dependent must agree to submit to a paramedical examination and/or provide copies of medical records, if requested by Sun Life. Sun Life will pay the cost of any paramedical examination ordered by Sun Life for the purpose of providing Evidence of Insurability.

Section II Definitions

Grace Period means the 45 days following a premium due date.

Guaranteed Issue Amount means the maximum amount of insurance available under this Policy without Evidence of Insurability. If the Employee's or Dependent's amount of insurance exceeds the Guaranteed Issue Amount available under this Policy, any amount in excess of the Guaranteed Issue Amount is available to the Employee or Dependent only if he has furnished Evidence of Insurability to Sun Life and has been approved for any excess amount above the Guaranteed Issue Amount.

Hospital or Institution means a facility licensed to provide full-time medical care and treatment under the direction of a full-time staff of licensed physicians.

Initial Enrollment Period means:

- the period from November 1, 2003 - November 30, 2003 as designated by the Policyholder and Sun Life, for those Employees eligible for benefits on January 1, 2004; or
- the period of 31 days immediately after the Employee's Eligibility Date, for those Employees who become eligible for benefits after January 1, 2004.

Injury means bodily impairment resulting directly from an accident and independently of all other causes. Any Injury must occur and any disability must begin while the Employee is insured under this Policy.

Non-Contributory Insurance means insurance for which the premium is paid entirely by the Employer.

Physician means an individual who is operating within the scope of his license and is either:

1. licensed to practice medicine and prescribe and administer drugs or to perform surgery; or
2. legally qualified as a medical practitioner and required to be recognized, under this Policy for insurance purposes, according to the insurance regulations of the governing jurisdiction.

The Physician cannot be the Employee, his spouse or the parents, brothers, sisters or children of the Employee or his spouse.

Policyholder means the entity to whom the Policy is issued.

Pregnancy means childbirth, miscarriage, abortion or any disease resulting from or aggravated by the pregnancy.

Retirement Plan means a program which provides retirement benefits to Employees and is not funded wholly by Employee contributions. The term will not include a 401(k) plan, a profit sharing plan, a thrift plan, an individual retirement account (IRA), a tax sheltered annuity (TSA), a stock ownership plan, or a nonqualified plan of deferred compensation.

Employer's Retirement Plan will include any Retirement Plan:

1. which is part of any federal, state, county, municipal or association retirement system; and
2. the Employee is eligible for as a result of employment with the Employer.

Sickness means illness, disease or pregnancy. Any disability, because of Sickness, must begin while the Employee is insured under this Policy.

U.S. Headquarters means Sun Life Assurance Company of Canada, Wellesley Hills, MA 02481.

Section II
Definitions

Waiting Period means the length of time immediately before an Employee's Eligibility Date during which he must be employed in an Eligible Class. Any period of time prior to the Policy Effective Date the Employee was Actively at Work for the Employer will count towards completion of the Waiting Period. The Waiting Period is shown in Section I, Schedule of Benefits.

Section II Definitions

The following Definitions are applicable to Life Insurance

Basic Annual Earnings means the Employee's current salary or wage from the Employer. Basic Annual Earnings does not include commissions, bonuses, overtime pay or any other extra compensation.

Basic Maximum Benefit means the largest amount of Basic Life Insurance available to an Employee under this Policy. The Basic Maximum Benefit is shown in Section I, Schedule of Benefits.

Beneficiary means the person (other than the Employer) who is entitled to receive death benefit proceeds as they become due under this Policy. A Beneficiary must be named by the Employee on a form acceptable to Sun Life and executed by the Employee.

Optional Maximum Benefit means the largest amount of Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Retired Employee means a former Employee of the Employer who prior to his retirement was insured as an active Employee. To be considered a retired employee, he must be receiving a pension from the Employer or receiving a pension as a result of his employment with the Employer.

Retirement means the first of the following to occur:

1. the effective date of the Employee's retirement benefits under:
 - a. any plan of a federal, state, county, municipal or an association retirement system which the Employee is eligible as a result of his employment with the Employer;
 - b. any Retirement Plan the Employer sponsors; or
 - c. any Retirement Plan to which the Employer:
 - i. makes contributions to; or
 - ii. has made contributions.
2. the effective date of the Employee's retirement benefits under the Social Security Act or any similar plan or act. However, if the Employee meets the definition of Employee and is receiving retirement benefits under the Social Security Act or similar plan or act, the Employee will not be considered retired.

Terminally Ill or Terminal Illness means an Employee's Sickness or physical condition that is certified by a Physician to reasonably be expected to result in death within twelve months or less.

Total Disability or Totally Disabled for purposes of determining eligibility for Waiver of Premium, means an Employee, because of Injury or Sickness, is unable to perform the material and substantial duties of any occupation for which he is or becomes reasonably qualified for by education, training or experience.

Section II Definitions

The following Definitions are applicable to Dependent Optional Life Insurance

Dependent means an Employee's:

- spouse;
- unmarried child from live birth to under age 19;
- unmarried child under age 25 who is enrolled as a full-time student and depends on the Employee for 50% or more of his support.

An Employee's unmarried step-child, foster child or adopted child is included as a Dependent if he depends on the Employee for 50% or more of his support and is living with the Employee in a regular parent-child relationship. A child is considered adopted if he is in the legal custody of the Employee under an interim court order of adoption, whether or not a final adoption order is ever issued.

Dependent does not include:

- any person who is insured as an Employee; or
- any person residing outside the United States, Canada or Mexico.

No person may be considered to be a Dependent of more than one Employee.

Optional Maximum Benefit means the largest amount of Dependent Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Section II
Definitions

The following Definitions are applicable to Accidental Death and Dismemberment Insurance

Accidental Bodily Injury means bodily harm caused solely by external, violent and accidental means which is sustained directly and independently of all other causes.

AD&D means Accidental Death and Dismemberment.

Section III
Eligibility and Effective Dates

A. Eligible Classes

The class(es) eligible for insurance are shown in Section I, Schedule of Benefits.

B. Eligibility Date

An Employee in an Eligible Class will be eligible for insurance on the latest of the following dates:

1. January 1, 2004; or
2. the day after the Employee completes the Waiting Period.

An Employee in an Eligible Class will be eligible for Dependent Optional Life Insurance on the latest of the following dates:

1. the date he is insured for Employee Optional Life Insurance; or
2. January 1, 2004; or
3. the date the Employee first acquires a Dependent.

C. Effective Date of Insurance

During each enrollment period an Employee may make written application for insurance benefit plan choices.

Initial Enrollment Period

An Employee will be insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible on or after written application is made for insurance provided Evidence of Insurability is not required.

If Evidence of Insurability is required for any amount of insurance, the Employee is insured for that amount of insurance, subject to the Delayed Effective Date of Insurance, on the date Sun Life approves the Evidence.

If an Employee does not make a written application for insurance, he will be insured for Employee Basic Life and Employee Basic Accidental Death and Dismemberment only.

A Dependent will be insured, subject to the Delayed Effective Date of Insurance, on the latest of:

- the date the Employee is eligible for Dependent Optional Life Insurance; or
- the date the Employee makes a written application for Dependent Optional Life Insurance, if he applies during the Initial Enrollment Period.
- the date the Dependent's Evidence of Insurability is approved by Sun Life, if required.

If an Employee does not make a written application for Dependent Optional Life Insurance within the Initial Enrollment Period, the Dependent will not be insured.

No change in plan options may be made until:

- the annual enrollment period; or
- the Employee has a Family Status Change.

Section III
Eligibility and Effective Dates

Annual Enrollment Period

During each annual enrollment period an Employee may apply for a change in his plan options.

If during the Annual Enrollment Period the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Employee's Evidence of Insurability.

If during the Annual Enrollment Period the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Dependent's Evidence of Insurability.

Decreases in any amount of insurance will take effect on the January 1st following the Employee's election.

An Employee who does not make any changes during the Annual Enrollment Period will continue to be insured for the plan option previously elected.

No change in plan options may be made until the next Annual Enrollment Period except if the Employee has a Family Status Change.

Family Status Change

When an Employee has a Family Status Change he may make a change in his plan options within 31 days of the change in Family Status. Such changes must be on account of and consistent with the reason that the change was permitted. A change in the plan of insurance is consistent with a Family Status Change only if the change is necessary or appropriate as the result of the Family Status Change. A Family Status Change is one of the following events:

- the Employee's marriage or divorce;
- the birth of a child of the Employee;
- the adoption of a child by the Employee;
- the death of the Employee's spouse or child;
- the commencement or termination of employment of the Employee's spouse;
- the change from part-time to full-time employment by the Employee or the Employee's spouse;
- the change from full-time to part-time employment by the Employee or the Employee's spouse;
- the taking of an unpaid leave of absence by the Employee or the Employee's spouse;
- a significant change in the health coverage of the Employee or the Employee's spouse as a result of the spouse's employment.

If, due to the Family Status Change, the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed; or
- the date Sun Life approves the Employee's Evidence of Insurability, if required.

Section III
Eligibility and Effective Dates

If, due to the Family Status Change, the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed; or
- the date Sun Life approves the Dependent's Evidence of Insurability, if required.

If, due to the Family Status Change, the Employee decreases his or his Dependent's amount of insurance, the Employee or Dependent will be insured for the decrease on the date the Employee makes a written application for the change in plan options.

Delayed Effective Date of Insurance

The Effective Date of any initial, increased or additional insurance will be delayed for an Employee if he is not Actively at Work. The initial, increased or additional insurance will become effective on the date the Employee returns to an Actively at Work status.

The Effective Date of any initial, increased or additional insurance will be delayed for a Dependent if he is hospital confined. The initial, increased or additional insurance will become effective on the date the Dependent is no longer hospital confined. Hospital confined does not apply to a newborn child.

Reinstatement of Insurance

An Employee previously insured under this Policy will become insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible. The Employee will be enrolled in the same plan option elected prior to his termination. A change in the plan options can only be made at the Annual Enrollment Period or after a Family Status Change.

**Section IV
Benefit Provisions**

Employee Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that an Employee dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Life Insurance in force on the Employee's date of death.

Basic Life Insurance

The amount of Basic Life Insurance is the Employee's Basic amount of insurance as determined in Section I, Schedule of Benefits.

In no event shall an Employee's Basic Life Insurance exceed the Basic Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Basic Life Insurance is subject to any age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Basic Life Insurance under the Conversion Privilege of this Policy, his amount of Basic Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Optional Life Insurance

The amount of Optional Life Insurance is the lesser of:

1. the Employee's Optional amount of insurance elected (as determined in Section I, Schedule of Benefits); or
2. the Employee's Guaranteed Issue Amount for Optional Life Insurance (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of Insurability has been approved by Sun Life in excess of the Guaranteed Issue Amount for Optional Life Insurance.

In no event shall an Employee's Optional Life Insurance exceed the Optional Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Optional Life Insurance is subject to any Evidence of Insurability requirements, age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Section IV
Benefit Provisions

Employee Life Insurance

Exclusions

If the Employee's cause of death is suicide:

1. No amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the Employee's Optional Life Insurance is effective. Any period of time the Employee was insured for the same amount of Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Optional Life Insurance is effective.
3. No amount of Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

Waiver of Premium Provision

Total Disabilities that begin before age 60

If Sun Life receives Notice and Proof of Claim that an Employee becomes Totally Disabled:

- while insured; and
- before his 60th birthday; and
- before his retirement;

the amount of Life Insurance will continue for that Employee from the date of Total Disability without further payment of premiums.

The Employee must apply for Waiver of Premium no later than 12 months after the Employee ceases to be Actively at Work. Proof of Claim is required no later than 15 months after the Employee ceases to be Actively at Work. Sun Life may require periodic proof of the continuance of Total Disability at reasonable intervals, but not more often than twice a year after the Employee has been continuously Totally Disabled for two years.

All amounts of life insurance under this Waiver of Premium Provision are subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not been Totally Disabled. This amount will be further reduced by the amount of any individual policy issued to the Employee pursuant to the Conversion Privilege of this Policy unless that individual policy is exchanged for a full refund of premiums paid.

Sun Life has the right to designate a Physician to examine the Employee when and as often as may be reasonably required.

The Waiver of Premium for an Employee ceases on the earliest of:

- the date he ceases to be Totally Disabled.
- the date he fails to furnish any required Proof that he continues to be Totally Disabled.
- the date he fails to submit to any required Examinations.
- any period the Employee is not under the regular and continuing care of a Physician providing appropriate treatment by means of examination and testing in accordance with the disabling condition.
- the date he retires, unless he is eligible for Retiree Life Insurance.
- the date he attains age 70, unless he is eligible for Retiree Life Insurance.

**Section IV
Benefit Provisions**

Employee Life Insurance

An Employee is deemed to be retired when he receives any compensation from a Retirement Plan of the Employer or when the Employee attains age 70, whichever occurs first.

An Employee's rights to continued benefits pursuant to this Waiver of Premium Provision are determined on the date Total Disability begins. These rights are subject to the terms of this Policy and will not be affected by subsequent amendment or termination of this Waiver of Premium Provision.

Accelerated Benefit

Sun Life will pay an Accelerated Benefit to the Employee at the Employee's request, if Sun Life receives satisfactory proof of the Employee's Terminal Illness.

To be eligible for the Accelerated Benefit an Employee must:

(Applicable to Employees employed on or before January 1, 2004)

- have been Actively at Work on January 1, 2004 and insured under the Life Insurance Benefit Provision for at least 60 days. Any period of time the Employee was insured for similar benefits under the previous insurer's group life policy will be used to satisfy this requirement;

(Applicable to Employees employed after January 1, 2004)

- have been insured under the Life Insurance Benefit Provision for at least 60 days;

(Applicable to All Employees)

- be certified as Terminally Ill with a life expectancy of twelve months or less;
- submit a written request to Sun Life while the Employee's Life Insurance is in force;
- be insured for at least \$20,000 of Life Insurance;
- have a signed acknowledgment and agreement to pay the Accelerated Benefit from any applicable absolute assignee, irrevocable beneficiary, or former spouse if the former spouse was required to be the beneficiary as part of a divorce decree.

Sun Life may confirm the diagnosis of a Terminal Illness with a medical examination performed by a Physician of Sun Life's choice.

The Accelerated Benefit is an amount up to 75% of the applicable amount of Life Insurance in force as of the date Sun Life receives a written request to provide an Accelerated Benefit.

The Accelerated Benefit will be paid as a single lump sum. The maximum amount of the Accelerated Benefit is \$500,000. The minimum amount of the Accelerated Benefit that can be requested is \$10,000. The Accelerated Benefit may be elected only once during the lifetime of the Employee.

If the Employee has received accelerated life insurance benefits under any other group insurance policy, that Employee is precluded from receiving up to that amount from Sun Life, as an Accelerated Benefit or as a Death Benefit.

Section IV
Benefit Provisions

Employee Life Insurance

If an Employee receives an Accelerated Benefit payment, the amount of Life Insurance remaining in force will be reduced by an amount equal to the Accelerated Benefit paid. The remaining amount of life insurance is subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not received an Accelerated Benefit.

If the Employee is eligible for Waiver of Premium, the amount of life insurance remaining in force on which premiums are waived will be based on the reduced amount of life insurance.

If the Employee subsequently converts his amount of life insurance, the amount eligible for conversion will be based on the reduced amount of life insurance.

Portability Privilege

Benefit

If, prior to age 65, an Employee's Optional Life Insurance ceases due to termination of his employment, the Employee may apply for portable coverage on his own life up to the amount of Optional Life Insurance that ceased, to a maximum of \$500,000. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the coverage must be \$10,000.

If an Employee elects to apply for portable coverage of any amount of Optional Life Insurance, he may also apply for portable coverage to continue any amount of Dependent Optional Life Insurance which ceased due to termination of employment.

An Employee whose coverage has been continued on Waiver of Premium under this Policy is not eligible to apply for portable coverage.

An Employee who elects to convert his coverage to an individual policy under the Conversion Privilege is not eligible to apply for portable coverage.

Application for Portable Coverage

1. Written application, including a statement of good health, must be made to Sun Life within the 31 day conversion period following the date the Optional Life Insurance ceases.
2. Portable coverage will be effective on the date that Sun Life approves the Employee's Application for portable coverage.
3. Portable coverage will be provided under a group term life policy providing death benefits only, without waiver of premium or Accelerated Death benefits.
4. The premium will be the current rate Sun Life charges for the standard class of risk and age the insured belongs to under the Portable Group Life Policy.
5. If the application for Portable Coverage is declined by Sun Life, the Employee will be given 31 days, commencing on the date the application is declined, to convert to an individual policy under the Conversion Privilege.

**Section IV
Benefit Provisions**

Employee Life Insurance

Termination of Portable Coverage

Portable coverage will terminate on the occurrence of the earliest of the following:

- the date for which the last premium has been paid by the Employee; or
- the expiration of 10 years following the date portable coverage commences; or
- the date the Employee attains age 65; or
- the date the portable group insurance policy terminates.

When Portable Coverage terminates, the Employee will have the right to convert the amount of coverage to an individual policy.

Conversion Privilege

Benefit

1. If all or part of an Employee's Life Insurance ceases or reduces due to:
 - termination of his employment; or
 - termination of his membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - termination of the Employee's Waiver of Premium continuation; or
 - the Employee's continuation period ending during layoff or an approved leave of absence;

then the Employee may apply for an individual policy on his own life up to the amount that ceased. If the amount of Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Employee has been continuously insured for five or more years under this Policy's Life Benefit Provision and all or part of the Employee's Life Insurance ceases or reduces due to:
 - reduction of the amount of Life Insurance in an Eligible Class by an amendment to the Life Insurance Benefit Provision; or
 - termination of the Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Life Insurance Benefit Provision;

then the Employee may apply for an individual policy on his own life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Employee is eligible for under any group policy within 31 days after his Life Insurance ceased.

The Employee will be issued an individual policy without Evidence of Insurability.

**Section IV
Benefit Provisions**

Employee Life Insurance

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Employee is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Employee shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.
3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Employee belongs on the effective date of the individual policy.
4. the effective date of the individual policy will be the day after the 31 day conversion period.

Death Within 31 Days

If the Employee dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Life Insurance the Employee would have been eligible to convert.

**Section IV
Benefit Provisions**

Employee Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date ; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Life benefit payable will be the lesser of:

- the Life benefit payable under this Policy; or
- the Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that a Dependent dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Optional Life Insurance in force on the Dependent's date of death.

Optional Life Insurance

The amount of Dependent Optional Life Insurance is the lesser of:

1. the Dependent's amount of Optional Life Insurance elected by the Employee in the Schedule (as determined in Section I, Schedule of Benefits); or
2. the Guaranteed Issue Amount (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of the Dependent's Insurability has been approved by Sun Life in excess of the Dependent's Guaranteed Issue Amount.

In no event shall a Dependent's Optional Life Insurance exceed the Optional Maximum Benefit shown in Section I, Schedule of Benefits.

The amount of Dependent Optional Life Insurance is subject to any Evidence of Insurability requirements shown in Section I, Schedule of Benefits.

If a Dependent had previously converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Dependent Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Exclusions

If the Dependent Spouse's cause of death is suicide:

1. No amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the Dependent Spouse's Optional Life Insurance is effective. Any period of time the Dependent Spouse was insured for the same amount of Dependent Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Dependent Spouse Optional Life Insurance is effective.
3. No amount of Dependent Spouse Optional Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Conversion Privilege

Benefit

1. If all or part of a Dependent's Optional Life Insurance ceases or reduces due to:
 - termination of the Employee's employment; or
 - termination of the Employee's membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - the Dependent no longer meeting the definition of a Dependent;

then the Employee or Dependent may apply for an individual policy on the Dependent's life up to the amount that ceased. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Dependent has been continuously insured for five or more years under this Policy's Dependent Optional Life Insurance Benefit Provision and the Dependent's Optional Life Insurance ceases due to:
 - termination of the Dependent Optional Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Dependent Optional Life Insurance Benefit Provision;

then the Employee or Dependent may apply for an individual policy on the Dependent's life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Dependent is eligible for under any group policy within 31 days after his Optional Life Insurance ceased.

The Dependent will be issued an individual policy without Evidence of Insurability.

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Dependent is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Dependent shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.
3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Dependent belongs on the effective date of the individual policy.
4. the effective date of the individual policy will be the day after the 31 day conversion period.

Section IV
Benefit Provisions

Dependent Optional Life Insurance

Death Within 31 Days

If the Dependent dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Optional Life Insurance the Dependent would have been eligible to convert.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee's Dependent when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Dependents subject to the Delayed Effective Date of Insurance on January 1, 2004

An Employee's Dependent may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. the Dependent was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. the Dependent is subject to the Delayed Effective Date of Insurance on January 1, 2004; and
3. the Employee is a member of an Eligible Class under this Policy; and
4. premiums for the Dependent are paid up to date; and
5. the Dependent is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Dependent Optional Life benefit payable will be the lesser of:

- the Dependent Optional Life benefit payable under this Policy; or
- the Dependent Optional Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

If Sun Life receives Notice and Proof of Claim that an Employee:

- dies from accidental drowning while insured; or
- sustains an Accidental Bodily Injury while insured, which results in loss of life, sight or limb within 365 days of the date of that injury; or
- sustains a loss of life, sight or limb within 365 days due to an accidental exposure to the elements while insured;

Sun Life will pay, subject to the Exclusions, the following percentage of Accidental Death and Dismemberment Insurance shown in Section I, Schedule of Benefits that was in force on the date of the Accidental Bodily Injury for the following losses:

| | |
|--|------|
| Life..... | 100% |
| Sight of one eye | 50% |
| One limb | 50% |
| Speech and hearing | 100% |
| Speech or hearing..... | 50% |
| Thumb and index finger of the same hand | 25% |
| Quadriplegia | 100% |
| Paraplegia | 75% |
| Hemiplegia..... | 50% |

The maximum amount of Accidental Death and Dismemberment Benefit payable for losses resulting from any one accident is 100%.

Loss of limb means severance of hand or foot at or above the wrist or ankle joint. Loss of sight, speech or hearing must be total and irrecoverable. Loss of thumb and index finger means severance through or above the metacarpophalangeal joints.

Quadriplegia means the total and permanent paralysis of both upper and lower limbs. Paraplegia means the total and permanent paralysis of both lower limbs. Hemiplegia means the total and permanent paralysis of the upper and lower limbs on one side of the body.

Section IV
Benefit Provisions

Employee Accidental Death and Dismemberment Insurance

Seat Belt Benefit

Sun Life will pay an additional Seat Belt Benefit if an Employee dies as a result of an automobile accident and an Accidental Death Benefit is payable under this Policy.

The Seat Belt Benefit is payable if the Employee was wearing a seat belt at the time of the accident. The Seat Belt Benefit is 25% of the amount of Accidental Death Benefit payable or \$50,000, whichever is less.

Sun Life must receive satisfactory written proof that the Employee's death resulted from an automobile accident and that the Employee was wearing a seat belt at the time of the accident. A copy of the police report is required.

Seat Belt means a properly installed seat belt, lap and shoulder restraint, or other restraint approved by the National Highway Traffic Safety Administration.

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

Disappearance

Sun Life will presume, subject to no objective evidence to the contrary, that an Employee is dead and has died as a result of an Accidental Bodily Injury if:

1. an Employee disappears as a result of an accidental wrecking, sinking or disappearance of a conveyance in which the Employee was known to be a passenger; and
2. the body of the Employee is not found within 365 days after the date of the conveyance's disappearance.

Exclusions

No Accidental Death or Accidental Dismemberment payment will be made for a loss which is due to or results from:

- suicide while sane or insane.
- intentionally self-inflicted injuries.
- bodily or mental infirmity or disease of any kind, or infection unless due to an accidental cut or wound.
- committing or attempting to commit an assault, felony or other criminal act.
- active participation in a war (declared or undeclared) or active duty in any armed service during a time of war.
- active participation in a riot, rebellion, or insurrection.
- injury sustained from any aviation activities, other than riding as a fare-paying passenger.
- the Employee's voluntary use of any controlled substance as defined in Title II of the Comprehensive Drug Abuse Prevention and Control Act of 1970, as now or hereafter amended, unless administered on the advice of a Physician.
- the Employee's operation of any motorized vehicle while intoxicated. Intoxicated means the minimum blood alcohol level required to be considered operating an automobile under the influence of alcohol in the jurisdiction where the accident occurred. For the purposes of this Exclusion, "Motorized Vehicle" includes, but is not limited to, automobiles, motorcycles, boats and snowmobiles.

Section IV
Benefit Provisions

Employee Accidental Death and Dismemberment Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group AD&D policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group AD&D policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group AD&D policy.

Any AD&D benefit payable will be the lesser of:

- the AD&D benefit payable under this Policy; or
- the AD&D benefit payable under the prior insurer's group AD&D policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

Section V
Termination Provisions

Termination of Employee's Insurance

An Employee will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee is no longer in an Eligible Class.
3. the date the Employee's Class is no longer included for insurance.
4. the last day for which any required premium has been paid.
5. the date the Employee retires other than for Basic Life Insurance.
6. the date employment terminates. Ceasing to be Actively at Work will be deemed termination of employment, except:
 - a. insurance will be continued for an Employee absent due to a disability during any period the premium is being waived under this Policy.
 - b. the Policyholder may continue the insurance by paying the required premiums, subject to the following:
 - i. insurance may be continued for up to 60 days after the Employee has been temporarily laid off or been given an approved leave of absence.
 - ii. insurance may be continued for up to 3 months of the Employee's paid vacation.
 - iii. For Life Insurance - insurance may be continued for up to 12 months after an Employee is absent from work due to Injury or Sickness.

The Policyholder in all of the above situations must act so as not to discriminate unfairly among Employees in similar situations.

7. the date the Employee requests, in writing, to have his insurance terminated.
8. the date the Employee ceases to be Actively at Work due to a labor dispute, including any strike, work slowdown, or lockout.
9. the date the Employee enters active duty in any armed service during a time of war (declared or undeclared).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Family and Medical Leave Act of 1993, as amended or continue coverage pursuant to a state required continuation period (if any).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Section V
Termination Provisions

Termination of Dependent's Insurance

A Dependent will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee ceases to be insured.
3. the date the Employee is no longer in an Eligible Class for Dependent Insurance.
4. the date the Dependent ceases to qualify as a Dependent.
5. the last day for which any required premium has been paid for insurance on the Dependent.
6. the date the Employee requests, in writing, to have his Dependent Insurance terminated.
7. the date the Employee dies.
8. the date the Dependent enters active duty in any armed service during a time of war (declared or undeclared).
9. the date the Employee retires.

Section V
Termination Provisions

Termination of Policy

This Policy will terminate for any of the following reasons:

1. If the Policyholder fails to pay any premium within the Grace Period, this Policy will terminate on the last day of the Grace Period.
2. The Policyholder may terminate this Policy by advance written notice delivered to Sun Life at least 31 days prior to the termination date. This Policy will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period this Policy is in force.
3. Sun Life may terminate this Policy on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees is less than 25; or
 - b. less than 100% of the Employees eligible are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible are insured for Optional Life Insurance; or
 - d. the Policyholder fails to:
 - i. furnish promptly any information Sun Life may reasonably require; or
 - ii. perform any other obligations pertaining to this Policy.
4. Sun Life may terminate this Policy on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of this Policy may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section V
Termination Provisions

Termination of Benefit Provision

A Benefit Provision will terminate for any of the following reasons:

1. The Policyholder may terminate a Benefit Provision by advance written notice delivered to Sun Life at least 31 days prior to the termination date. The Benefit Provision will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period that Benefit Provision is in force.
2. Sun Life may terminate a Benefit Provision on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees for that Benefit is less than 25; or
 - b. less than 100% of the Employees eligible for that Benefit are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible for that Benefit are insured for Optional Life Insurance; or
 - d. the Policyholder fails to furnish promptly any information which Sun Life may reasonably require.
3. Sun Life may terminate any Benefit Provision on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of a Benefit Provision may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section VI
General Policy Provisions

A. Statements

All statements made in any Application are considered representations and not warranties. No representation by:

1. the Policyholder in applying for this Policy will render it void unless the representation is contained in the Application; or
2. any Employee in applying for insurance under this Policy will be used to reduce or deny a claim unless a copy of the Employee's written application for insurance is or has been given to the Employee or the Employee's beneficiary, if any.

B. Entire Contract - Policy Changes

1. This Policy is the entire contract. It consists of:
 - a. all of the pages of the Policy;
 - b. the attached Application of the Policyholder;
 - c. each Employee's written application for insurance (Employee retains his own copy).
2. This Policy may be changed in whole or in part. Only an officer of Sun Life may approve a change. The approval must be in writing and endorsed on or attached to this Policy.
3. Any other person, including an agent, may not change this Policy or waive any part of it.

C. Employee's Certificate

Sun Life will provide a Certificate to the Policyholder for delivery to each Employee. The Certificate is intended to provide a brief explanation of the Policy benefits, but it does not form a part of this Policy. If the terms of a Certificate and this Policy differ, this Policy will govern.

Section VI
General Policy Provisions

D. Furnishing of Information - Access To Records

1. The Employer will furnish at regular intervals to Sun Life:
 - a. information relative to individuals:
 - i. who qualify to become insured;
 - ii. whose amounts of insurance change; and/or
 - iii. whose insurance terminates.
 - b. any other information about this Policy that may be reasonably required.

The records which, in the opinion of Sun Life, are material to the insurance, will be opened for inspection by Sun Life at any reasonable time.

2. Clerical error or omission will not:
 - a. deprive an individual of insurance;
 - b. affect an individual's amount of insurance; or
 - c. effect or continue an individual's insurance which otherwise would not be in force.

The Policyholder's or Employer's failure to report notice or proof of claim in a timely manner shall not constitute clerical error.

E. Misstatement of Facts

If relevant facts about any individual were not accurate:

1. an equitable adjustment of premium will be made; and
2. the true facts will be used to determine if and in what amount insurance is valid under this Policy.

If the amount of the benefit is dependent upon an individual's age, (as shown in Section I, Schedule of Benefits), the benefit will be the amount an individual would have been entitled to if his correct age was known.

If an adjustment results in a refund of premium, the refund will not exceed a period of more than 12 months.

F. Examination and Autopsy

Sun Life, at its own expense, has the right to have any person, whose Injury or Sickness is the basis of a claim:

1. examined by a Physician, other health professional or vocational expert of its choice; and/or
2. interviewed by an authorized Sun Life representative.

This right may be used as often as reasonably required.

Sun Life has the right, in the case of death, to request an autopsy where not prohibited by law.

G. Legal Proceedings

No legal action may start:

1. until 60 days after Proof of Claim has been given; nor
2. more than 3 years after the time Proof of Claim is required.

Section VI
General Policy Provisions

H. Workers' Compensation

This Policy is not in lieu of, and does not affect, any requirement for coverage by Workers' Compensation Insurance.

I. Agency

For all purposes of this Policy, the Policyholder acts on its own behalf or as an agent of the Employee. Under no circumstances will the Policyholder be deemed an agent of Sun Life.

J. Incontestability

Policyholder

The validity of this Policy shall not be contested, except for non-payment of premium, after it has been in force for two years from the Policy Effective Date.

Individual

No statement made by an individual, relating to his insurability for an initial, increased or additional amount of insurance, will be used in contesting the validity of that insurance, after such initial, increased or additional amount of insurance has been in force for a period of two years during the individual's lifetime.

This statement must be contained in a form signed by that individual.

**Section VII
Claim Provisions**

A. Notice and Proof of Claim

Sun Life must receive Notice and Proof of Claim prior to any payment under this Policy.

1. Notice of Claim

for Death Claim - written notice of claim must be given to Sun Life no later than 30 days after date of death.

for Life Waiver of Premium - written notice of claim must be given to Sun Life no later than 12 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - written notice of claim must be given to Sun Life no later than 12 months after the Employee's date of loss.

If notice cannot be given within the applicable time period, Sun Life must be notified as soon as it is reasonably possible.

When Sun Life has received written notice of claim, Sun Life will send the forms for proof of claim. If the forms are not received within 15 days after written notice of claim is sent, proof of claim may be sent to Sun Life without waiting for the form.

2. Proof of Claim

for Death Claim - proof of claim must be given to Sun Life no later than 90 days after date of death.

for Life Waiver of Premium - proof of claim must be given to Sun Life no later than 15 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - proof of claim must be given to Sun Life no later than 15 months after the Employee's date of loss.

If it is not possible to give proof within these time limits, it must be given as soon as reasonably possible. Proof of claim may not be given later than one year after the time proof is otherwise required unless the individual is legally incompetent.

Proof of Claim must consist of:

- a description of the loss or disability;
- the date the loss or disability occurred; and
- the cause of the loss or disability.

Proof of Claim may include, but is not limited to, police accident reports, autopsy reports, laboratory results, toxicology results, hospital records, x-rays, narrative reports, or other diagnostic testing materials as required.

Proof of Claim for disability must include evidence demonstrating the disability including, but not limited to, hospital records, Physician records, Psychiatric records, x-rays, narrative reports, or other diagnostic testing materials as appropriate for the disabling condition.

**Section VII
Claim Provisions**

Proof must be satisfactory to Sun Life.

Sun Life may require as part of the Proof, authorizations to obtain medical and non-medical information.

Proof of the Employee's continued disability and regular and continuous care by a Physician must be given to Sun Life within 30 days of the request for proof.

B. Insurer's Authority

The Plan Administrator has delegated to Sun Life its entire discretionary authority to make all final determinations regarding claims for benefits under the benefit plan insured by this Policy. This discretionary authority includes, but is not limited to, the determination of eligibility for benefits, based upon enrollment information provided by the Policyholder, and the amount of any benefits due, and to construe the terms of this Policy.

Any decision made by Sun Life in the exercise of this authority, including review of denials of benefit, is conclusive and binding on all parties. Any court reviewing Sun Life's determinations shall uphold such determination unless the claimant proves that Sun Life's determinations are arbitrary and capricious.

C. Notice of Decision on Claim

A written notice of decision on a claim will be sent within a reasonable time after Sun Life receives the claim but not later than 45 days after receipt of the claim. If a decision cannot be made within 45 days after Sun Life receives the claim, Sun Life will request extensions of time as permitted under U.S. Department of Labor regulations. Any request for extension of time will specifically explain:

1. the standards on which entitlement to benefits is based;
2. the unresolved issues that prevent a decision on the claim; and
3. the additional information needed to resolve those issues.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the benefit determination is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information. The claimant will have at least 45 days to provide the specified information.

**Section VII
Claim Provisions**

D. Review Procedure

If all or any part of a claim is denied, the claimant may request in writing a review of the denial within 180 days after receiving notice of denial.

The claimant may submit written comments, documents, records or other information relating to the claim for benefits, and may request free of charge copies of all documents, records and other information relevant to the claimant's claim for benefits.

Sun Life will review the claim on receipt of the written request for review, and will notify the claimant of Sun Life's decision within a reasonable time but not later than 45 days after the request has been received. If an extension of time is required to process the claim, Sun Life will notify the claimant in writing of the special circumstances requiring the extension and the date by which Sun Life expects to make a determination on review. The extension cannot exceed a period of 45 days from the end of the initial review period.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the decision on review is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information.

E. Time of Payment of Claims

When Sun Life receives satisfactory Proof of Claim, benefits payable under this Policy will be paid for any period for which Sun Life is liable.

F. Payment of Claims

Benefits payable upon the death of the Employee are payable to the Beneficiary living at the time (other than the Employer). Unless otherwise specified, if more than one Beneficiary survives the Employee, all surviving Beneficiaries will share equally. If no Beneficiary is alive on the date of the Employee's death, payment will be made to the Employee's estate.

All other benefits payable during the lifetime of the Employee are payable to the Employee.

If a benefit is payable to the Employee's estate, an Employee who is a minor, or an Employee who is not competent, Sun Life has the right to pay up to \$5,000 to any of the Employee's relatives whom Sun Life considers entitled. If Sun Life pays benefits in good faith to a relative, Sun Life will not have to pay those benefits again.

If a Beneficiary is a minor or is not competent, Sun Life has the right to pay up to \$1,000 to the person or institution that appears to have assumed custody and main support, until the appointed legal representative makes a formal claim. If Sun Life pays benefits in good faith to a person or institution, Sun Life will not have to pay those benefits again.

G. Amendment or Termination of Benefit Provision

An Employee's rights to any disability benefits are determined on the date the Employee's disability begins. The right is subject to the terms of this Policy in effect on the date disability begins and will not be affected by subsequent amendment or termination of this Policy.

Section VII
Claim Provisions

H. Change of Beneficiary

If this Policy replaces existing coverage under the Employer's group life insurance plan, Employees' nominations of Beneficiaries under the plan will remain in force unless changed by the Employee. All nominations of Beneficiaries are revocable unless otherwise stated by the Employee. Any request for change of Beneficiary must be in a written form and will take effect as of the date the Employee signs and files the change with the Employer. If Sun Life has taken any action or made payment prior to receiving notice of that change, the change of Beneficiary will not affect any action or payment made by Sun Life. The consent of the Beneficiary is not required to change any Beneficiary unless the Beneficiary designation has been irrevocable.

I. Assignments

The Employee is permitted to assign all his rights under this Policy. Any assignment must be in a written form and will take effect as of the date the Employee signs and files the assignment with the Employer. Sun Life will honor an Employee's prior assignment of rights and benefits under the Employer's plan, whether or not this Policy is specified in the Assignment. If Sun Life has taken any action or made payment prior to receiving notice of that change, the assignment will not affect any action or payment made by Sun Life. Sun Life will not be responsible for the legal, tax or other effects of any assignment.

J. Methods of Payment

The Death Benefit may be payable by a method other than a lump sum. The available methods of payment will be based on the benefit options offered by Sun Life at the time of election.

Section VIII Premiums

A. Premium Rates

Sun Life determines its initial or any subsequent monthly premium rate on the basis of the coverage being provided. After the initial monthly premium rate has been in effect until December 31, 2006, Sun Life has the right to recalculate any premium rate. However, Sun Life has the right to recalculate the initial or any subsequent monthly premium rate when any of the following occurs:

1. the terms of this Policy are changed, including but not limited to the Schedule of Benefits; or
2. a new Division, Subsidiary or Affiliated Company of the Policyholder is added to or deleted from this Policy; or
3. the number of Employees insured changes by 25% or more from the number of Employees insured on the Policy Effective Date or the immediately preceding Policy Anniversary Date; or
4. one or more class(es) are added to or deleted from this Policy.

No premium rate may be increased unless Sun Life notifies the Policyholder at least 31 days in advance of the increase. Premium rate increases may take effect on an earlier date when both Sun Life and the Policyholder agree.

B. Payment of Premiums

1. All premiums due under this Policy, including adjustments, if any, are payable by the Policyholder on or before the respective due dates at Sun Life's U.S. Headquarters or at another location designated by Sun Life. The due dates are specified on the first page of this Policy.
2. The premiums due under this Policy on each premium due date are based upon the premium rates in effect for the benefit provided. The premium due is the sum of the monthly premiums for all insured Employees and Dependents for all benefits.
3. Premiums payable to Sun Life will be paid in United States dollars on the premium due date.
4. The premium for additional or increased insurance becoming effective during a Policy month will be charged from the next premium due date.
5. The premium for insurance terminated during a Policy month will cease at the end of the Policy month in which such insurance terminates.
6. Except for fraud, premium adjustments, refunds or charges will be made for only:
 - a. the current Policy Year; and
 - b. the prior Policy Year.

C. Grace Period

The Grace Period is 45 days following a premium due date. During the Grace Period the Policy shall continue in force, unless the Policyholder has given Sun Life written notice to discontinue this Policy. In any event, premiums are payable for any period of time the Policy remains in force.

Sun Life Assurance Company of Canada

Application for Group Insurance



Applicant Organization

Please PRINT clearly.

| | | |
|--|--------------------|--------------------------|
| Legal Name CITY OF CHANDLER | | |
| Main Address 55 N. ARIZONA PLACE | | |
| City CHANDLER | State AZ | Zip Code 85225 |
| Nature of Business MUNICIPALITY | | |

Subsidiaries or Affiliates to be Included

| |
|--------------------|
| Legal Name |
| Address |
| Nature of Business |

| |
|--------------------|
| Legal Name |
| Address |
| Nature of Business |

If you need more space, check here and attach a separate page.

Eligible Employees

| | |
|---|-------------------------------------|
| Eligible Classes CL.1 - CITY MANAGER; CL.2 - CITY ATTORNEY, CITY CLERK, CITY MAGISTRATE, + PRESIDING + CITY MAGISTRATE; CL.3 - COUNCIL MEMBERS; CL.4 - ALL OTHERS CL.5 - RETIREES | |
| Number of Eligible Employees on the Effective Date 1589 | Minimum Work Week 20 hrs. |

Are Retirees eligible? Yes No

Waiting Period

Specify days or months required for new employees to be eligible for benefits.

1ST OF THE MONTH FOLLOWING ONE CALENDAR MONTH OF EMPLOYMENT. IF 1ST DATE OF EMPLOYMENT IS MONDAY, THE 2ND OR 3RD OF THE MONTH, OR IF THE 1ST OF THE MONTH IS A HOLIDAY, THEN ELIGIBLE THE MONDAY COMPLETE THE WAITING PERIOD. FIRST OF THE FOLLOWING MONTH.

Benefits Requested

| Benefit | % of Premium Paid by Employer | Benefit | % of Premium Paid by Employer |
|---|-------------------------------|--|-------------------------------|
| <input checked="" type="checkbox"/> Basic Life | 100 % | <input checked="" type="checkbox"/> Basic AD&D | 100 % |
| <input checked="" type="checkbox"/> Optional Life | 0 % | <input type="checkbox"/> Optional AD&D | % |
| <input type="checkbox"/> Dependent Life | % | <input type="checkbox"/> Short Term Disability | % |
| | | <input type="checkbox"/> Long Term Disability | % |

Authorization

| | |
|----------------------------------|--|
| Effective Date (m/d/y) 1-1-04 | Amount Paid with this Application \$ 1000 ⁰⁰ |
|----------------------------------|--|

Subject to approval by Sun Life Assurance Company of Canada, we will issue a Group Policy with insurance coverage to become effective on the Effective Date. The Applicant agrees to provide Sun Life Assurance Company of Canada with a current census, as of the Effective Date, on all eligible employees and all data on employees not actively at work. This information is required no sooner than the Effective Date and no later than 15 days after the Effective Date. Employees not actively at work on the Effective Date will only be insured as required by law or as approved in writing by Sun Life Assurance Company of Canada. This Application will be attached to and is made a part of the Group Policy.

| | |
|---|--------------------------------------|
| Countersigned by (Licensed Resident Agent) X | <i>NA</i> |
| Name and Address of Agent/Broker Firm | <i>NA</i> |
| Signature of Authorized Representative of Applicant Organization X | <i>Debra Spapleton</i> |
| Name and Title | <i>Debra Spapleton / HR Director</i> |
| Place and Date of Signing | <i>9/17/03</i> |

Fraud Warning

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.



Sun Life Assurance Company
of Canada
SC 2384
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699

1-800-247-6875

ATTACHMENT A

Effective January 1, 2004, the Initial Monthly Premium rates for Group Policy 88444 are as follows:

| <u>Benefit</u> | <u>Rate</u> | |
|-------------------------------------|-------------|-------------------------------|
| Employee Basic Life..... | \$.140 | for each \$1,000 of insurance |
| Employee Optional Life – Non-Smoker | | |
| Age: Under 20..... | \$.034 | for each \$1,000 of insurance |
| 20-24 | \$.048 | for each \$1,000 of insurance |
| 25-29 | \$.058 | for each \$1,000 of insurance |
| 30-34 | \$.070 | for each \$1,000 of insurance |
| 35-39 | \$.090 | for each \$1,000 of insurance |
| 40-44 | \$.140 | for each \$1,000 of insurance |
| 45-49 | \$.218 | for each \$1,000 of insurance |
| 50-54 | \$.402 | for each \$1,000 of insurance |
| 55-59 | \$.800 | for each \$1,000 of insurance |
| 60-64 | \$ 1.320 | for each \$1,000 of insurance |
| 65 and over..... | \$ 1.964 | for each \$1,000 of insurance |
| Employee Optional Life – Smoker | | |
| Age: Under 20..... | \$.048 | for each \$1,000 of insurance |
| 20-24 | \$.070 | for each \$1,000 of insurance |
| 25-29 | \$.082 | for each \$1,000 of insurance |
| 30-34 | \$.106 | for each \$1,000 of insurance |
| 35-39 | \$.144 | for each \$1,000 of insurance |
| 40-44 | \$.234 | for each \$1,000 of insurance |
| 45-49 | \$.374 | for each \$1,000 of insurance |
| 50-54 | \$.676 | for each \$1,000 of insurance |
| 55-59 | \$ 1.030 | for each \$1,000 of insurance |
| 60-64 | \$ 1.550 | for each \$1,000 of insurance |
| 65 and over..... | \$ 2.220 | for each \$1,000 of insurance |

Sun Life Assurance Company of Canada
is a member of the Sun Life Financial group of companies.

www.sunlife-usa.com



Sun Life Assurance Company
of Canada
SC 2384
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699

1-800-247-6875

ATTACHMENT A

Dependent Spouse Optional Life – Non-Smoker

| | | |
|---------------------|----------|-------------------------------|
| Age: Under 20 | \$.024 | for each \$1,000 of insurance |
| 20-24..... | \$.034 | for each \$1,000 of insurance |
| 25-29..... | \$.042 | for each \$1,000 of insurance |
| 30-34..... | \$.054 | for each \$1,000 of insurance |
| 35-39..... | \$.070 | for each \$1,000 of insurance |
| 40-44..... | \$.126 | for each \$1,000 of insurance |
| 45-49..... | \$.168 | for each \$1,000 of insurance |
| 50-54..... | \$.360 | for each \$1,000 of insurance |
| 55-59..... | \$.640 | for each \$1,000 of insurance |
| 60-64..... | \$.972 | for each \$1,000 of insurance |
| 65 and over | \$ 1.546 | for each \$1,000 of insurance |

Dependent Spouse Optional Life – Smoker

| | | |
|---------------------|----------|-------------------------------|
| Age: Under 20 | \$.034 | for each \$1,000 of insurance |
| 20-24..... | \$.050 | for each \$1,000 of insurance |
| 25-29..... | \$.060 | for each \$1,000 of insurance |
| 30-34..... | \$.082 | for each \$1,000 of insurance |
| 35-39..... | \$.114 | for each \$1,000 of insurance |
| 40-44..... | \$.187 | for each \$1,000 of insurance |
| 45-49..... | \$.290 | for each \$1,000 of insurance |
| 50-54..... | \$.492 | for each \$1,000 of insurance |
| 55-59..... | \$.707 | for each \$1,000 of insurance |
| 60-64..... | \$ 1.152 | for each \$1,000 of insurance |
| 65 and over | \$ 1.629 | for each \$1,000 of insurance |

Dependent Child Optional Life..... \$.123 for each \$1,000 of insurance

Employee Basic Accidental

Death & Dismemberment \$.025 for each \$1,000 of insurance

The initial monthly rates are guaranteed for 36 months from January 1, 2004. Initial rates are subject to the provisions of Section VIII, "Premiums," and are subject to change thereafter.

SUN LIFE ASSURANCE COMPANY OF CANADA

President

Sun Life Assurance Company of Canada
is a member of the Sun Life Financial group of companies.

www.sunlife-usa.com

SUN LIFE ASSURANCE COMPANY OF CANADA

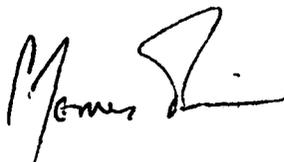
Policyholder: City of Chandler
Policy Number: 88444
Policy Effective Date: January 1, 2004
Policy Anniversary: January 1, 2005
Policy Amendment Effective Date: January 1, 2005

This Policy is delivered in Arizona and is subject to the laws of that jurisdiction. Premiums are due and payable monthly on the first day of each month. Policy anniversaries will be annual beginning on January 1, 2005.

Sun Life Assurance Company of Canada (Sun Life) agrees to pay the benefits in accordance with all provisions provided by this Policy for Employee Basic Life, Employee Basic Accidental Death and Dismemberment, Employee Optional Life, and Dependent Optional Life Insurance. This Policy is issued in consideration of the Application of the Policyholder, a copy of which is attached, and continued payment of premiums by the Policyholder. The following pages including any Riders, Endorsements or Amendments are a part of this Policy.

For the purpose of effective dates and termination dates under this Policy, all days begin at 12:00 midnight and end at 11:59:59 pm.

Signed at Sun Life's U.S. Headquarters, One Sun Life Executive Park, Wellesley Hills, MA 02481.



President

READ YOUR POLICY CAREFULLY

Group Term Insurance Policy

Non-Participating

Table of Contents

Page Numbers

| | | |
|---------------------|--|-----------|
| Section I | Schedule of Benefits | 3 |
| Section II | Definitions | 8 |
| Section III | Eligibility and Effective Date | 14 |
| Section IV | Benefit Provisions..... | 17 |
| | Employee Life Insurance..... | 17 |
| | Dependent Optional Life Insurance | 24 |
| | Employee Accidental Death and Dismemberment Insurance | 28 |
| Section V | Termination Provisions | 31 |
| Section VI | General Policy Provisions..... | 35 |
| Section VII | Claim Provisions..... | 38 |
| Section VIII | Premiums..... | 42 |

**Section I
Schedule of Benefits**

ELIGIBLE CLASSES

All Full-Time Employees scheduled to work at least 20 hours per week.

WAITING PERIOD

Until the first of the month following 1 month of continuous employment. However, if the first day of employment occurs on Monday the 2nd or 3rd of any month, an Employee will be eligible on the first of the following month. If the first day of employment occurs on a Tuesday after a Monday the 1st, 2nd, or 3rd which is a holiday, an Employee will be eligible on the first of the following month.

EMPLOYEE LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

BASIC INSURANCE

CLASSIFICATION

- 1 - City Manager
- 2 - City Attorney, City Clerk, City Magistrate and Presiding City Magistrate
- 3 - Council Members
- 4 - All Other Employees

| CLASS | LIFE | AD&D |
|--------------|---|---|
| 1 | \$150,000 | \$150,000 |
| 2 | 1.5 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |
| 3 | \$50,000 | \$50,000 |
| 4 | 1 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |

Section I
Schedule of Benefits

OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees

LIFE

An Employee may elect an
amount of Optional Life
Insurance in \$10,000 increments

* rounded to the next higher \$1,000, if not already a multiple of \$1,000

The **Optional Maximum Benefit** is the lesser of:

- \$500,000; or
- 5 times the Employee's Basic Annual Earnings.

The **Basic Maximum Benefit** for Class 2 is \$200,000.

The **Basic Maximum Benefit** for Class 4 is \$125,000.

The **Minimum Benefit** for Classes 2 and 4 for Basic Life Insurance is \$50,000.

(Applicable to Employees insured on December 31, 2003)

The **Guaranteed Issue Amount** for Optional Life Insurance is the amount of Optional Life Insurance the Employee had in force on December 31, 2003.

(Applicable to Employees hired on or after January 1, 2004)

The **Guaranteed Issue Amount** for Optional Life Insurance is \$120,000.

An Employee's amount of Basic and Optional Life and Basic Accidental Death and Dismemberment Insurance shown in the Schedule will reduce to 65% when he attains age 70 and to 50% when he attains age 75.

An Employee's Basic Life Insurance terminates at the Employee's retirement, unless the Employee is eligible for Retiree Life Insurance. An Employee's Optional Life and Basic Accidental Death and Dismemberment Insurance terminates at the Employee's retirement.

Evidence of Insurability, satisfactory to Sun Life, will be required for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects Basic Life Insurance only and subsequently elects Optional Life Insurance; or
- an Employee who elects an increase in his amount of Optional Life Insurance in excess of \$10,000; or
- an Employee whose amount of Life Insurance is in excess of the Guaranteed Issue Amount.

Section I
Schedule of Benefits

RETIRED EMPLOYEES (Basic Life Insurance only)

CLASSIFICATION

All Employees

LIFE

50% of the Employee's amount of Basic Life
Insurance in force prior to his retirement.

The **Retiree Maximum Benefit** is \$50,000.

The Employee must elect Retiree Life Insurance within 31 days following retirement. A Retired Employee may not elect Retiree Life Insurance after 31 days following retirement, nor reinstate terminated coverage.

Section I
Schedule of Benefits

DEPENDENT OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees enrolled in Employee Optional Life Insurance

| Spouse | Child under age 19** |
|---|-----------------------------|
| An Employee may elect an amount Of Dependent Spouse Optional Life Insurance in \$5,000 increments | \$10,000 |

The Dependent Spouse **Optional Maximum Benefit** is \$250,000

** to age 25 if the Employee's child is an enrolled full-time student and depends on the Employee for 50% or more of his support.

(The amount of Dependent Optional Life Insurance cannot exceed 50% of the Employee's amount of Optional Life Insurance)

The **Guaranteed Issue Amount** for Employees insured for Dependent Spouse Optional Life Insurance prior to January 1, 2004 is the amount of Dependent Spouse Optional Life Insurance the Employee had in force on December 31, 2003.

The **Guaranteed Issue Amount** for Employees hired on or after January 1, 2004 for Dependent Spouse Optional Life Insurance is \$60,000.

Evidence of Insurability, satisfactory to Sun Life, will be required for an Employee's Dependent for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects no Dependent Life coverage and subsequently elects Dependent Optional Life Insurance; or
- an Employee who elects Employee Basic Life Insurance only and subsequently elects Employee Optional Life Insurance and Dependent Optional Life Insurance; or
- an Employee who elects an amount of Life Insurance for a Dependent in excess of the Guaranteed Issue Amount; or
- an Employee who elects an increase in his amount of Dependent Optional Life Insurance in excess of \$5,000.

Section I
Schedule of Benefits

CONTRIBUTIONS

Employees will contribute to the cost of their Employee Optional Life and Dependent Optional Life Insurance.

Employees will not contribute to the cost of their Employee Basic Life and Employee Basic Accidental Death and Dismemberment Insurance.

Retirees will contribute to the cost of their Retiree Basic Life Insurance.

INITIAL MONTHLY PREMIUM RATES

| | |
|---|-----------------------|
| Employee Basic Life Insurance | Refer to Attachment A |
| Employee Optional Life Insurance | Refer to Attachment A |
| Employee Basic Accidental Death and Dismemberment Insurance | Refer to Attachment A |
| Dependent Optional Life Insurance | Refer to Attachment A |

The initial monthly premium rates are guaranteed until December 31, 2006, unless otherwise specified in Section VIII, Premiums. See Section VIII, Premiums for more information.

Section II Definitions

In this section Sun Life defines some basic terms needed to understand this Policy. All male terms include the female term, unless stated otherwise.

For purposes of this Policy:

Actively at Work means that an Employee performs all the regular duties of his job for a full work day scheduled by the Employer at the Employer's normal place of business or a site where the Employer's business requires the Employee to travel.

An Employee is considered Actively at Work on any day that is not his regular scheduled work day (e.g. vacation or holiday), provided the Employee was Actively at Work on his immediately preceding scheduled work day and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

An Employee is considered Actively at Work if he usually performs the regular duties of his job at his home, provided the Employee can perform all the regular duties of his job for a full work day and could do so at the Employer's normal place of business if required to do so, and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

Annual Enrollment Period means the period from November 1st - November 30th of each year as designated by the Policyholder and Sun Life.

Application means the document pertaining to the plan of insurance applied for by the Policyholder. This document is attached to this Policy.

Certificate means a written booklet prepared by Sun Life which includes any Riders, Endorsements or Amendments, containing a summary of:

1. the insurance benefits an Employee is entitled to;
2. to whom the benefits are payable; and
3. any limitations, exclusions or requirements that may apply.

Contributory Insurance means insurance for which the Employee is required to pay all or part of the premium.

Eligibility Date means the date or dates an Employee in an Eligible Class becomes eligible for insurance under this Policy. Classes eligible for insurance are shown in Section I, Schedule of Benefits.

Employee means a person who is employed by the Employer, scheduled to work at least the number of hours shown in Section I, Schedule of Benefits, and paid regular earnings.

Employer means City of Chandler and includes any Subsidiary or Affiliated company named in the Application.

Evidence of Insurability means a statement or proof of an Employee's or Dependent's medical history upon which acceptance for insurance will be determined by Sun Life. The Employee or Dependent must agree to submit to a paramedical examination and/or provide copies of medical records, if requested by Sun Life. Sun Life will pay the cost of any paramedical examination ordered by Sun Life for the purpose of providing Evidence of Insurability.

Section II Definitions

Grace Period means the 45 days following a premium due date.

Guaranteed Issue Amount means the maximum amount of insurance available under this Policy without Evidence of Insurability. If the Employee's or Dependent's amount of insurance exceeds the Guaranteed Issue Amount available under this Policy, any amount in excess of the Guaranteed Issue Amount is available to the Employee or Dependent only if he has furnished Evidence of Insurability to Sun Life and has been approved for any excess amount above the Guaranteed Issue Amount.

Hospital or Institution means a facility licensed to provide full-time medical care and treatment under the direction of a full-time staff of licensed physicians.

Initial Enrollment Period means:

- the period from November 1, 2003 - November 30, 2003 as designated by the Policyholder and Sun Life, for those Employees eligible for benefits on January 1, 2004; or
- the period of 31 days immediately prior to the Employee's Eligibility Date, for those Employees who become eligible for benefits after January 1, 2004.

Injury means bodily impairment resulting directly from an accident and independently of all other causes. Any Injury must occur and any disability must begin while the Employee is insured under this Policy.

Non-Contributory Insurance means insurance for which the premium is paid entirely by the Employer.

Physician means an individual who is operating within the scope of his license and is either:

1. licensed to practice medicine and prescribe and administer drugs or to perform surgery; or
2. legally qualified as a medical practitioner and required to be recognized, under this Policy for insurance purposes, according to the insurance regulations of the governing jurisdiction.

The Physician cannot be the Employee, his spouse or the parents, brothers, sisters or children of the Employee or his spouse.

Policyholder means the entity to whom the Policy is issued.

Pregnancy means childbirth, miscarriage, abortion or any disease resulting from or aggravated by the pregnancy.

Retirement Plan means a program which provides retirement benefits to Employees and is not funded wholly by Employee contributions. The term will not include a 401(k) plan, a profit sharing plan, a thrift plan, an individual retirement account (IRA), a tax sheltered annuity (TSA), a stock ownership plan, or a nonqualified plan of deferred compensation.

Employer's Retirement Plan will include any Retirement Plan:

1. which is part of any federal, state, county, municipal or association retirement system; and
2. the Employee is eligible for as a result of employment with the Employer.

Sickness means illness, disease or pregnancy. Any disability, because of Sickness, must begin while the Employee is insured under this Policy.

Section II
Definitions

U.S. Headquarters means Sun Life Assurance Company of Canada, Wellesley Hills, MA 02481.

Waiting Period means the length of time immediately before an Employee's Eligibility Date during which he must be employed in an Eligible Class. Any period of time prior to the Policy Effective Date the Employee was Actively at Work for the Employer will count towards completion of the Waiting Period. The Waiting Period is shown in Section I, Schedule of Benefits.

Section II Definitions

The following Definitions are applicable to Life Insurance

Basic Annual Earnings means the Employee's current salary or wage from the Employer. Basic Annual Earnings does not include commissions, bonuses, overtime pay or any other extra compensation.

Basic Maximum Benefit means the largest amount of Basic Life Insurance available to an Employee under this Policy. The Basic Maximum Benefit is shown in Section I, Schedule of Benefits.

Beneficiary means the person (other than the Employer) who is entitled to receive death benefit proceeds as they become due under this Policy. A Beneficiary must be named by the Employee on a form acceptable to Sun Life and executed by the Employee.

Optional Maximum Benefit means the largest amount of Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Retired Employee means a former Employee of the Employer who prior to his retirement was insured as an active Employee. To be considered a retired employee, he must be receiving a pension from the Employer or receiving a pension as a result of his employment with the Employer.

Retirement means the first of the following to occur:

1. the effective date of the Employee's retirement benefits under:
 - a. any plan of a federal, state, county, municipal or an association retirement system which the Employee is eligible as a result of his employment with the Employer;
 - b. any Retirement Plan the Employer sponsors; or
 - c. any Retirement Plan to which the Employer:
 - i. makes contributions to; or
 - ii. has made contributions.
2. the effective date of the Employee's retirement benefits under the Social Security Act or any similar plan or act. However, if the Employee meets the definition of Employee and is receiving retirement benefits under the Social Security Act or similar plan or act, the Employee will not be considered retired.

Terminally Ill or Terminal Illness means an Employee's Sickness or physical condition that is certified by a Physician to reasonably be expected to result in death within twelve months or less.

Total Disability or Totally Disabled for purposes of determining eligibility for Waiver of Premium, means an Employee, because of Injury or Sickness, is unable to perform the material and substantial duties of any occupation for which he is or becomes reasonably qualified for by education, training or experience.

Section II Definitions

The following Definitions are applicable to Dependent Optional Life Insurance

Dependent means an Employee's:

- spouse;
- unmarried child from live birth to under age 19;
- unmarried child under age 25 who is enrolled as a full-time student and depends on the Employee for 50% or more of his support.

An Employee's unmarried step-child, foster child or adopted child is included as a Dependent if he depends on the Employee for 50% or more of his support and is living with the Employee in a regular parent-child relationship. A child is considered adopted if he is in the legal custody of the Employee under an interim court order of adoption, whether or not a final adoption order is ever issued.

Dependent does not include:

- any person who is insured as an Employee; or
- any person residing outside the United States, Canada or Mexico.

No person may be considered to be a Dependent of more than one Employee.

Optional Maximum Benefit means the largest amount of Dependent Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Section II
Definitions

The following Definitions are applicable to Accidental Death and Dismemberment Insurance

Accidental Bodily Injury means bodily harm caused solely by external, violent and accidental means which is sustained directly and independently of all other causes.

AD&D means Accidental Death and Dismemberment.

Section III
Eligibility and Effective Dates

A. Eligible Classes

The class(es) eligible for insurance are shown in Section I, Schedule of Benefits.

B. Eligibility Date

An Employee in an Eligible Class will be eligible for insurance on the latest of the following dates:

1. January 1, 2004; or
2. the day after the Employee completes the Waiting Period.

An Employee in an Eligible Class will be eligible for Dependent Optional Life Insurance on the latest of the following dates:

1. the date he is insured for Employee Optional Life Insurance; or
2. January 1, 2004; or
3. the date the Employee first acquires a Dependent.

C. Effective Date of Insurance

During each enrollment period an Employee may make written application for insurance benefit plan choices.

Initial Enrollment Period

An Employee will be insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible on or after written application is made for insurance provided Evidence of Insurability is not required.

If Evidence of Insurability is required for any amount of insurance, the Employee is insured for that amount of insurance, subject to the Delayed Effective Date of Insurance, on the date Sun Life approves the Evidence.

If an Employee does not make a written application for insurance, he will be insured for Employee Basic Life and Employee Basic Accidental Death and Dismemberment only.

A Dependent will be insured, subject to the Delayed Effective Date of Insurance, on the latest of:

- the date the Employee is eligible for Dependent Optional Life Insurance; or
- the date the Employee makes a written application for Dependent Optional Life Insurance, if he applies during the Initial Enrollment Period.
- the date the Dependent's Evidence of Insurability is approved by Sun Life, if required.

If an Employee does not make a written application for Dependent Optional Life Insurance within the Initial Enrollment Period, the Dependent will not be insured.

No change in plan options may be made until:

- the annual enrollment period; or
- the Employee has a Family Status Change.

Section III
Eligibility and Effective Dates

Annual Enrollment Period

During each annual enrollment period an Employee may apply for a change in his plan options.

If during the Annual Enrollment Period the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Employee's Evidence of Insurability.

If during the Annual Enrollment Period the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Dependent's Evidence of Insurability.

Decreases in any amount of insurance will take effect on the January 1st following the Employee's election.

An Employee who does not make any changes during the Annual Enrollment Period will continue to be insured for the plan option previously elected.

No change in plan options may be made until the next Annual Enrollment Period except if the Employee has a Family Status Change.

Family Status Change

When an Employee has a Family Status Change he may make a change in his plan options within 31 days of the change in Family Status. Such changes must be on account of and consistent with the reason that the change was permitted. A change in the plan of insurance is consistent with a Family Status Change only if the change is necessary or appropriate as the result of the Family Status Change. A Family Status Change is one of the following events:

- the Employee's marriage or divorce;
- the birth of a child of the Employee;
- the adoption of a child by the Employee;
- the death of the Employee's spouse or child;
- the commencement or termination of employment of the Employee's spouse;
- the change from part-time to full-time employment by the Employee or the Employee's spouse;
- the change from full-time to part-time employment by the Employee or the Employee's spouse;
- the taking of an unpaid leave of absence by the Employee or the Employee's spouse;
- a significant change in the health coverage of the Employee or the Employee's spouse as a result of the spouse's employment.

If, due to the Family Status Change, the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed; or
- the date Sun Life approves the Employee's Evidence of Insurability, if required.

Section III
Eligibility and Effective Dates

If, due to the Family Status Change, the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed.

If, due to the Family Status Change, the Employee decreases his or his Dependent's amount of insurance, the Employee or Dependent will be insured for the decrease on the date the Employee makes a written application for the change in plan options.

Delayed Effective Date of Insurance

The Effective Date of any initial, increased or additional insurance will be delayed for an Employee if he is not Actively at Work. The initial, increased or additional insurance will become effective on the date the Employee returns to an Actively at Work status.

The Effective Date of any initial, increased or additional insurance will be delayed for a Dependent if he is hospital confined. The initial, increased or additional insurance will become effective on the date the Dependent is no longer hospital confined. Hospital confined does not apply to a newborn child.

Reinstatement of Insurance

An Employee previously insured under this Policy will become insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible. The Employee will be enrolled in the same plan option elected prior to his termination. A change in the plan options can only be made at the Annual Enrollment Period or after a Family Status Change.

**Section IV
Benefit Provisions**

Employee Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that an Employee dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Life Insurance in force on the Employee's date of death.

Basic Life Insurance

The amount of Basic Life Insurance is the Employee's Basic amount of insurance as determined in Section I, Schedule of Benefits.

In no event shall an Employee's Basic Life Insurance exceed the Basic Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Basic Life Insurance is subject to any age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Basic Life Insurance under the Conversion Privilege of this Policy, his amount of Basic Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Optional Life Insurance

The amount of Optional Life Insurance is the lesser of:

1. the Employee's Optional amount of insurance elected (as determined in Section I, Schedule of Benefits); or
2. the Employee's Guaranteed Issue Amount for Optional Life Insurance (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of Insurability has been approved by Sun Life in excess of the Guaranteed Issue Amount for Optional Life Insurance.

In no event shall an Employee's Optional Life Insurance exceed the Optional Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Optional Life Insurance is subject to any Evidence of Insurability requirements, age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

**Section IV
Benefit Provisions**

Employee Life Insurance

Exclusions

If the Employee's cause of death is suicide:

1. No amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the Employee's Optional Life Insurance is effective. Any period of time the Employee was insured for the same amount of Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Optional Life Insurance is effective.
3. No amount of Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

Waiver of Premium Provision

Total Disabilities that begin before age 60

If Sun Life receives Notice and Proof of Claim that an Employee becomes Totally Disabled:

- while insured; and
- before his 60th birthday; and
- before his retirement;

the amount of Life Insurance will continue for that Employee from the date of Total Disability without further payment of premiums.

The Employee must apply for Waiver of Premium no later than 12 months after the Employee ceases to be Actively at Work. Proof of Claim is required no later than 15 months after the Employee ceases to be Actively at Work. Sun Life may require periodic proof of the continuance of Total Disability at reasonable intervals, but not more often than twice a year after the Employee has been continuously Totally Disabled for two years.

All amounts of life insurance under this Waiver of Premium Provision are subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not been Totally Disabled. This amount will be further reduced by the amount of any individual policy issued to the Employee pursuant to the Conversion Privilege of this Policy unless that individual policy is exchanged for a full refund of premiums paid.

Sun Life has the right to designate a Physician to examine the Employee when and as often as may be reasonably required.

The Waiver of Premium for an Employee ceases on the earliest of:

- the date he ceases to be Totally Disabled.
- the date he fails to furnish any required Proof that he continues to be Totally Disabled.
- the date he fails to submit to any required Examinations.
- any period the Employee is not under the regular and continuing care of a Physician providing appropriate treatment by means of examination and testing in accordance with the disabling condition.

**Section IV
Benefit Provisions**

Employee Life Insurance

- the date he retires, unless he is eligible for Retiree Life Insurance.
- the date he attains age 70, unless he is eligible for Retiree Life Insurance.

An Employee is deemed to be retired when he receives any compensation from a Retirement Plan of the Employer or when the Employee attains age 70, whichever occurs first.

An Employee's rights to continued benefits pursuant to this Waiver of Premium Provision are determined on the date Total Disability begins. These rights are subject to the terms of this Policy and will not be affected by subsequent amendment or termination of this Waiver of Premium Provision.

Accelerated Benefit

Sun Life will pay an Accelerated Benefit to the Employee at the Employee's request, if Sun Life receives satisfactory proof of the Employee's Terminal Illness.

To be eligible for the Accelerated Benefit an Employee must:

(Applicable to Employees employed on or before January 1, 2004)

- have been Actively at Work on January 1, 2004 and insured under the Life Insurance Benefit Provision for at least 60 days. Any period of time the Employee was insured for similar benefits under the previous insurer's group life policy will be used to satisfy this requirement;

(Applicable to Employees employed after January 1, 2004)

- have been insured under the Life Insurance Benefit Provision for at least 60 days;

(Applicable to All Employees)

- be certified as Terminally Ill with a life expectancy of twelve months or less;
- submit a written request to Sun Life while the Employee's Life Insurance is in force;
- be insured for at least \$20,000 of Life Insurance;
- have a signed acknowledgment and agreement to pay the Accelerated Benefit from any applicable absolute assignee, irrevocable beneficiary, or former spouse if the former spouse was required to be the beneficiary as part of a divorce decree.

Sun Life may confirm the diagnosis of a Terminal Illness with a medical examination performed by a Physician of Sun Life's choice.

The Accelerated Benefit is an amount up to 75% of the applicable amount of Life Insurance in force as of the date Sun Life receives a written request to provide an Accelerated Benefit.

The Accelerated Benefit will be paid as a single lump sum. The maximum amount of the Accelerated Benefit is \$500,000. The minimum amount of the Accelerated Benefit that can be requested is \$10,000. The Accelerated Benefit may be elected only once during the lifetime of the Employee.

**Section IV
Benefit Provisions**

Employee Life Insurance

If the Employee has received accelerated life insurance benefits under any other group insurance policy, that Employee is precluded from receiving up to that amount from Sun Life, as an Accelerated Benefit or as a Death Benefit.

If an Employee receives an Accelerated Benefit payment, the amount of Life Insurance remaining in force will be reduced by an amount equal to the Accelerated Benefit paid. The remaining amount of life insurance is subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not received an Accelerated Benefit.

If the Employee is eligible for Waiver of Premium, the amount of life insurance remaining in force on which premiums are waived will be based on the reduced amount of life insurance.

If the Employee subsequently converts his amount of life insurance, the amount eligible for conversion will be based on the reduced amount of life insurance.

Portability Privilege

Benefit

If, prior to age 65, an Employee's Optional Life Insurance ceases due to termination of his employment, the Employee may apply for portable coverage on his own life up to the amount of Optional Life Insurance that ceased, to a maximum of \$500,000. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the coverage must be \$10,000.

If an Employee elects to apply for portable coverage of any amount of Optional Life Insurance, he may also apply for portable coverage to continue any amount of Dependent Optional Life Insurance which ceased due to termination of employment.

An Employee whose coverage has been continued on Waiver of Premium under this Policy is not eligible to apply for portable coverage.

An Employee who elects to convert his coverage to an individual policy under the Conversion Privilege is not eligible to apply for portable coverage.

Application for Portable Coverage

1. Written application, including a statement of good health, must be made to Sun Life within the 31 day conversion period following the date the Optional Life Insurance ceases.
2. Portable coverage will be effective on the date that Sun Life approves the Employee's Application for portable coverage.
3. Portable coverage will be provided under a group term life policy providing death benefits only, without waiver of premium or Accelerated Death benefits.
4. The premium will be the current rate Sun Life charges for the standard class of risk and age the insured belongs to under the Portable Group Life Policy.

**Section IV
Benefit Provisions**

Employee Life Insurance

5. If the application for Portable Coverage is declined by Sun Life, the Employee will be given 31 days, commencing on the date the application is declined, to convert to an individual policy under the Conversion Privilege.

Termination of Portable Coverage

Portable coverage will terminate on the occurrence of the earliest of the following:

- the date for which the last premium has been paid by the Employee; or
- the expiration of 10 years following the date portable coverage commences; or
- the date the Employee attains age 65; or
- the date the portable group insurance policy terminates.

When Portable Coverage terminates, the Employee will have the right to convert the amount of coverage to an individual policy.

Conversion Privilege

Benefit

1. If all or part of an Employee's Life Insurance ceases or reduces due to:
- termination of his employment; or
 - termination of his membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - termination of the Employee's Waiver of Premium continuation; or
 - the Employee's continuation period ending during layoff or an approved leave of absence;

then the Employee may apply for an individual policy on his own life up to the amount that ceased. If the amount of Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Employee has been continuously insured for five or more years under this Policy's Life Benefit Provision and all or part of the Employee's Life Insurance ceases or reduces due to:
- reduction of the amount of Life Insurance in an Eligible Class by an amendment to the Life Insurance Benefit Provision; or
 - termination of the Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Life Insurance Benefit Provision;

then the Employee may apply for an individual policy on his own life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Employee is eligible for under any group policy within 31 days after his Life Insurance ceased.

**Section IV
Benefit Provisions**

Employee Life Insurance

The Employee will be issued an individual policy without Evidence of Insurability.

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Employee is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Employee shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.
3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Employee belongs on the effective date of the individual policy.
4. the effective date of the individual policy will be the day after the 31 day conversion period.

Death Within 31 Days

If the Employee dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Life Insurance the Employee would have been eligible to convert.

**Section IV
Benefit Provisions**

Employee Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date ; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Life benefit payable will be the lesser of:

- the Life benefit payable under this Policy; or
- the Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that a Dependent dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Optional Life Insurance in force on the Dependent's date of death.

Optional Life Insurance

The amount of Dependent Optional Life Insurance is the lesser of:

1. the Dependent's amount of Optional Life Insurance elected by the Employee in the Schedule (as determined in Section I, Schedule of Benefits); or
2. the Guaranteed Issue Amount (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of the Dependent's Insurability has been approved by Sun Life in excess of the Dependent's Guaranteed Issue Amount.

In no event shall a Dependent's Optional Life Insurance exceed the Optional Maximum Benefit shown in Section I, Schedule of Benefits.

The amount of Dependent Optional Life Insurance is subject to any Evidence of Insurability requirements shown in Section I, Schedule of Benefits.

If a Dependent had previously converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Dependent Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Exclusions

If the Dependent Spouse's cause of death is suicide:

1. No amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the Dependent Spouse's Optional Life Insurance is effective. Any period of time the Dependent Spouse was insured for the same amount of Dependent Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Dependent Spouse Optional Life Insurance is effective.
3. No amount of Dependent Spouse Optional Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Conversion Privilege

Benefit

1. If all or part of a Dependent's Optional Life Insurance ceases or reduces due to:
 - termination of the Employee's employment; or
 - termination of the Employee's membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - the Dependent no longer meeting the definition of a Dependent;

then the Employee or Dependent may apply for an individual policy on the Dependent's life up to the amount that ceased. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Dependent has been continuously insured for five or more years under this Policy's Dependent Optional Life Insurance Benefit Provision and the Dependent's Optional Life Insurance ceases due to:
 - termination of the Dependent Optional Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Dependent Optional Life Insurance Benefit Provision;

then the Employee or Dependent may apply for an individual policy on the Dependent's life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Dependent is eligible for under any group policy within 31 days after his Optional Life Insurance ceased.

The Dependent will be issued an individual policy without Evidence of Insurability.

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Dependent is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Dependent shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.
3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Dependent belongs on the effective date of the individual policy.
4. the effective date of the individual policy will be the day after the 31 day conversion period.

Section IV
Benefit Provisions

Dependent Optional Life Insurance

Death Within 31 Days

If the Dependent dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Optional Life Insurance the Dependent would have been eligible to convert.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee's Dependent when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Dependents subject to the Delayed Effective Date of Insurance on January 1, 2004

An Employee's Dependent may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. the Dependent was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. the Dependent is subject to the Delayed Effective Date of Insurance on January 1, 2004; and
3. the Employee is a member of an Eligible Class under this Policy; and
4. premiums for the Dependent are paid up to date; and
5. the Dependent is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Dependent Optional Life benefit payable will be the lesser of:

- the Dependent Optional Life benefit payable under this Policy; or
- the Dependent Optional Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

If Sun Life receives Notice and Proof of Claim that an Employee:

- dies from accidental drowning while insured; or
- sustains an Accidental Bodily Injury while insured, which results in loss of life, sight or limb within 365 days of the date of that injury; or
- sustains a loss of life, sight or limb within 365 days due to an accidental exposure to the elements while insured;

Sun Life will pay, subject to the Exclusions, the following percentage of Accidental Death and Dismemberment Insurance shown in Section I, Schedule of Benefits that was in force on the date of the Accidental Bodily Injury for the following losses:

| | |
|--|------|
| Life..... | 100% |
| Sight of one eye | 50% |
| One limb | 50% |
| Speech and hearing | 100% |
| Speech or hearing..... | 50% |
| Thumb and index finger of the same hand | 25% |
| Quadriplegia | 100% |
| Paraplegia | 75% |
| Hemiplegia..... | 50% |

The maximum amount of Accidental Death and Dismemberment Benefit payable for losses resulting from any one accident is 100%.

Loss of limb means severance of hand or foot at or above the wrist or ankle joint. Loss of sight, speech or hearing must be total and irrecoverable. Loss of thumb and index finger means severance through or above the metacarpophalangeal joints.

Quadriplegia means the total and permanent paralysis of both upper and lower limbs. Paraplegia means the total and permanent paralysis of both lower limbs. Hemiplegia means the total and permanent paralysis of the upper and lower limbs on one side of the body.

Section IV
Benefit Provisions

Employee Accidental Death and Dismemberment Insurance

Seat Belt Benefit

Sun Life will pay an additional Seat Belt Benefit if an Employee dies as a result of an automobile accident and an Accidental Death Benefit is payable under this Policy.

The Seat Belt Benefit is payable if the Employee was wearing a seat belt at the time of the accident. The Seat Belt Benefit is 25% of the amount of Accidental Death Benefit payable or \$50,000, whichever is less.

Sun Life must receive satisfactory written proof that the Employee's death resulted from an automobile accident and that the Employee was wearing a seat belt at the time of the accident. A copy of the police report is required.

Seat Belt means a properly installed seat belt, lap and shoulder restraint, or other restraint approved by the National Highway Traffic Safety Administration.

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

Disappearance

Sun Life will presume, subject to no objective evidence to the contrary, that an Employee is dead and has died as a result of an Accidental Bodily Injury if:

1. an Employee disappears as a result of an accidental wrecking, sinking or disappearance of a conveyance in which the Employee was known to be a passenger; and
2. the body of the Employee is not found within 365 days after the date of the conveyance's disappearance.

Exclusions

No Accidental Death or Accidental Dismemberment payment will be made for a loss which is due to or results from:

- suicide while sane or insane.
- intentionally self-inflicted injuries.
- bodily or mental infirmity or disease of any kind, or infection unless due to an accidental cut or wound.
- committing or attempting to commit an assault, felony or other criminal act.
- active participation in a war (declared or undeclared) or active duty in any armed service during a time of war.
- active participation in a riot, rebellion, or insurrection.
- injury sustained from any aviation activities, other than riding as a fare-paying passenger.
- the Employee's voluntary use of any controlled substance as defined in Title II of the Comprehensive Drug Abuse Prevention and Control Act of 1970, as now or hereafter amended, unless administered on the advice of a Physician.
- the Employee's operation of any motorized vehicle while intoxicated. Intoxicated means the minimum blood alcohol level required to be considered operating an automobile under the influence of alcohol in the jurisdiction where the accident occurred. For the purposes of this Exclusion, "Motorized Vehicle" includes, but is not limited to, automobiles, motorcycles, boats and snowmobiles.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group AD&D policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group AD&D policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group AD&D policy.

Any AD&D benefit payable will be the lesser of:

- the AD&D benefit payable under this Policy; or
- the AD&D benefit payable under the prior insurer's group AD&D policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

Section V
Termination Provisions

Termination of Employee's Insurance

An Employee will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee is no longer in an Eligible Class.
3. the date the Employee's Class is no longer included for insurance.
4. the last day for which any required premium has been paid.
5. the date the Employee retires other than for Basic Life Insurance.
6. the date employment terminates. Ceasing to be Actively at Work will be deemed termination of employment, except:
 - a. insurance will be continued for an Employee absent due to a disability during any period the premium is being waived under this Policy.
 - b. the Policyholder may continue the insurance by paying the required premiums, subject to the following:
 - i. insurance may be continued for up to 60 days after the Employee has been temporarily laid off or been given an approved leave of absence.
 - ii. insurance may be continued for up to 3 months of the Employee's paid vacation.
 - iii. For Life Insurance - insurance may be continued for up to 12 months after an Employee is absent from work due to Injury or Sickness.

The Policyholder in all of the above situations must act so as not to discriminate unfairly among Employees in similar situations.

7. the date the Employee requests, in writing, to have his insurance terminated.
8. the date the Employee ceases to be Actively at Work due to a labor dispute, including any strike, work slowdown, or lockout.
9. the date the Employee enters active duty in any armed service during a time of war (declared or undeclared).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Family and Medical Leave Act of 1993, as amended or continue coverage pursuant to a state required continuation period (if any).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Section V
Termination Provisions

Termination of Dependent's Insurance

A Dependent will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee ceases to be insured.
3. the date the Employee is no longer in an Eligible Class for Dependent Insurance.
4. the date the Dependent ceases to qualify as a Dependent.
5. the last day for which any required premium has been paid for insurance on the Dependent.
6. the date the Employee requests, in writing, to have his Dependent Insurance terminated.
7. the date the Employee dies.
8. the date the Dependent enters active duty in any armed service during a time of war (declared or undeclared).
9. the date the Employee retires.

Section V
Termination Provisions

Termination of Policy

This Policy will terminate for any of the following reasons:

1. If the Policyholder fails to pay any premium within the Grace Period, this Policy will terminate on the last day of the Grace Period.
2. The Policyholder may terminate this Policy by advance written notice delivered to Sun Life at least 31 days prior to the termination date. This Policy will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period this Policy is in force.
3. Sun Life may terminate this Policy on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees is less than 25; or
 - b. less than 100% of the Employees eligible are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible are insured for Optional Life Insurance; or
 - d. the Policyholder fails to:
 - i. furnish promptly any information Sun Life may reasonably require; or
 - ii. perform any other obligations pertaining to this Policy.
4. Sun Life may terminate this Policy on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of this Policy may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section V
Termination Provisions

Termination of Benefit Provision

A Benefit Provision will terminate for any of the following reasons:

1. The Policyholder may terminate a Benefit Provision by advance written notice delivered to Sun Life at least 31 days prior to the termination date. The Benefit Provision will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period that Benefit Provision is in force.
2. Sun Life may terminate a Benefit Provision on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees for that Benefit is less than 25; or
 - b. less than 100% of the Employees eligible for that Benefit are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible for that Benefit are insured for Optional Life Insurance; or
 - d. the Policyholder fails to furnish promptly any information which Sun Life may reasonably require.
3. Sun Life may terminate any Benefit Provision on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of a Benefit Provision may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section VI
General Policy Provisions

A. Statements

All statements made in any Application are considered representations and not warranties. No representation by:

1. the Policyholder in applying for this Policy will render it void unless the representation is contained in the Application; or
2. any Employee in applying for insurance under this Policy will be used to reduce or deny a claim unless a copy of the Employee's written application for insurance is or has been given to the Employee or the Employee's beneficiary, if any.

B. Entire Contract - Policy Changes

1. This Policy is the entire contract. It consists of:
 - a. all of the pages of the Policy;
 - b. the attached Application of the Policyholder;
 - c. each Employee's written application for insurance (Employee retains his own copy).
2. This Policy may be changed in whole or in part. Only an officer of Sun Life may approve a change. The approval must be in writing and endorsed on or attached to this Policy.
3. Any other person, including an agent, may not change this Policy or waive any part of it.

C. Employee's Certificate

Sun Life will provide a Certificate to the Policyholder for delivery to each Employee. The Certificate is intended to provide a brief explanation of the Policy benefits, but it does not form a part of this Policy. If the terms of a Certificate and this Policy differ, this Policy will govern.

Section VI
General Policy Provisions

D. Furnishing of Information - Access To Records

1. The Employer will furnish at regular intervals to Sun Life:
 - a. information relative to individuals:
 - i. who qualify to become insured;
 - ii. whose amounts of insurance change; and/or
 - iii. whose insurance terminates.
 - b. any other information about this Policy that may be reasonably required.

The records which, in the opinion of Sun Life, are material to the insurance, will be opened for inspection by Sun Life at any reasonable time.

2. Clerical error or omission will not:
 - a. deprive an individual of insurance;
 - b. affect an individual's amount of insurance; or
 - c. effect or continue an individual's insurance which otherwise would not be in force.

The Policyholder's or Employer's failure to report notice or proof of claim in a timely manner shall not constitute clerical error.

E. Misstatement of Facts

If relevant facts about any individual were not accurate:

1. an equitable adjustment of premium will be made; and
2. the true facts will be used to determine if and in what amount insurance is valid under this Policy.

If the amount of the benefit is dependent upon an individual's age, (as shown in Section I, Schedule of Benefits), the benefit will be the amount an individual would have been entitled to if his correct age was known.

If an adjustment results in a refund of premium, the refund will not exceed a period of more than 12 months.

F. Examination and Autopsy

Sun Life, at its own expense, has the right to have any person, whose Injury or Sickness is the basis of a claim:

1. examined by a Physician, other health professional or vocational expert of its choice; and/or
2. interviewed by an authorized Sun Life representative.

This right may be used as often as reasonably required.

Sun Life has the right, in the case of death, to request an autopsy where not prohibited by law.

G. Legal Proceedings

No legal action may start:

1. until 60 days after Proof of Claim has been given; nor
2. more than 3 years after the time Proof of Claim is required.

Section VI
General Policy Provisions

H. Workers' Compensation

This Policy is not in lieu of, and does not affect, any requirement for coverage by Workers' Compensation Insurance.

I. Agency

For all purposes of this Policy, the Policyholder acts on its own behalf or as an agent of the Employee. Under no circumstances will the Policyholder be deemed an agent of Sun Life.

J. Incontestability

Policyholder

The validity of this Policy shall not be contested, except for non-payment of premium, after it has been in force for two years from the Policy Effective Date.

Individual

No statement made by an individual, relating to his insurability for an initial, increased or additional amount of insurance, will be used in contesting the validity of that insurance, after such initial, increased or additional amount of insurance has been in force for a period of two years during the individual's lifetime.

This statement must be contained in a form signed by that individual.

**Section VII
Claim Provisions**

A. Notice and Proof of Claim

Sun Life must receive Notice and Proof of Claim prior to any payment under this Policy.

1. Notice of Claim

for Death Claim - written notice of claim must be given to Sun Life no later than 30 days after date of death.

for Life Waiver of Premium - written notice of claim must be given to Sun Life no later than 12 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - written notice of claim must be given to Sun Life no later than 12 months after the Employee's date of loss.

If notice cannot be given within the applicable time period, Sun Life must be notified as soon as it is reasonably possible.

When Sun Life has received written notice of claim, Sun Life will send the forms for proof of claim. If the forms are not received within 15 days after written notice of claim is sent, proof of claim may be sent to Sun Life without waiting for the form.

2. Proof of Claim

for Death Claim - proof of claim must be given to Sun Life no later than 90 days after date of death.

for Life Waiver of Premium - proof of claim must be given to Sun Life no later than 15 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - proof of claim must be given to Sun Life no later than 15 months after the Employee's date of loss.

If it is not possible to give proof within these time limits, it must be given as soon as reasonably possible. Proof of claim may not be given later than one year after the time proof is otherwise required unless the individual is legally incompetent.

Proof of Claim must consist of:

- a description of the loss or disability;
- the date the loss or disability occurred; and
- the cause of the loss or disability.

Proof of Claim may include, but is not limited to, police accident reports, autopsy reports, laboratory results, toxicology results, hospital records, x-rays, narrative reports, or other diagnostic testing materials as required.

Proof of Claim for disability must include evidence demonstrating the disability including, but not limited to, hospital records, Physician records, Psychiatric records, x-rays, narrative reports, or other diagnostic testing materials as appropriate for the disabling condition.

Section VII Claim Provisions

Proof must be satisfactory to Sun Life.

Sun Life may require as part of the Proof authorizations to obtain medical and non-medical information.

Proof of the Employee's continued disability and regular and continuous care by a Physician must be given to Sun Life within 30 days of the request for proof.

B. Insurer's Authority

The Plan Administrator has delegated to Sun Life its entire discretionary authority to make all final determinations regarding claims for benefits under the benefit plan insured by this Policy. This discretionary authority includes, but is not limited to, the determination of eligibility for benefits, based upon enrollment information provided by the Policyholder, and the amount of any benefits due, and to construe the terms of this Policy.

Any decision made by Sun Life in the exercise of this authority, including review of denials of benefit, is conclusive and binding on all parties. Any court reviewing Sun Life's determinations shall uphold such determination unless the claimant proves Sun Life's determinations are arbitrary and capricious.

C. Notice of Decision on Claim

A written notice of decision on a claim will be sent within a reasonable time after Sun Life receives the claim but not later than 45 days after receipt of the claim. If a decision cannot be made within 45 days after Sun Life receives the claim, Sun Life will request extensions of time as permitted under U.S. Department of Labor regulations. Any request for extension of time will specifically explain:

1. the standards on which entitlement to benefits is based;
2. the unresolved issues that prevent a decision on the claim; and
3. the additional information needed to resolve those issues.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the benefit determination is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information. The claimant will have at least 45 days to provide the specified information.

D. Review Procedure

If all or any part of a claim is denied, the claimant may request in writing a review of the denial within 180 days after receiving notice of denial.

The claimant may submit written comments, documents, records or other information relating to the claim for benefits, and may request free of charge copies of all documents, records and other information relevant to the claimant's claim for benefits.

Sun Life will review the claim on receipt of the written request for review, and will notify the claimant of Sun Life's decision within a reasonable time but not later than 45 days after the request has been received. If an extension of time is required to process the claim, Sun Life will notify the claimant in writing of the

Section VII Claim Provisions

special circumstances requiring the extension and the date by which Sun Life expects to make a determination on review. The extension cannot exceed a period of 45 days from the end of the initial review period.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the decision on review is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information.

E. Time of Payment of Claims

When Sun Life receives satisfactory Proof of Claim, benefits payable under this Policy will be paid for any period for which Sun Life is liable.

F. Payment of Claims

Benefits payable upon the death of the Employee are payable to the Beneficiary living at the time (other than the Employer). Unless otherwise specified, if more than one Beneficiary survives the Employee, all surviving Beneficiaries will share equally. If no Beneficiary is alive on the date of the Employee's death, payment will be made to the Employee's estate.

All other benefits payable during the lifetime of the Employee are payable to the Employee.

If a benefit is payable to the Employee's estate, an Employee who is a minor, or an Employee who is not competent, Sun Life has the right to pay up to \$5,000 to any of the Employee's relatives whom Sun Life considers entitled. If Sun Life pays benefits in good faith to a relative, Sun Life will not have to pay those benefits again.

If a Beneficiary is a minor or is not competent, Sun Life has the right to pay up to \$1,000 to the person or institution that appears to have assumed custody and main support, until the appointed legal representative makes a formal claim. If Sun Life pays benefits in good faith to a person or institution, Sun Life will not have to pay those benefits again.

G. Amendment or Termination of Benefit Provision

An Employee's rights to any disability benefits are determined on the date the Employee's disability begins. The right is subject to the terms of this Policy in effect on the date disability begins and will not be affected by subsequent amendment or termination of this Policy.

H. Change of Beneficiary

If this Policy replaces existing coverage under the Employer's group life insurance plan, Employees' nominations of Beneficiaries under the plan will remain in force unless changed by the Employee. All nominations of Beneficiaries are revocable unless otherwise stated by the Employee. Any request for change of Beneficiary must be in a written form and will take effect as of the date the Employee signs and files the change with the Employer. If Sun Life has taken any action or made payment prior to receiving notice of that change, the change of Beneficiary will not affect any action or payment made by Sun Life. The consent of the Beneficiary is not required to change any Beneficiary unless the Beneficiary designation has been irrevocable.

Section VII
Claim Provisions

I. Assignments

The Employee is permitted to assign all his rights under this Policy. Any assignment must be in a written form and will take effect as of the date the Employee signs and files the assignment with the Employer. Sun Life will honor an Employee's prior assignment of rights and benefits under the Employer's plan, whether or not this Policy is specified in the Assignment. If Sun Life has taken any action or made payment prior to receiving notice of that change, the assignment will not affect any action or payment made by Sun Life. Sun Life will not be responsible for the legal, tax or other effects of any assignment.

J. Methods of Payment

The Death Benefit may be payable by a method other than a lump sum. The available methods of payment will be based on the benefit options offered by Sun Life at the time of election.

Section VIII
Premiums

A. Premium Rates

Sun Life determines its initial or any subsequent monthly premium rate on the basis of the coverage being provided. After the initial monthly premium rate has been in effect until December 31, 2006, Sun Life has the right to recalculate any premium rate. However, Sun Life has the right to recalculate the initial or any subsequent monthly premium rate when any of the following occurs:

1. the terms of this Policy are changed, including but not limited to the Schedule of Benefits; or
2. a new Division, Subsidiary or Affiliated Company of the Policyholder is added to or deleted from this Policy; or
3. the number of Employees insured changes by 25% or more from the number of Employees insured on the Policy Effective Date or the immediately preceding Policy Anniversary Date; or
4. one or more class(es) are added to or deleted from this Policy.

No premium rate may be increased unless Sun Life notifies the Policyholder at least 31 days in advance of the increase. Premium rate increases may take effect on an earlier date when both Sun Life and the Policyholder agree.

B. Payment of Premiums

1. All premiums due under this Policy, including adjustments, if any, are payable by the Policyholder on or before the respective due dates at Sun Life's U.S. Headquarters or at another location designated by Sun Life. The due dates are specified on the first page of this Policy.
2. The premiums due under this Policy on each premium due date are based upon the premium rates in effect for the benefit provided. The premium due is the sum of the monthly premiums for all insured Employees and Dependents for all benefits.
3. Premiums payable to Sun Life will be paid in United States dollars on the premium due date.
4. The premium for additional or increased insurance becoming effective during a Policy month will be charged from the next premium due date.
5. The premium for insurance terminated during a Policy month will cease at the end of the Policy month in which such insurance terminates.
6. Except for fraud, premium adjustments, refunds or charges will be made for only:
 - a. the current Policy Year; and
 - b. the prior Policy Year.

C. Grace Period

The Grace Period is 45 days following a premium due date. During the Grace Period the Policy shall continue in force, unless the Policyholder has given Sun Life written notice to discontinue this Policy. In any event, premiums are payable for any period of time the Policy remains in force.



Sun Life Assurance
Company of Canada
SC 2384
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699

1-800-247-6875

POLICY AMENDMENT

Policy Number: 88444

Policyholder: City of Chandler

Amendment Effective Date: March 17, 2005

This policy is restated from the Amendment Effective Date to reflect the changes indicated below. The attached policy incorporates the requested amendment(s) and replaces any prior policy issued under 88444.

Amendment
Effective Date

Description of Change

March 17, 2005

changed anniversary date to July 1st and changed annual enrollment period for Optional Life Insurance to May 1st - May 31st

Except as stated in this Amendment, nothing contained herein shall be held to alter or affect any of the policy provisions, including any prior amended policies, amendments, modifications, endorsements, or riders thereto.

SUN LIFE ASSURANCE COMPANY OF CANADA

A handwritten signature in black ink, appearing to read "M. Jones".

PRESIDENT

Sun Life Assurance Company of Canada
is a member of the Sun Life Financial group of companies.

www.sunlife-usa.com

SUN LIFE ASSURANCE COMPANY OF CANADA

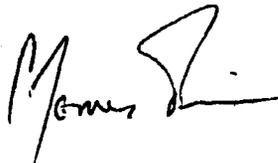
Policyholder: City of Chandler
Policy Number: 88444
Policy Effective Date: January 1, 2004
Policy Anniversary: January 1, 2005
Policy Amendment Effective Date: March 17, 2005

This Policy is delivered in Arizona and is subject to the laws of that jurisdiction. Premiums are due and payable monthly on the first day of each month. Policy anniversaries will be annual beginning on January 1, 2005. Effective March 17, 2005, policy anniversaries will be annual beginning on July 1, 2005.

Sun Life Assurance Company of Canada (Sun Life) agrees to pay the benefits in accordance with all provisions provided by this Policy for Employee Basic Life, Employee Basic Accidental Death and Dismemberment, Employee Optional Life, and Dependent Optional Life Insurance. This Policy is issued in consideration of the Application of the Policyholder, a copy of which is attached, and continued payment of premiums by the Policyholder. The following pages including any Riders, Endorsements or Amendments are a part of this Policy.

For the purpose of effective dates and termination dates under this Policy, all days begin at 12:00 midnight and end at 11:59:59 pm.

Signed at Sun Life's U.S. Headquarters, One Sun Life Executive Park, Wellesley Hills, MA 02481.



President

READ YOUR POLICY CAREFULLY

Group Term Insurance Policy

Non-Participating

Table of Contents

Page Numbers

| | | |
|---------------------|--|-----------|
| Section I | Schedule of Benefits | 3 |
| Section II | Definitions | 8 |
| Section III | Eligibility and Effective Date | 14 |
| Section IV | Benefit Provisions..... | 17 |
| | Employee Life Insurance..... | 17 |
| | Dependent Optional Life Insurance | 25 |
| | Employee Accidental Death and Dismemberment Insurance | 29 |
| Section V | Termination Provisions | 32 |
| Section VI | General Policy Provisions..... | 36 |
| Section VII | Claim Provisions..... | 39 |
| Section VIII | Premiums..... | 43 |

**Section I
Schedule of Benefits**

ELIGIBLE CLASSES

All Full-Time Employees scheduled to work at least 20 hours per week.

WAITING PERIOD

Until the first of the month following 1 month of continuous employment. However, if the first day of employment occurs on Monday the 2nd or 3rd of any month, an Employee will be eligible on the first of the following month. If the first day of employment occurs on a Tuesday after a Monday the 1st, 2nd, or 3rd which is a holiday, an Employee will be eligible on the first of the following month.

EMPLOYEE LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT INSURANCE

BASIC INSURANCE

CLASSIFICATION

- 1 - City Manager
- 2 - City Attorney, City Clerk, City Magistrate and Presiding City Magistrate
- 3 - Council Members
- 4 - All Other Employees

| CLASS | LIFE | AD&D |
|--------------|---|---|
| 1 | 1 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |
| 2 | 1.5 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |
| 3 | \$50,000 | \$50,000 |
| 4 | 1 times the Employee's Basic Annual Earnings* | An amount equal to the Employee's amount of Basic Life Insurance in force |

Section I
Schedule of Benefits

OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees

LIFE

An Employee may elect an
amount of Optional Life
Insurance in \$10,000 increments

* rounded to the next higher \$1,000, if not already a multiple of \$1,000

The **Optional Maximum Benefit** is the lesser of:

- \$500,000; or
- 5 times the Employee's Basic Annual Earnings.

The **Basic Maximum Benefit** for Classes 1 and 2 is \$200,000.

The **Basic Maximum Benefit** for Class 4 is \$125,000.

The **Minimum Benefit** for Classes 1, 2 and 4 for Basic Life Insurance is \$50,000.

(Applicable to Employees insured on December 31, 2003)

The **Guaranteed Issue Amount** for Optional Life Insurance is the amount of Optional Life Insurance the Employee had in force on December 31, 2003.

(Applicable to Employees hired on or after January 1, 2004)

The **Guaranteed Issue Amount** for Optional Life Insurance is \$120,000.

An Employee's amount of Basic and Optional Life and Basic Accidental Death and Dismemberment Insurance shown in the Schedule will reduce to 65% when he attains age 70 and to 50% when he attains age 75.

An Employee's Basic Life Insurance terminates at the Employee's retirement, unless the Employee is eligible for Retiree Life Insurance. An Employee's Optional Life and Basic Accidental Death and Dismemberment Insurance terminates at the Employee's retirement.

Evidence of Insurability, satisfactory to Sun Life, will be required for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects Basic Life Insurance only and subsequently elects Optional Life Insurance; or
- an Employee who elects an increase in his amount of Optional Life Insurance in excess of \$10,000; or
- an Employee whose amount of Life Insurance is in excess of the Guaranteed Issue Amount.

Section I
Schedule of Benefits

— **RETIRED EMPLOYEES** (Basic Life Insurance only)

CLASSIFICATION

All Employees

LIFE

50% of the Employee's amount of Basic Life
Insurance in force prior to his retirement.

The **Retiree Maximum Benefit** is \$50,000.

The Employee must elect Retiree Life Insurance within 31 days following retirement. A Retired Employee may not elect Retiree Life Insurance after 31 days following retirement, nor reinstate terminated coverage.

Section I
Schedule of Benefits

DEPENDENT OPTIONAL LIFE INSURANCE

CLASSIFICATION

All Employees enrolled in Employee Optional Life Insurance

| Spouse | Child under age 19** |
|---|-----------------------------|
| An Employee may elect an amount of Dependent Spouse Optional Life Insurance in \$5,000 increments | \$10,000 |

The Dependent Spouse **Optional Maximum Benefit** is \$250,000

** to age 25 if the Employee's child is an enrolled full-time student and depends on the Employee for 50% or more of his support.

(The amount of Dependent Optional Life Insurance cannot exceed 50% of the Employee's amount of Optional Life Insurance)

The **Guaranteed Issue Amount** for Employees insured for Dependent Spouse Optional Life Insurance prior to January 1, 2004 is the amount of Dependent Spouse Optional Life Insurance the Employee had in force on December 31, 2003.

The **Guaranteed Issue Amount** for Employees hired on or after January 1, 2004 for Dependent Spouse Optional Life Insurance is \$60,000.

Evidence of Insurability, satisfactory to Sun Life, will be required for an Employee's Dependent for any of the following reasons:

- an Employee who, on his initial Eligibility Date, elects no Dependent Life coverage and subsequently elects Dependent Optional Life Insurance; or
- an Employee who elects Employee Basic Life Insurance only and subsequently elects Employee Optional Life Insurance and Dependent Optional Life Insurance; or
- an Employee who elects an amount of Life Insurance for a Dependent in excess of the Guaranteed Issue Amount; or
- an Employee who elects an increase in his amount of Dependent Optional Life Insurance in excess of \$5,000.

Section I
Schedule of Benefits

CONTRIBUTIONS

Employees will contribute to the cost of their Employee Optional Life and Dependent Optional Life Insurance.

Employees will not contribute to the cost of their Employee Basic Life and Employee Basic Accidental Death and Dismemberment Insurance.

Retirees will contribute to the cost of their Retiree Basic Life Insurance.

INITIAL MONTHLY PREMIUM RATES

| | |
|---|-----------------------|
| Employee Basic Life Insurance | Refer to Attachment A |
| Employee Optional Life Insurance | Refer to Attachment A |
| Employee Basic Accidental Death and Dismemberment Insurance | Refer to Attachment A |
| Dependent Optional Life Insurance | Refer to Attachment A |

The initial monthly premium rates are guaranteed until December 31, 2006, unless otherwise specified in Section VIII, Premiums. See Section VIII, Premiums for more information.

Section II Definitions

In this section Sun Life defines some basic terms needed to understand this Policy. All male terms include the female term, unless stated otherwise.

For purposes of this Policy:

Actively at Work means that an Employee performs all the regular duties of his job for a full work day scheduled by the Employer at the Employer's normal place of business or a site where the Employer's business requires the Employee to travel.

An Employee is considered Actively at Work on any day that is not his regular scheduled work day (e.g. vacation or holiday), provided the Employee was Actively at Work on his immediately preceding scheduled work day and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

An Employee is considered Actively at Work if he usually performs the regular duties of his job at his home, provided the Employee can perform all the regular duties of his job for a full work day and could do so at the Employer's normal place of business if required to do so, and the Employee:

- is not hospital confined; or
- is not disabled due to an injury or sickness.

Annual Enrollment Period means the period from May 1st - May 31st of each year as designated by the Policyholder and Sun Life.

Application means the document pertaining to the plan of insurance applied for by the Policyholder. This document is attached to this Policy.

Certificate means a written booklet prepared by Sun Life which includes any Riders, Endorsements or Amendments, containing a summary of:

1. the insurance benefits an Employee is entitled to;
2. to whom the benefits are payable; and
3. any limitations, exclusions or requirements that may apply.

Contributory Insurance means insurance for which the Employee is required to pay all or part of the premium.

Eligibility Date means the date or dates an Employee in an Eligible Class becomes eligible for insurance under this Policy. Classes eligible for insurance are shown in Section I, Schedule of Benefits.

Employee means a person who is employed by the Employer, scheduled to work at least the number of hours shown in Section I, Schedule of Benefits, and paid regular earnings.

Employer means City of Chandler and includes any Subsidiary or Affiliated company named in the Application.

Evidence of Insurability means a statement or proof of an Employee's or Dependent's medical history upon which acceptance for insurance will be determined by Sun Life. The Employee or Dependent must agree to submit to a paramedical examination and/or provide copies of medical records, if requested by Sun Life. Sun Life will pay the cost of any paramedical examination ordered by Sun Life for the purpose of providing Evidence of Insurability.

Section II Definitions

Grace Period means the 45 days following a premium due date.

Guaranteed Issue Amount means the maximum amount of insurance available under this Policy without Evidence of Insurability. If the Employee's or Dependent's amount of insurance exceeds the Guaranteed Issue Amount available under this Policy, any amount in excess of the Guaranteed Issue Amount is available to the Employee or Dependent only if he has furnished Evidence of Insurability to Sun Life and has been approved for any excess amount above the Guaranteed Issue Amount.

Hospital or Institution means a facility licensed to provide full-time medical care and treatment under the direction of a full-time staff of licensed physicians.

Initial Enrollment Period means:

- the period from November 1, 2003 - November 30, 2003 as designated by the Policyholder and Sun Life, for those Employees eligible for benefits on January 1, 2004; or
- the period of 31 days immediately after to the Employee's Eligibility Date, for those Employees who become eligible for benefits after January 1, 2004.

Injury means bodily impairment resulting directly from an accident and independently of all other causes. Any Injury must occur and any disability must begin while the Employee is insured under this Policy.

Non-Contributory Insurance means insurance for which the premium is paid entirely by the Employer.

Physician means an individual who is operating within the scope of his license and is either:

1. licensed to practice medicine and prescribe and administer drugs or to perform surgery; or
2. legally qualified as a medical practitioner and required to be recognized, under this Policy for insurance purposes, according to the insurance regulations of the governing jurisdiction.

The Physician cannot be the Employee, his spouse or the parents, brothers, sisters or children of the Employee or his spouse.

Policyholder means the entity to whom the Policy is issued.

Pregnancy means childbirth, miscarriage, abortion or any disease resulting from or aggravated by the pregnancy.

Retirement Plan means a program which provides retirement benefits to Employees and is not funded wholly by Employee contributions. The term will not include a 401(k) plan, a profit sharing plan, a thrift plan, an individual retirement account (IRA), a tax sheltered annuity (TSA), a stock ownership plan, or a nonqualified plan of deferred compensation.

Employer's Retirement Plan will include any Retirement Plan:

1. which is part of any federal, state, county, municipal or association retirement system; and
2. the Employee is eligible for as a result of employment with the Employer.

Sickness means illness, disease or pregnancy. Any disability, because of Sickness, must begin while the Employee is insured under this Policy.

Section II
Definitions

U.S. Headquarters means Sun Life Assurance Company of Canada, Wellesley Hills, MA 02481.

Waiting Period means the length of time immediately before an Employee's Eligibility Date during which he must be employed in an Eligible Class. Any period of time prior to the Policy Effective Date the Employee was Actively at Work for the Employer will count towards completion of the Waiting Period. The Waiting Period is shown in Section I, Schedule of Benefits.

Section II Definitions

The following Definitions are applicable to Life Insurance

Basic Annual Earnings means the Employee's current salary or wage from the Employer. Basic Annual Earnings does not include commissions, bonuses, overtime pay or any other extra compensation.

Basic Maximum Benefit means the largest amount of Basic Life Insurance available to an Employee under this Policy. The Basic Maximum Benefit is shown in Section I, Schedule of Benefits.

Beneficiary means the person (other than the Employer) who is entitled to receive death benefit proceeds as they become due under this Policy. A Beneficiary must be named by the Employee on a form acceptable to Sun Life and executed by the Employee.

Optional Maximum Benefit means the largest amount of Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Retired Employee means a former Employee of the Employer who prior to his retirement was insured as an active Employee. To be considered a retired employee, he must be receiving a pension from the Employer or receiving a pension as a result of his employment with the Employer.

Retirement means the first of the following to occur:

1. the effective date of the Employee's retirement benefits under:
 - a. any plan of a federal, state, county, municipal or an association retirement system which the Employee is eligible as a result of his employment with the Employer;
 - b. any Retirement Plan the Employer sponsors; or
 - c. any Retirement Plan to which the Employer:
 - i. makes contributions to; or
 - ii. has made contributions.
2. the effective date of the Employee's retirement benefits under the Social Security Act or any similar plan or act. However, if the Employee meets the definition of Employee and is receiving retirement benefits under the Social Security Act or similar plan or act, the Employee will not be considered retired.

Terminally Ill or Terminal Illness means an Employee's Sickness or physical condition that is certified by a Physician to reasonably be expected to result in death within twelve months or less.

Total Disability or Totally Disabled for purposes of determining eligibility for Waiver of Premium, means an Employee, because of Injury or Sickness, is unable to perform the material and substantial duties of any occupation for which he is or becomes reasonably qualified for by education, training or experience.

Section II Definitions

The following Definitions are applicable to Dependent Optional Life Insurance

Dependent means an Employee's:

- spouse;
- unmarried child from live birth to under age 19;
- unmarried child under age 25 who is enrolled as a full-time student and depends on the Employee for 50% or more of his support.

An Employee's unmarried step-child, foster child or adopted child is included as a Dependent if he depends on the Employee for 50% or more of his support and is living with the Employee in a regular parent-child relationship. A child is considered adopted if he is in the legal custody of the Employee under an interim court order of adoption, whether or not a final adoption order is ever issued.

Dependent does not include:

- any person who is insured as an Employee; or
- any person residing outside the United States, Canada or Mexico.

No person may be considered to be a Dependent of more than one Employee.

Optional Maximum Benefit means the largest amount of Dependent Optional Life Insurance available to an Employee under this Policy. The Optional Maximum Benefit is shown in Section I, Schedule of Benefits.

Section II Definitions

The following Definitions are applicable to Accidental Death and Dismemberment Insurance

Accidental Bodily Injury means bodily harm caused solely by external, violent and accidental means which is sustained directly and independently of all other causes.

AD&D means Accidental Death and Dismemberment.

Section III
Eligibility and Effective Dates

A. Eligible Classes

The class(es) eligible for insurance are shown in Section I, Schedule of Benefits.

B. Eligibility Date

An Employee in an Eligible Class will be eligible for insurance on the latest of the following dates:

1. January 1, 2004; or
2. the day after the Employee completes the Waiting Period.

An Employee in an Eligible Class will be eligible for Dependent Optional Life Insurance on the latest of the following dates:

1. the date he is insured for Employee Optional Life Insurance; or
2. January 1, 2004; or
3. the date the Employee first acquires a Dependent.

C. Effective Date of Insurance

During each enrollment period an Employee may make written application for insurance benefit plan choices.

Initial Enrollment Period

An Employee will be insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible on or after written application is made for insurance provided Evidence of Insurability is not required.

If Evidence of Insurability is required for any amount of insurance, the Employee is insured for that amount of insurance, subject to the Delayed Effective Date of Insurance, on the date Sun Life approves the Evidence.

If an Employee does not make a written application for insurance, he will be insured for Employee Basic Life and Employee Basic Accidental Death and Dismemberment only.

A Dependent will be insured, subject to the Delayed Effective Date of Insurance, on the latest of:

- the date the Employee is eligible for Dependent Optional Life Insurance; or
- the date the Employee makes a written application for Dependent Optional Life Insurance, if he applies during the Initial Enrollment Period; or
- the date the Dependent's Evidence of Insurability is approved by Sun Life, if required.

If an Employee does not make a written application for Dependent Optional Life Insurance within the Initial Enrollment Period, the Dependent will not be insured.

No change in plan options may be made until:

Section III
Eligibility and Effective Dates

- the annual enrollment period; or
- the Employee has a Family Status Change.

Annual Enrollment Period

During each annual enrollment period an Employee may apply for a change in his plan options.

If during the Annual Enrollment Period the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Employee's Evidence of Insurability.

If during the Annual Enrollment Period the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the later of:

- the January 1st following the Employee's election; or
- the date Sun Life approves the Dependent's Evidence of Insurability.

Decreases in any amount of insurance will take effect on the January 1st following the Employee's election.

An Employee who does not make any changes during the Annual Enrollment Period will continue to be insured for the plan option previously elected.

No change in plan options may be made until the next Annual Enrollment Period, except if the Employee has a Family Status Change.

Family Status Change

When an Employee has a Family Status Change he may make a change in his plan options within 31 days of the change in Family Status. Such changes must be on account of and consistent with the reason that the change was permitted. A change in the plan of insurance is consistent with a Family Status Change only if the change is necessary or appropriate as the result of the Family Status Change. A Family Status Change is one of the following events:

- the Employee's marriage or divorce;
- the birth of a child of the Employee;
- the adoption of a child by the Employee;
- the death of the Employee's spouse or child;
- the commencement or termination of employment of the Employee's spouse;
- the change from part-time to full-time employment by the Employee or the Employee's spouse;
- the change from full-time to part-time employment by the Employee or the Employee's spouse;
- the taking of an unpaid leave of absence by the Employee or the Employee's spouse;
- a significant change in the health coverage of the Employee or the Employee's spouse as a result of the spouse's employment.

If, due to the Family Status Change, the Employee increases his amount of insurance, the Employee will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed; or
- the date Sun Life approves the Employee's Evidence of Insurability, if required.

Section III
Eligibility and Effective Dates

If, due to the Family Status Change, the Employee increases his Dependent's amount of insurance, the Dependent will be insured, subject to the Delayed Effective Date of Insurance, for the increase on the latest of:

- the date the Employee makes a written application for the change in plan options; or
- the date the Employee's Family Status changed; or
- the date Sun Life approves the Dependent's Evidence of Insurability, if required.

If, due to the Family Status Change, the Employee decreases his or his Dependent's amount of insurance, the Employee or Dependent will be insured for the decrease on the date the Employee makes a written application for the change in plan options.

Delayed Effective Date of Insurance

The Effective Date of any initial, increased or additional insurance will be delayed for an Employee if he is not Actively at Work. The initial, increased or additional insurance will become effective on the date the Employee returns to an Actively at Work status.

The Effective Date of any initial, increased or additional insurance will be delayed for a Dependent if he is hospital confined. The initial, increased or additional insurance will become effective on the date the Dependent is no longer hospital confined. Hospital confined does not apply to a newborn child.

Reinstatement of Insurance

An Employee previously insured under this Policy will become insured, subject to the Delayed Effective Date of Insurance, on the date he is eligible. The Employee will be enrolled in the same plan option elected prior to his termination. A change in the plan options can only be made at the Annual Enrollment Period or after a Family Status Change.

**Section IV
Benefit Provisions**

Employee Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that an Employee dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Life Insurance in force on the Employee's date of death.

Basic Life Insurance

The amount of Basic Life Insurance is the Employee's Basic amount of insurance as determined in Section I, Schedule of Benefits.

In no event shall an Employee's Basic Life Insurance exceed the Basic Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Basic Life Insurance is subject to any age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Basic Life Insurance under the Conversion Privilege of this Policy, his amount of Basic Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Optional Life Insurance

The amount of Optional Life Insurance is the lesser of:

1. the Employee's Optional amount of insurance elected (as determined in Section I, Schedule of Benefits); or
2. the Employee's Guaranteed Issue Amount for Optional Life Insurance (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of Insurability has been approved by Sun Life in excess of the Guaranteed Issue Amount for Optional Life Insurance.

In no event shall an Employee's Optional Life Insurance exceed the Optional Maximum Benefit (shown in Section I, Schedule of Benefits).

The amount of Optional Life Insurance is subject to any Evidence of Insurability requirements, age reductions or terminations shown in Section I, Schedule of Benefits.

If a former Employee had converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

**Section IV
Benefit Provisions**

Employee Life Insurance

Exclusions

If the Employee's cause of death is suicide:

1. No amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the Employee's Optional Life Insurance is effective. Any period of time the Employee was insured for the same amount of Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Optional Life Insurance is effective.
3. No amount of Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

Waiver of Premium Provision

Total Disabilities that begin before age 60

If Sun Life receives Notice and Proof of Claim that an Employee becomes Totally Disabled:

- while insured; and
- before his 60th birthday; and
- before his retirement;

the amount of Life Insurance will continue for that Employee from the date of Total Disability without further payment of premiums.

The Employee must apply for Waiver of Premium no later than 12 months after the Employee ceases to be Actively at Work. Proof of Claim is required no later than 15 months after the Employee ceases to be Actively at Work. Sun Life may require periodic proof of the continuance of Total Disability at reasonable intervals, but not more often than twice a year after the Employee has been continuously Totally Disabled for two years.

Section IV
Benefit Provisions

Employee Life Insurance

All amounts of life insurance under this Waiver of Premium Provision are subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not been Totally Disabled. This amount will be further reduced by the amount of any individual policy issued to the Employee pursuant to the Conversion Privilege of this Policy unless that individual policy is exchanged for a full refund of premiums paid.

Sun Life has the right to designate a Physician to examine the Employee when and as often as may be reasonably required.

The Waiver of Premium for an Employee ceases on the earliest of:

- the date he ceases to be Totally Disabled.
- the date he fails to furnish any required Proof that he continues to be Totally Disabled.
- the date he fails to submit to any required Examinations.
- any period the Employee is not under the regular and continuing care of a Physician providing appropriate treatment by means of examination and testing in accordance with the disabling condition.
- the date he retires, unless he is eligible for Retiree Life Insurance.
- the date he attains age 70, unless he is eligible for Retiree Life Insurance.

An Employee is deemed to be retired when he receives any compensation from a Retirement Plan of the Employer or when the Employee attains age 70, whichever occurs first.

An Employee's rights to continued benefits pursuant to this Waiver of Premium Provision are determined on the date Total Disability begins. These rights are subject to the terms of this Policy and will not be affected by subsequent amendment or termination of this Waiver of Premium Provision.

Accelerated Benefit

Sun Life will pay an Accelerated Benefit to the Employee at the Employee's request, if Sun Life receives satisfactory proof of the Employee's Terminal Illness.

To be eligible for the Accelerated Benefit an Employee must:

(Applicable to Employees employed on or before January 1, 2004)

- have been Actively at Work on January 1, 2004 and insured under the Life Insurance Benefit Provision for at least 60 days. Any period of time the Employee was insured for similar benefits under the previous insurer's group life policy will be used to satisfy this requirement;

(Applicable to Employees employed after January 1, 2004)

- have been insured under the Life Insurance Benefit Provision for at least 60 days;

**Section IV
Benefit Provisions**

Employee Life Insurance

(Applicable to All Employees)

- be certified as Terminally Ill with a life expectancy of twelve months or less;
- submit a written request to Sun Life while the Employee's Life Insurance is in force;
- be insured for at least \$20,000 of Life Insurance;
- have a signed acknowledgment and agreement to pay the Accelerated Benefit from any applicable absolute assignee, irrevocable beneficiary, or former spouse if the former spouse was required to be the beneficiary as part of a divorce decree.

Sun Life may confirm the diagnosis of a Terminal Illness with a medical examination performed by a Physician of Sun Life's choice.

The Accelerated Benefit is an amount up to 75% of the applicable amount of Life Insurance in force as of the date Sun Life receives a written request to provide an Accelerated Benefit.

The Accelerated Benefit will be paid as a single lump sum. The maximum amount of the Accelerated Benefit is \$500,000. The minimum amount of the Accelerated Benefit that can be requested is \$10,000. The Accelerated Benefit may be elected only once during the lifetime of the Employee.

If the Employee has received accelerated life insurance benefits under any other group insurance policy, that Employee is precluded from receiving up to that amount from Sun Life, as an Accelerated Benefit or as a Death Benefit.

If an Employee receives an Accelerated Benefit payment, the amount of Life Insurance remaining in force will be reduced by an amount equal to the Accelerated Benefit paid. The remaining amount of life insurance is subject to the same Policy terms and conditions including subsequent reductions and terminations at specified ages and/or at retirement as would have been applicable had the Employee not received an Accelerated Benefit.

If the Employee is eligible for Waiver of Premium, the amount of life insurance remaining in force on which premiums are waived will be based on the reduced amount of life insurance.

If the Employee subsequently converts his amount of life insurance, the amount eligible for conversion will be based on the reduced amount of life insurance.

Portability Privilege

Benefit

If, prior to age 65, an Employee's Optional Life Insurance ceases due to termination of his employment, the Employee may apply for portable coverage on his own life up to the amount of Optional Life Insurance that ceased, to a maximum of \$500,000. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the coverage must be \$10,000.

If an Employee elects to apply for portable coverage of any amount of Optional Life Insurance, he may also apply for portable coverage to continue any amount of Dependent Optional Life Insurance which ceased due to termination of employment.

**Section IV
Benefit Provisions**

Employee Life Insurance

An Employee whose coverage has been continued on Waiver of Premium under this Policy is not eligible to apply for portable coverage.

An Employee who elects to convert his coverage to an individual policy under the Conversion Privilege is not eligible to apply for portable coverage.

Application for Portable Coverage

1. Written application, including a statement of good health, must be made to Sun Life within the 31 day conversion period following the date the Optional Life Insurance ceases.
2. Portable coverage will be effective on the date that Sun Life approves the Employee's Application for portable coverage.
3. Portable coverage will be provided under a group term life policy providing death benefits only, without waiver of premium or Accelerated Death benefits.
4. The premium will be the current rate Sun Life charges for the standard class of risk and age the insured belongs to under the Portable Group Life Policy.
5. If the application for Portable Coverage is declined by Sun Life, the Employee will be given 31 days, commencing on the date the application is declined, to convert to an individual policy under the Conversion Privilege.

Termination of Portable Coverage

Portable coverage will terminate on the occurrence of the earliest of the following:

- the date for which the last premium has been paid by the Employee; or
- the expiration of 10 years following the date portable coverage commences; or
- the date the Employee attains age 65; or
- the date the portable group insurance policy terminates.

When Portable Coverage terminates, the Employee will have the right to convert the amount of coverage to an individual policy.

Section IV
Benefit Provisions

Employee Life Insurance

Conversion Privilege

Benefit

1. If all or part of an Employee's Life Insurance ceases or reduces due to:
 - termination of his employment; or
 - termination of his membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - termination of the Employee's Waiver of Premium continuation; or
 - the Employee's continuation period ending during layoff or an approved leave of absence;

then the Employee may apply for an individual policy on his own life up to the amount that ceased. If the amount of Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Employee has been continuously insured for five or more years under this Policy's Life Benefit Provision and all or part of the Employee's Life Insurance ceases or reduces due to:
 - reduction of the amount of Life Insurance in an Eligible Class by an amendment to the Life Insurance Benefit Provision; or
 - termination of the Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Life Insurance Benefit Provision;

then the Employee may apply for an individual policy on his own life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Employee is eligible for under any group policy within 31 days after his Life Insurance ceased.

The Employee will be issued an individual policy without Evidence of Insurability.

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Employee is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Employee shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.
3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Employee belongs on the effective date of the individual policy.

**Section IV
Benefit Provisions**

Employee Life Insurance

4. the effective date of the individual policy will be the day after the 31 day conversion period.

Death Within 31 Days

If the Employee dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Life Insurance the Employee would have been eligible to convert.

**Section IV
Benefit Provisions**

Employee Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date ; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Life benefit payable will be the lesser of:

- the Life benefit payable under this Policy; or
- the Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Death Benefit

If Sun Life receives Notice and Proof of Claim that a Dependent dies while insured, then subject to the Exclusions, Sun Life will pay the amount of Optional Life Insurance in force on the Dependent's date of death.

Optional Life Insurance

The amount of Dependent Optional Life Insurance is the lesser of:

1. the Dependent's amount of Optional Life Insurance elected by the Employee in the Schedule (as determined in Section I, Schedule of Benefits); or
2. the Guaranteed Issue Amount (shown in Section I, Schedule of Benefits), plus any amount of insurance that Evidence of the Dependent's Insurability has been approved by Sun Life in excess of the Dependent's Guaranteed Issue Amount.

In no event shall a Dependent's Optional Life Insurance exceed the Optional Maximum Benefit shown in Section I, Schedule of Benefits.

The amount of Dependent Optional Life Insurance is subject to any Evidence of Insurability requirements shown in Section I, Schedule of Benefits.

If a Dependent had previously converted his Optional Life Insurance under the Conversion Privilege of this Policy, his amount of Dependent Optional Life Insurance will be reduced by the amount of any insurance remaining in force under that individual policy.

Exclusions

If the Dependent Spouse's cause of death is suicide:

1. No amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the Dependent Spouse's Optional Life Insurance is effective. Any period of time the Dependent Spouse was insured for the same amount of Dependent Optional Life Insurance under the previous insurer's group Life policy will count towards completion of the 24 months.
2. No increased or additional amount of Dependent Spouse Optional Life Insurance is payable if the suicide occurs within 24 months after the increased or additional amount of Dependent Spouse Optional Life Insurance is effective.
3. No amount of Dependent Spouse Optional Life Insurance in excess of the Guaranteed Issue Amount is payable if the suicide occurs within 24 months after the amount in excess of the Guaranteed Issue Amount is effective.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Conversion Privilege

Benefit

1. If all or part of a Dependent's Optional Life Insurance ceases or reduces due to:
 - termination of the Employee's employment; or
 - termination of the Employee's membership in an Eligible Class; or
 - the Employee's retirement; or
 - the Employee reaching a specified age; or
 - the Employee changing to a different Eligible Class; or
 - the Dependent no longer meeting the definition of a Dependent;

then the Employee or Dependent may apply for an individual policy on the Dependent's life up to the amount that ceased. If the amount of Optional Life Insurance that ceased is \$10,000 or more, the minimum amount of the individual policy must be \$10,000.

2. If the Dependent has been continuously insured for five or more years under this Policy's Dependent Optional Life Insurance Benefit Provision and the Dependent's Optional Life Insurance ceases due to:
 - termination of the Dependent Optional Life Insurance Benefit Provision; or
 - termination of this Policy; or
 - termination of an Eligible Class by an amendment to the Dependent Optional Life Insurance Benefit Provision;

then the Employee or Dependent may apply for an individual policy on the Dependent's life. The maximum amount of the policy will be the lesser of:

- \$2,000; or
- the amount that ceased, reduced by the amount of any life insurance the Dependent is eligible for under any group policy within 31 days after his Optional Life Insurance ceased.

The Dependent will be issued an individual policy without Evidence of Insurability.

Application for the Individual Policy

1. written application must be made to Sun Life along with payment of the first premium, within the 31 day period (the 31 day conversion period) following the date the insurance ceases or reduces. If the Dependent is not given notice by the Employer of this conversion privilege within 15 days following the date his insurance ceases or reduces, the Dependent shall have an additional 15 days to exercise this conversion privilege. In no event will this conversion privilege be extended beyond 30 days following the 31 day conversion period.
2. the individual policy may be any plan of whole life insurance available for conversion by Sun Life at the attained age and amount requested, but without disability or other supplemental benefits.

Section IV
Benefit Provisions

Dependent Optional Life Insurance

3. the premium will be the rate Sun Life charges for the standard class of risk and age to which the Dependent belongs on the effective date of the individual policy.

4. the effective date of the individual policy will be the day after the 31 day conversion period.

Death Within 31 Days

If the Dependent dies during the 31 day conversion period, a benefit will be paid upon receipt of Notice and Proof of Claim, whether or not application for the individual policy or payment of the first premium has been made. The benefit is the amount of Optional Life Insurance the Dependent would have been eligible to convert.

**Section IV
Benefit Provisions**

Dependent Optional Life Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee's Dependent when this Policy replaces a group Life policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Dependents subject to the Delayed Effective Date of Insurance on January 1, 2004

An Employee's Dependent may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. the Dependent was insured under the prior insurer's group Life policy immediately prior to January 1, 2004; and
2. the Dependent is subject to the Delayed Effective Date of Insurance on January 1, 2004; and
3. the Employee is a member of an Eligible Class under this Policy; and
4. premiums for the Dependent are paid up to date; and
5. the Dependent is not receiving or eligible to receive benefits under the prior insurer's group Life policy.

Any Dependent Optional Life benefit payable will be the lesser of:

- the Dependent Optional Life benefit payable under this Policy; or
- the Dependent Optional Life benefit payable under the prior insurer's group Life policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

If Sun Life receives Notice and Proof of Claim that an Employee:

- dies from accidental drowning while insured; or
- sustains an Accidental Bodily Injury while insured, which results in loss of life, sight or limb within 365 days of the date of that injury; or
- sustains a loss of life, sight or limb within 365 days due to an accidental exposure to the elements while insured;

Sun Life will pay, subject to the Exclusions, the following percentage of Accidental Death and Dismemberment Insurance shown in Section I, Schedule of Benefits that was in force on the date of the Accidental Bodily Injury for the following losses:

| | |
|--|------|
| Life..... | 100% |
| Sight of one eye | 50% |
| One limb | 50% |
| Speech and hearing | 100% |
| Speech or hearing..... | 50% |
| Thumb and index finger of the same hand | 25% |
| Quadriplegia | 100% |
| Paraplegia | 75% |
| Hemiplegia..... | 50% |

The maximum amount of Accidental Death and Dismemberment Benefit payable for losses resulting from any one accident is 100%.

Loss of limb means severance of hand or foot at or above the wrist or ankle joint. Loss of sight, speech or hearing must be total and irrecoverable. Loss of thumb and index finger means severance through or above the metacarpophalangeal joints.

Quadriplegia means the total and permanent paralysis of both upper and lower limbs. Paraplegia means the total and permanent paralysis of both lower limbs. Hemiplegia means the total and permanent paralysis of the upper and lower limbs on one side of the body.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

Seat Belt Benefit

Sun Life will pay an additional Seat Belt Benefit if an Employee dies as a result of an automobile accident and an Accidental Death Benefit is payable under this Policy.

The Seat Belt Benefit is payable if the Employee was wearing a seat belt at the time of the accident. The Seat Belt Benefit is 25% of the amount of Accidental Death Benefit payable or \$50,000, whichever is less.

Sun Life must receive satisfactory written proof that the Employee's death resulted from an automobile accident and that the Employee was wearing a seat belt at the time of the accident. A copy of the police report is required.

Seat Belt means a properly installed seat belt, lap and shoulder restraint, or other restraint approved by the National Highway Traffic Safety Administration.

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

Disappearance

Sun Life will presume, subject to no objective evidence to the contrary, that an Employee is dead and has died as a result of an Accidental Bodily Injury if:

1. an Employee disappears as a result of an accidental wrecking, sinking or disappearance of a conveyance in which the Employee was known to be a passenger; and
2. the body of the Employee is not found within 365 days after the date of the conveyance's disappearance.

Exclusions

No Accidental Death or Accidental Dismemberment payment will be made for a loss which is due to or results from:

- suicide while sane or insane.
- intentionally self-inflicted injuries.
- bodily or mental infirmity or disease of any kind, or infection unless due to an accidental cut or wound.
- committing or attempting to commit an assault, felony or other criminal act.
- active participation in a war (declared or undeclared) or active duty in any armed service during a time of war.
- active participation in a riot, rebellion, or insurrection.
- injury sustained from any aviation activities, other than riding as a fare-paying passenger.
- the Employee's voluntary use of any controlled substance as defined in Title II of the Comprehensive Drug Abuse Prevention and Control Act of 1970, as now or hereafter amended, unless administered on the advice of a Physician.
- the Employee's operation of any motorized vehicle while intoxicated. Intoxicated means the minimum blood alcohol level required to be considered operating an automobile under the influence of alcohol in the jurisdiction where the accident occurred. For the purposes of this Exclusion, "Motorized Vehicle" includes, but is not limited to, automobiles, motorcycles, boats and snowmobiles.

**Section IV
Benefit Provisions**

Employee Accidental Death and Dismemberment Insurance

Continuity of Coverage

In order to prevent loss of coverage for an Employee when this Policy replaces a group AD&D policy the Employer had in force with another insurer immediately prior to January 1, 2004, Sun Life will provide the following coverage.

Employees not Actively at Work on January 1, 2004

An Employee may become insured under this Policy on January 1, 2004, subject to all of the following conditions:

1. he was insured under the prior insurer's group AD&D policy immediately prior to January 1, 2004; and
2. he is not Actively at Work on January 1, 2004; and
3. he is a member of an Eligible Class under this Policy; and
4. premiums for the Employee are paid up to date; and
5. he is not receiving or eligible to receive benefits under the prior insurer's group AD&D policy.

Any AD&D benefit payable will be the lesser of:

- the AD&D benefit payable under this Policy; or
- the AD&D benefit payable under the prior insurer's group AD&D policy had it remained in force.

All other provisions of Sun Life's Policy will apply.

Section V
Termination Provisions

Termination of Employee's Insurance

An Employee will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee is no longer in an Eligible Class.
3. the date the Employee's Class is no longer included for insurance.
4. the last day for which any required premium has been paid.
5. the date the Employee retires other than for Basic Life Insurance.
6. the date employment terminates. Ceasing to be Actively at Work will be deemed termination of employment, except:
 - a. insurance will be continued for an Employee absent due to a disability during any period the premium is being waived under this Policy.
 - b. the Policyholder may continue the insurance by paying the required premiums, subject to the following:
 - i. insurance may be continued for up to 60 days after the Employee has been temporarily laid off or been given an approved leave of absence.
 - ii. insurance may be continued for up to 3 months of the Employee's paid vacation.
 - iii. For Life Insurance - insurance may be continued for up to 12 months after an Employee is absent from work due to Injury or Sickness.

The Policyholder in all of the above situations must act so as not to discriminate unfairly among Employees in similar situations.

7. the date the Employee requests, in writing, to have his insurance terminated.
8. the date the Employee ceases to be Actively at Work due to a labor dispute, including any strike, work slowdown, or lockout.
9. the date the Employee enters active duty in any armed service during a time of war (declared or undeclared).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Family and Medical Leave Act of 1993, as amended or continue coverage pursuant to a state required continuation period (if any).

While this Policy is in force, the Policyholder may continue an Employee's coverage pursuant to the Uniformed Services Employment and Reemployment Rights Act (USERRA).

Section V
Termination Provisions

Termination of Dependent's Insurance

A Dependent will cease to be insured on the earliest of the following dates:

1. the date this Policy terminates.
2. the date the Employee ceases to be insured.
3. the date the Employee is no longer in an Eligible Class for Dependent Insurance.
4. the date the Dependent ceases to qualify as a Dependent.
5. the last day for which any required premium has been paid for insurance on the Dependent.
6. the date the Employee requests, in writing, to have his Dependent Insurance terminated.
7. the date the Employee dies.
8. the date the Dependent enters active duty in any armed service during a time of war (declared or undeclared).
9. the date the Employee retires.

Section V
Termination Provisions

Termination of Policy

This Policy will terminate for any of the following reasons:

1. If the Policyholder fails to pay any premium within the Grace Period, this Policy will terminate on the last day of the Grace Period.
2. The Policyholder may terminate this Policy by advance written notice delivered to Sun Life at least 31 days prior to the termination date. This Policy will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period this Policy is in force.
3. Sun Life may terminate this Policy on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees is less than 25; or
 - b. less than 100% of the Employees eligible are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible are insured for Optional Life Insurance; or
 - d. the Policyholder fails to:
 - i. furnish promptly any information Sun Life may reasonably require; or
 - ii. perform any other obligations pertaining to this Policy.
4. Sun Life may terminate this Policy on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of this Policy may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section V
Termination Provisions

Termination of Benefit Provision

A Benefit Provision will terminate for any of the following reasons:

1. The Policyholder may terminate a Benefit Provision by advance written notice delivered to Sun Life at least 31 days prior to the termination date. The Benefit Provision will not terminate during any period for which premium has been paid. The Policyholder will be liable to Sun Life for all premiums due and unpaid for the full period that Benefit Provision is in force.
2. Sun Life may terminate a Benefit Provision on any premium due date by giving written notice to the Policyholder at least 31 days in advance if:
 - a. the number of insured Employees for that Benefit is less than 25; or
 - b. less than 100% of the Employees eligible for that Benefit are insured for Non-Contributory Insurance; or
 - c. less than 25% of the Employees eligible for that Benefit are insured for Optional Life Insurance; or
 - d. the Policyholder fails to furnish promptly any information which Sun Life may reasonably require.
3. Sun Life may terminate any Benefit Provision on any Policy Anniversary by giving written notice to the Policyholder at least 60 days in advance.

Termination of a Benefit Provision may take effect on an earlier date when both the Policyholder and Sun Life agree.

Section VI
General Policy Provisions

A. Statements

All statements made in any Application are considered representations and not warranties. No representation by:

1. the Policyholder in applying for this Policy will render it void unless the representation is contained in the Application; or
2. any Employee in applying for insurance under this Policy will be used to reduce or deny a claim unless a copy of the Employee's written application for insurance is or has been given to the Employee or the Employee's beneficiary, if any.

B. Entire Contract - Policy Changes

1. This Policy is the entire contract. It consists of:
 - a. all of the pages of the Policy;
 - b. the attached Application of the Policyholder;
 - c. each Employee's written application for insurance (Employee retains his own copy).
2. This Policy may be changed in whole or in part. Only an officer of Sun Life may approve a change. The approval must be in writing and endorsed on or attached to this Policy.
3. Any other person, including an agent, may not change this Policy or waive any part of it.

C. Employee's Certificate

Sun Life will provide a Certificate to the Policyholder for delivery to each Employee. The Certificate is intended to provide a brief explanation of the Policy benefits, but it does not form a part of this Policy. If the terms of a Certificate and this Policy differ, this Policy will govern.

Section VI
General Policy Provisions

D. Furnishing of Information - Access To Records

1. The Employer will furnish at regular intervals to Sun Life:
 - a. information relative to individuals:
 - i. who qualify to become insured;
 - ii. whose amounts of insurance change; and/or
 - iii. whose insurance terminates.
 - b. any other information about this Policy that may be reasonably required.

The records which, in the opinion of Sun Life, are material to the insurance, will be opened for inspection by Sun Life at any reasonable time.

2. Clerical error or omission will not:
 - a. deprive an individual of insurance;
 - b. affect an individual's amount of insurance; or
 - c. effect or continue an individual's insurance which otherwise would not be in force.

The Policyholder's or Employer's failure to report notice or proof of claim in a timely manner shall not constitute clerical error.

E. Misstatement of Facts

If relevant facts about any individual were not accurate:

1. an equitable adjustment of premium will be made; and
2. the true facts will be used to determine if and in what amount insurance is valid under this Policy.

If the amount of the benefit is dependent upon an individual's age, (as shown in Section I, Schedule of Benefits), the benefit will be the amount an individual would have been entitled to if his correct age was known.

If an adjustment results in a refund of premium, the refund will not exceed a period of more than 12 months.

F. Examination and Autopsy

Sun Life, at its own expense, has the right to have any person, whose Injury or Sickness is the basis of a claim:

1. examined by a Physician, other health professional or vocational expert of its choice; and/or
2. interviewed by an authorized Sun Life representative.

This right may be used as often as reasonably required.

Sun Life has the right, in the case of death, to request an autopsy where not prohibited by law.

Section VI
General Policy Provisions

G. Legal Proceedings

No legal action may start:

1. until 60 days after Proof of Claim has been given; nor
2. more than 3 years after the time Proof of Claim is required.

H. Workers' Compensation

This Policy is not in lieu of, and does not affect, any requirement for coverage by Workers' Compensation Insurance.

I. Agency

For all purposes of this Policy, the Policyholder acts on its own behalf or as an agent of the Employee. Under no circumstances will the Policyholder be deemed an agent of Sun Life.

J. Incontestability

Policyholder

The validity of this Policy shall not be contested, except for non-payment of premium, after it has been in force for two years from the Policy Effective Date.

Individual

No statement made by an individual, relating to his insurability for an initial, increased or additional amount of insurance, will be used in contesting the validity of that insurance, after such initial, increased or additional amount of insurance has been in force for a period of two years during the individual's lifetime.

This statement must be contained in a form signed by that individual.

**Section VII
Claim Provisions**

A. Notice and Proof of Claim

Sun Life must receive Notice and Proof of Claim prior to any payment under this Policy.

1. Notice of Claim

for Death Claim - written notice of claim must be given to Sun Life no later than 30 days after date of death.

for Life Waiver of Premium - written notice of claim must be given to Sun Life no later than 12 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - written notice of claim must be given to Sun Life no later than 12 months after the Employee's date of loss.

1. If notice cannot be given within the applicable time period, Sun Life must be notified as soon as it is reasonably possible.

When Sun Life has received written notice of claim, Sun Life will send the forms for proof of claim. If the forms are not received within 15 days after written notice of claim is sent, proof of claim may be sent to Sun Life without waiting for the form.

2. Proof of Claim

for Death Claim - proof of claim must be given to Sun Life no later than 90 days after date of death.

for Life Waiver of Premium - proof of claim must be given to Sun Life no later than 15 months after the Employee ceases to be Actively at Work.

for Accidental Dismemberment - proof of claim must be given to Sun Life no later than 15 months after the Employee's date of loss.

If it is not possible to give proof within these time limits, it must be given as soon as reasonably possible. Proof of claim may not be given later than one year after the time proof is otherwise required unless the individual is legally incompetent.

Proof of Claim must consist of:

- a description of the loss or disability;
- the date the loss or disability occurred; and
- the cause of the loss or disability.

Proof of Claim may include, but is not limited to, police accident reports, autopsy reports, laboratory results, toxicology results, hospital records, x-rays, narrative reports, or other diagnostic testing materials as required.

Proof of Claim for disability must include evidence demonstrating the disability including, but not limited to, hospital records, Physician records, Psychiatric records, x-rays, narrative reports, or other diagnostic testing materials as appropriate for the disabling condition.

Section VII
Claim Provisions

Proof must be satisfactory to Sun Life.

Sun Life may require as part of the Proof authorizations to obtain medical and non-medical information.

Proof of the Employee's continued disability and regular and continuous care by a Physician must be given to Sun Life within 30 days of the request for proof.

B. Insurer's Authority

The Plan Administrator has delegated to Sun Life its entire discretionary authority to make all final determinations regarding claims for benefits under the benefit plan insured by this Policy. This discretionary authority includes, but is not limited to, the determination of eligibility for benefits, based upon enrollment information provided by the Policyholder, and the amount of any benefits due, and to construe the terms of this Policy.

Any decision made by Sun Life in the exercise of this authority, including review of denials of benefit, is conclusive and binding on all parties. Any court reviewing Sun Life's determinations shall uphold such determination unless the claimant proves Sun Life's determinations are arbitrary and capricious.

C. Notice of Decision on Claim

A written notice of decision on a claim will be sent within a reasonable time after Sun Life receives the claim but not later than 45 days after receipt of the claim. If a decision cannot be made within 45 days after Sun Life receives the claim, Sun Life will request extensions of time as permitted under U.S. Department of Labor regulations. Any request for extension of time will specifically explain:

1. the standards on which entitlement to benefits is based;
2. the unresolved issues that prevent a decision on the claim; and
3. the additional information needed to resolve those issues.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the benefit determination is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information. The claimant will have at least 45 days to provide the specified information.

D. Review Procedure

If all or any part of a claim is denied, the claimant may request in writing a review of the denial within 180 days after receiving notice of denial.

The claimant may submit written comments, documents, records or other information relating to the claim for benefits, and may request free of charge copies of all documents, records and other information relevant to the claimant's claim for benefits.

Sun Life will review the claim on receipt of the written request for review, and will notify the claimant of Sun Life's decision within a reasonable time but not later than 45 days after the request has been received. If an extension of time is required to process the claim, Sun Life will notify the claimant in writing of the

Section VII Claim Provisions

special circumstances requiring the extension and the date by which Sun Life expects to make a determination on review. The extension cannot exceed a period of 45 days from the end of the initial review period.

If a period of time is extended because the claimant failed to provide necessary information, the period for making the decision on review is tolled from the date Sun Life sends notice of the extension to the claimant until the date on which the claimant responds to the request for additional information.

E. Time of Payment of Claims

When Sun Life receives satisfactory Proof of Claim, benefits payable under this Policy will be paid for any period for which Sun Life is liable.

F. Payment of Claims

Benefits payable upon the death of the Employee are payable to the Beneficiary living at the time (other than the Employer). Unless otherwise specified, if more than one Beneficiary survives the Employee, all surviving Beneficiaries will share equally. If no Beneficiary is alive on the date of the Employee's death, payment will be made to the Employee's estate.

All other benefits payable during the lifetime of the Employee are payable to the Employee.

If a benefit is payable to the Employee's estate, an Employee who is a minor, or an Employee who is not competent, Sun Life has the right to pay up to \$5,000 to any of the Employee's relatives whom Sun Life considers entitled. If Sun Life pays benefits in good faith to a relative, Sun Life will not have to pay those benefits again.

If a Beneficiary is a minor or is not competent, Sun Life has the right to pay up to \$1,000 to the person or institution that appears to have assumed custody and main support, until the appointed legal representative makes a formal claim. If Sun Life pays benefits in good faith to a person or institution, Sun Life will not have to pay those benefits again.

G. Amendment or Termination of Benefit Provision

An Employee's rights to any disability benefits are determined on the date the Employee's disability begins. The right is subject to the terms of this Policy in effect on the date disability begins and will not be affected by subsequent amendment or termination of this Policy.

H. Change of Beneficiary

If this Policy replaces existing coverage under the Employer's group life insurance plan, Employees' nominations of Beneficiaries under the plan will remain in force unless changed by the Employee. All nominations of Beneficiaries are revocable unless otherwise stated by the Employee. Any request for change of Beneficiary must be in a written form and will take effect as of the date the Employee signs and files the change with the Employer. If Sun Life has taken any action or made payment prior to receiving notice of that change, the change of Beneficiary will not affect any action or payment made by Sun Life. The consent of the Beneficiary is not required to change any Beneficiary unless the Beneficiary designation has been irrevocable.

Section VII
Claim Provisions

I. Assignments

The Employee is permitted to assign all his rights under this Policy. Any assignment must be in a written form and will take effect as of the date the Employee signs and files the assignment with the Employer. Sun Life will honor an Employee's prior assignment of rights and benefits under the Employer's plan, whether or not this Policy is specified in the Assignment. If Sun Life has taken any action or made payment prior to receiving notice of that change, the assignment will not affect any action or payment made by Sun Life. Sun Life will not be responsible for the legal, tax or other effects of any assignment.

J. Methods of Payment

The Death Benefit may be payable by a method other than a lump sum. The available methods of payment will be based on the benefit options offered by Sun Life at the time of election.

Section VIII Premiums

A. Premium Rates

Sun Life determines its initial or any subsequent monthly premium rate on the basis of the coverage being provided. After the initial monthly premium rate has been in effect until December 31, 2006, Sun Life has the right to recalculate any premium rate. However, Sun Life has the right to recalculate the initial or any subsequent monthly premium rate when any of the following occurs:

1. the terms of this Policy are changed, including but not limited to the Schedule of Benefits; or
2. a new Division, Subsidiary or Affiliated Company of the Policyholder is added to or deleted from this Policy; or
3. the number of Employees insured changes by 25% or more from the number of Employees insured on the Policy Effective Date or the immediately preceding Policy Anniversary Date; or
4. one or more class(es) are added to or deleted from this Policy.

No premium rate may be increased unless Sun Life notifies the Policyholder at least 31 days in advance of the increase. Premium rate increases may take effect on an earlier date when both Sun Life and the Policyholder agree.

B. Payment of Premiums

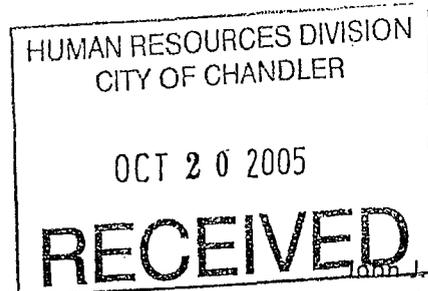
1. All premiums due under this Policy, including adjustments, if any, are payable by the Policyholder on or before the respective due dates at Sun Life's U.S. Headquarters or at another location designated by Sun Life. The due dates are specified on the first page of this Policy.
2. The premiums due under this Policy on each premium due date are based upon the premium rates in effect for the benefit provided. The premium due is the sum of the monthly premiums for all insured Employees and Dependents for all benefits.
3. Premiums payable to Sun Life will be paid in United States dollars on the premium due date.
4. The premium for additional or increased insurance becoming effective during a Policy month will be charged from the next premium due date.
5. The premium for insurance terminated during a Policy month will cease at the end of the Policy month in which such insurance terminates.
6. Except for fraud, premium adjustments, refunds or charges will be made for only:
 - a. the current Policy Year; and
 - b. the prior Policy Year.

C. Grace Period

The Grace Period is 45 days following a premium due date. During the Grace Period the Policy shall continue in force, unless the Policyholder has given Sun Life written notice to discontinue this Policy. In any event, premiums are payable for any period of time the Policy remains in force.



THE SEGAL COMPANY
 1230 West Washington Street Suite 501 Tempe, AZ 85281-1248
 P.O. Box 63610 Phoenix, AZ 85082-3610
 T 602.381.4019 F 602.381.4090 www.segalco.com



John J. Coyle
 Senior Vice President
 jcoyle@segalco.com

October 19, 2005

Mr. Harley H. Barnes
 Office Manager
 Sun Life Financial
 6991 East Camelback Road, Suite C-340
 Scottsdale, AZ 85251

Re: City of Chandler

Dear Harley:

On behalf of City of Chandler, we have been authorized to notify you of their acceptance of your renewal for the 2006 plan year. We understand the rates shown below are effective January 1, 2005 and are guaranteed for 18 months, through June 30, 2007.

| | Rates |
|--------------------------|---------|
| Basic Life (per \$1,000) | \$0.14 |
| Basic AD&D (per \$1,000) | \$0.025 |

| Voluntary Life Rates | | | | |
|----------------------|---------------------|-------------------|-----------------|---------------|
| Rates per \$1,000 | Non-Smoker Employee | Non-Smoker Spouse | Smoker Employee | Smoker Spouse |
| Under 20 | \$0.034 | \$0.024 | \$0.048 | \$0.034 |
| 20-24 | 0.048 | 0.034 | 0.070 | 0.050 |
| 25-29 | 0.058 | 0.042 | 0.082 | 0.060 |
| 30-34 | 0.070 | 0.054 | 0.106 | 0.082 |
| 35-39 | 0.090 | 0.070 | 0.144 | 0.114 |

Benefits, Compensation and HR Consulting ATLANTA BOSTON CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES MINNEAPOLIS
 NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX SAN FRANCISCO SEATTLE TORONTO WASHINGTON, DC



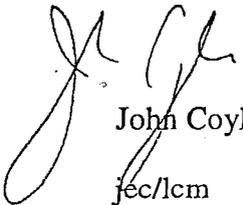
Multinational Group of Actuaries and Consultants AMSTERDAM BARCELONA GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE
 MEXICO CITY OSLO PARIS

| Voluntary Life Rates | | | | |
|----------------------|---------------------|-------------------|-----------------|---------------|
| Rates per \$1,000 | Non-Smoker Employee | Non-Smoker Spouse | Smoker Employee | Smoker Spouse |
| 40-44 | \$0.140 | \$0.126 | \$0.234 | \$0.187 |
| 45-49 | 0.218 | 0.168 | 0.374 | 0.290 |
| 50-54 | 0.402 | 0.360 | 0.676 | 0.492 |
| 55-59 | 0.800 | 0.640 | 1.030 | 0.707 |
| 60-64 | 1.320 | 0.972 | 1.550 | 1.152 |
| 65-69 | 1.964 | 1.546 | 2.220 | 1.629 |
| 70-74 | 1.964 | 1.546 | 2.220 | 1.629 |
| 75+ | 1.964 | 1.546 | 2.220 | 1.629 |
| Dependent Child Life | 0.123 | | | |

You should be aware that the client requires a minimum of 120 days advance written notice prior to any future fee adjustments. The first such adjustment shall occur no earlier than July 1, 2007.

If you should not concur with or have any questions regarding this renewal, please call.

Sincerely,



John Coyle
jec/lcm

165124/00914.001

*CALENDAR YEAR 2007
AMENDMENT TO
PROFESSIONAL SERVICES AGREEMENT
BETWEEN THE CITY OF CHANDLER AND
SUN LIFE ASSURANCE COMPANY OF CANADA
FOR GROUP LIFE INSURANCE*

This Amendment ("Calendar Year 2007 Amendment"), is made and entered this _____ day of _____, 2008⁷ to the *Professional Services Agreement Between the City of Chandler and the Sun Life Assurance Company of Canada*, providing group life, voluntary life, and dismemberment insurance, with an effective date of January 1, 2004 ("Contract").

WHEREAS, the City of Chandler and Sun Life Assurance Company of Canada entered into a Contract effective January 1, 2004, and have subsequently extended that Contract, since 2004 through June 30, 2006, subject to the same terms and conditions except that (1) on January 1, 2005, the policy was extended for the period January 1 through December 31, 2005 (2) on March 17, 2005, the anniversary date was changed to July 1st and the annual enrollment period for Optional Life Insurance was May 1st to May 31st and changed certain maximum life insurance; (3) on July 1, 2006, the policy was extended for the period July 1, 2006 through June 30, 2007; and;

WHEREAS, the City and Sun Life Assurance Company of Canada want to extend this Contract, as amended, for the term July 1, 2006 through December 31, 2008, and to amend the rates charged under the Contract.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada* effective January 1, 2004 is attached hereto as Attachment 1 and incorporated herein by this reference.
2. The policy dated effective January 1, 2004 is attached hereto as Attachment 2 and incorporated herein by this reference.
3. The policy dated effective January 1, 2005 is attached hereto as Attachment 3 and incorporated herein by this reference.
4. The amendment dated March 17, 2005 is attached hereto as Attachment 4 and incorporated herein by reference.

5. That the term of the policy shall be extended from June 30, 2007 to December 31, 2008, and the anniversary date shall be based on the calendar year, with the next anniversary date to be January 1, 2008.

6. The rates for Basic Life Insurance, Basic Accidental Death and Dismemberment Insurance, and Voluntary Life Insurance stated in the letter dated October 19, 2005 from Mr. John Coyle, Segal Company, to Mr. Harley Barnes, attached hereto as Attachment 5 and incorporated herein by this reference.

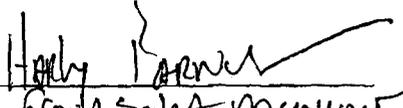
7. Except for the provisions amended in items 5 and 6 above and by Attachment 5, the Contract as amended as of March 17, 2005, attached hereto as Attachment 4, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Amendment to Professional Services Agreement Between the City of Chandler and Sun Life Assurance Company of Canada for Group Life Insurance* to be duly executed this 13 day of August, 2008

CITY OF CHANDLER,
an Arizona municipal corporation

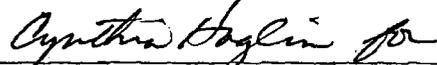
SUN LIFE ASSURANCE
COMPANY OF CANADA

By: 
Mayor

By: 
Title: Group Sales Manager

APPROVED AS TO FORM:

ATTEST: (If corporation)


City Attorney CH

Secretary

ATTEST:


City Clerk



Attachment 7

REQUIRED COMPLIANCE WITH ARIZONA PROCUREMENT LAW

1. Compliance with A.R.S. § 41-4401. Pursuant to the provisions of A.R.S. § 41-4401, the Contractor hereby warrants to the City that the Contractor and each of its subcontractors (“Subcontractors”) will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter “Contractor Immigration Warranty”).

1.1 A breach of the Contractor Immigration Warranty (Exhibit A) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.

1.2 The City retains the legal right to inspect the papers of any Contractor or Subcontractor employee who works on this Contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty. The Contractor agrees to assist the City in the conduct of any such inspections.

1.3 The City may, at its sole discretion, conduct random verifications of the employment records of the Contractor and any Subcontractors to ensure compliance with Contractors Immigration Warranty. The Contractor agrees to assist the City in performing any such random verifications.

1.4 The provisions of this Article must be included in any contract the Contractor enters into with any and all of its subcontractors who provide services under this Contract or any subcontract. “Services” are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

1.5 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Iran.

1.6 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Sudan.

Exhibit A

Contractor Immigration Warranty
To Be Completed by Contractor Prior to Execution of Contract

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the contractor and subcontractors with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

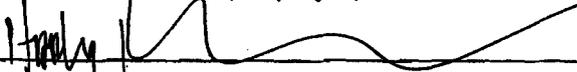
By completing and signing this form and attached Employee Verification Worksheet the contractor shall attest that it and all subcontractors performing work under the cited contract meet all conditions contained herein.

| | |
|--|---|
| Contract Number/PO Number <u>88444</u> | Division: _____ |
| Name (as listed in the contract. <u>Sun Life Assurance Company of Canada</u> | |
| Street Name and Number: <u>1 Sun Life Executive Parkway</u> | |
| City: <u>Wellesley Hills</u> | State: <u>MA</u> Zip Code: <u>02481</u> |

I hereby attest that:

1. The contractor complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing work under this contract;
2. All subcontractors performing work under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees; and
3. The contractor has identified all contractor and subcontractor employees who perform work under the contract on the attached Employee Verification Worksheet and has verified compliance with Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214.

Signature of Contractor (Employer) or Authorized Designee:



Printed Name: Harley Barnes

Title: Phoenix Group Manager

Date (month/day/year): 10/1/08

**CALENDAR YEAR 2009
AMENDMENT TO THE AGREEMENT
BETWEEN THE CITY OF CHANDLER
AND FLEXAMERICA, INC.
FOR FLEXIBLE SPENDING ACCOUNT ADMINISTRATION
AND ASSUMPTION OF CONTRACT RIGHTS
AND OBLIGATIONS BY PAYFLEX SYSTEMS USA, INC.**

This Amendment ("Calendar Year 2009 Amendment"), is made and entered this _____ day of _____, 2008 to the *Agreement Between the City of Chandler and FlexAmerica, Inc. For Flexible Spending Account Administration*, dated January 1, 2004, as amended.

WHEREAS, the City of Chandler and FlexAmerica, Inc. entered into an Agreement for Flexible Spending Account Administration dated January 1, 2004, and extended that contract, subject to certain amendments, for Calendar Years 2005, 2006, 2007 and 2008 ("Agreement"); and

WHEREAS, in January, 2007, PayFlex Systems USA, Inc. purchased FlexAmerica, Inc., agreed to be bound by the duties and obligations set forth in the Agreement between the City of Chandler and FlexAmerica, Inc., and continued to do business as FlexAmerica, Inc. until September 28, 2008 whereupon the company began administering the agreement as PayFlex Systems USA, Inc.; and

WHEREAS, the City of Chandler and PayFlex Systems USA, Inc. want to amend the Agreement to extend it for the term of January 1, 2009 through December 31, 2009, and to further amend the Agreement to include certain provisions required for compliance with Arizona procurement law.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The City of Chandler and FlexAmerica, Inc., entered into an Agreement for Flexible Spending Account Administration dated January 1, 2004 for one year, and extended that contract: (1) for Calendar Years 2005 and 2006, subject to the same terms and conditions as the initial Agreement except for certain changes in the fees and charges; (2) for Calendar Year 2007, extended the term of the Agreement through December 31, 2007 subject to the same terms and conditions as the initial Agreement except to amend the rates on Exhibit B as follows: (a) Monthly per participant charge for reimbursement account participants \$4.25 per participant per month and (b) Annual Renewal Fee \$925.00; and (c) Monthly per participant charge for the Flex Debit Credit \$0.75.

2. On December 5, 2007 the City of Chandler and PayFlex Systems USA, Inc. doing business as FlexAmerica, Inc. entered the *Calendar Year 2008 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration*, which extended the term of the agreement through December 31, 2008 subject to the same terms and conditions as the Calendar Year 2007 Amendment (“Agreement”).

3. PayFlex Systems USA, Inc. (“Contractor”) and City agree that (1) in January, 2007, Contractor purchased FlexAmerica, Inc., (2) Contractor has since that time continued to do business as FlexAmerica, Inc., (3) Contractor agrees to be bound to the contractual obligations that FlexAmerica, Inc. had as of January, 2007 and continues to have as to the City of Chandler, and (4) the City agrees to the assumption of contract rights and obligations by PayFlex Systems USA, Inc.

4. PayFlex Systems USA, Inc. further agrees to be bound by the terms of the *2008 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration*.

5. The *Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Administration*, dated November 6, 2003 is attached hereto as Attachment 1 incorporated herein by this reference.

6. The *Calendar Year 2007 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration* is attached hereto as Attachment 2 and incorporated by this reference.

7. The *Calendar Year 2008 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration* is attached hereto as Attachment 3 and incorporated by this reference.

8. The Agreement is extended for the period January 1, 2009 through December 31, 2009.

9. Attachment 4, Required Compliance with Arizona Procurement Law, is incorporated herein by this reference as part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2009 Amendment to the Agreement Between the City of Chandler and PayFlex Systems USA, Inc. for Flexible Spending Account Administration* to be duly executed this ____

day of _____, 2008.

CITY OF CHANDLER,
an Arizona municipal corporation

PAYFLEX SYSTEMS USA, INC.

By: _____
Mayor

By: _____
Title: _____

APPROVED AS TO FORM:

ATTEST: (If corporation)

City Attorney *CH for*

Secretary

ATTEST:

City Clerk

**CITY OF CHANDLER
PROFESSIONAL SERVICES AGREEMENT**

Service: Flexible Spending Account Administration

THIS AGREEMENT is made and entered into this 1st day of January 2004, by and between the City of Chandler, a Municipal Corporation of the State of Arizona, hereinafter referred to as "CITY", and FlexAmerica, hereinafter referred to as "CONTRACTOR".

WHEREAS, the Mayor and City Council of the City of Chandler is authorized and empowered by provisions of the City Charter to execute contracts for professional services; and

WHEREAS, CONTRACTOR represents that CONTRACTOR has the expertise and is qualified to perform the services described in the Agreement.

NOW THEREFORE, in consideration of the mutual promises and obligations set forth herein, the parties hereto agree as follows:

1. CONTRACT ADMINISTRATOR

- 1.1. To provide the professional services required by this Agreement CONTRACTOR shall act under the authority and approval of Human Resources Director or designee, (the Contract Administrator), who shall oversee the execution of this Agreement, assist the CONTRACTOR with any necessary information, audit billings, and approve payments. The CONTRACTOR shall channel reports and special requests through the Contract Administrator.
- 1.2. CITY reserves the right to review and approve any/all changes to CONTRACTOR'S key staff assigned to the CITY during the term of this Agreement.
2. **SCOPE OF WORK:** CONTRACTOR shall provide those services described in Exhibit A attached hereto and made a part hereof by reference.
3. **ACCEPTANCE AND DOCUMENTATION:** Each task shall be reviewed and approved by CITY to determine acceptable completion. All documents, including but not limited to, data compilations, studies, and reports which are prepared in the performance of this Agreement, shall be and remain the property of CITY and shall be delivered to CITY before final payment is made to CONTRACTOR.
4. **FEE SCHEDULE:** For the services described in paragraph 2 of this Agreement, CITY shall pay CONTRACTOR a fee in accordance with the fee schedule attached hereto as Exhibit B and incorporated herein by reference.
5. **TERM:** Following execution of this Agreement by CITY, CONTRACTOR shall immediately commence work as is necessary to provide services as of the effective date. The term of the contract shall be for one year and renewable thereafter for one-year increments.
6. **TERMINATION:** The City and Contractor hereby agree to the full performance of the covenant contained herein. The City reserves the right, as its discretion, to terminate the services provided for in this contract with a thirty (30) day written notice to the Contractor.
7. **INDEMNIFICATION:** The Contractor agrees to indemnify, defend, and save harmless the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively; from all losses, claims, suits, actions, payments and judgments, demands, expenses, attorney's fees, defense costs, or actions of any kind and nature resulting from personal injury to any person, including employees of the Contractor or of any Sub Contractor employed by the Contractor (including bodily injury and death) or damages to any property, arising or alleged to have arisen out of the negligent performance of the Contractor for the work to be performed hereunder, except any such injury or damages arising out of the sole

Flexible Spending Account Administration

FlexAmerica

Page 1 of 8

negligence of the City, its officers, agents or employees. IT IS THE INTENTION OF THE PARTIES to this contract that the City of Chandler, its Mayor and Council, appointed boards and commissions, officials, officers, employees, individually and collectively, are to be indemnified against their own negligence unless and except their negligence is found to be the sole cause of the injury to persons or damages to property.

The amount and type of insurance coverage requirements set forth herein will in no way be construed as limiting the scope of the indemnity in this paragraph.

8. **INSURANCE REQUIREMENTS:** CONTRACTOR shall provide and maintain the insurance as listed in Exhibit C attached hereto and made a part hereof by reference.
9. **ENTIRE AGREEMENT:** This Agreement constitutes the entire understanding of the parties and supersedes all previous representations, written or oral, with respect to the services specified herein. This Agreement may not be modified or amended except by a written document, signed by authorized representatives or each party.
10. **ARIZONA LAW:** This Agreement shall be governed and interpreted according to the laws of the State of Arizona.
11. **NOTICES:** All notices or demands required to be given pursuant to the terms of this Agreement shall be given to the other party in writing, delivered by hand or registered or certified mail, at the addresses set forth below, or to such other address as the parties may substitute by written notice given in the manner prescribed in this paragraph.

In the case of CONTRACTOR:

| | |
|------------------|--------------------------|
| Name | FlexAmerica |
| Address | 6500 Rock Spring Dr #105 |
| City, State, Zip | Bethesda MD 20817 |
| Contact Name | Kristin Washam |
| Phone Number | 301-530-9400 X251 |

In the case of City:

City of Chandler
Human Resources
Human Resources Director
55 N. Arizona Place, #204
Chandler, AZ 85225
480.782.2350

Notices shall be deemed received on date delivered, if delivered by hand, and on the delivery date indicated on receipt if delivered by certified or registered mail.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names to this 6 day of Nov 2003

CITY OF CHANDLER

[Signature]
MAYOR

CONTRACTOR

By: [Signature]
Title: President

ADDRESS FOR NOTICE

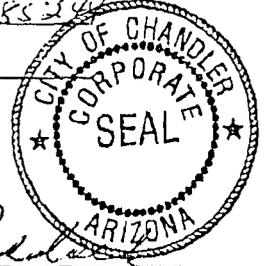
P.O. Box 4668 1115 703
Chandler Az 85247

Phone: _____

ADDRESS FOR NOTICE

6500 Rock Springs Dr. #105
Bethesda, MD 20817

Phone: 301-530-9400



ATTEST:

[Signature]
City Clerk

ATTEST: If Corporation

[Signature]
Secretary
TREASURER

APPROVED AS TO FORM:

[Signature]
City Attorney

WITNESS: (If Individual or Partnership)

SEAL

EXHIBIT A
SCOPE OF WORK

Provide Flexible Spending Account administration, both manual paper submission and reimbursement via debit card.

By this letter of agreement, City of Chandler, AZ, the employer and plan administrator and plan sponsor hereby authorize FlexAmerica, Inc., a third party administrator, to perform on their behalf the appropriate and necessary administrative services of our IRC Section 105, Section 125 and/or Section 132 account(s).

FlexAmerica will provide all applicable reports, applications and disclosures as are usual and customary provided by other employee benefit administrative and consulting firms including all items listed below:

1. Installation & Documentation Preparation Services
 - Design plan & Initial employer consultation
2. Administrative Services provided by FlexAmerica
 - Discrimination Testing of plan(s) (section 125 only)
 - Preparation of signature ready IRS Form 5500 (section 125 only)
 - Provide standard reports to the plan administrator
 - Administration of reimbursements accounts & liability for monies deposited in FlexAmerica's reimbursement account
 - Weekly payment of claims to employees in accordance with the plan document
 - Report to the employer on the surplus or deficit of the plan annually after the grace period detailing final accounts balances and return to employer surplus if FlexAmerica is maintaining the plan assets or bill the employer for the plan deficit.
3. Non-Routine Services: Services such as plan design consulting may be performed at the written request of the plan sponsor for \$200 per hour. Plan restatements required by changes in regulations or requests from the plan sponsor are included in the annual renewal service fee.
4. Plan Sponsor Responsibilities
 - Annually review the plan data provided to you on FlexAmerica's Internet site, or other methods of communication, to ensure our database is accurate and up to date
 - Comply with the rules of the applicable laws encompassing the plan
 - Inform FlexAmerica of any corporate changes in tax status, ownership changes, company names, affiliates, Tax ID #, control groups etc.
 - Promptly notify FlexAmerica of all terminated employees participating in the reimbursement accounts and ascertain the eligibility for employees for plan participation
 - Provide the necessary information to FlexAmerica for discrimination testing and pre-discrimination testing.
 - Comply with all laws governing the plan and disclosures to employees including but not limited to COBRA and ERISA and the mailing of the completed 5500 annually (if applicable)
 - Fund the plan as necessary and all liabilities associated with the plan and governing laws
 - Assume the responsibility for all plan oversights prior to FlexAmerica's initial contract date
 - Assume the responsibility for incorrect and late data provided to FlexAmerica relating to the deadlines disclosed on FlexAmerica correspondence for the plan and compliance with applicable laws.

All data forms, schedules, internet information and other data remain the property of FlexAmerica and shall not be disclosed to parties other than the plan administrator and those designated by the plan administrator to act on behalf of the plan and shall be provided to FlexAmerica in the format requested. In no event shall FlexAmerica be deemed to be authorized or empowered to act on behalf of the plan sponsor, other than in an advisory capacity as provided herein, or otherwise specifically authorized in writing. FlexAmerica shall take all necessary steps to keep employee data confidential and shall not share information with any other party. The fees for the services provided are:

When the plan sponsor furnishes incorrect data or incomplete data to FlexAmerica, an additional charge of \$100 per hour may be assessed at the discretion of FlexAmerica plus all overnight and priority mail costs. FlexAmerica is not responsible for late government filings and discrimination tests if the data requested is not returned in the time frame outlined or if no response is received after subsequent data requests. Arbitration -- Any controversy or claim arising out of or relating to this Agreement between the Plan Sponsor and FlexAmerica, or the breach thereof, shall be settled by arbitration, in accordance with the rules of the American Arbitration Association of Maryland. And judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The costs of any arbitration, including arbitrator's fees, shall be borne by the losing party. Counsel, expert witness fees, and travel expenses shall be borne by the party incurring the same. Either party may terminate this agreement by providing a 60 (sixty) days prior written notice to the other party. FlexAmerica will charge the normal participant fee for claims paid during the grace period for all eligible participants and provide any schedules, claim and enrollment information to the plan sponsor in a timely manner. If a court deems any part of this agreement invalid, the remaining contract shall be intact. An officer of FlexAmerica may only amend this contract. The conditions and terms of this agreement are controlled by the Laws of Maryland and all actions brought to enforce this shall be brought in the State of Maryland.

EXHIBIT B
FEE SCHEDULE
FlexAmerica, Inc. Service Agreement
FSA, HRA & Section 132 Services

INITIAL SETUP FEES

Plan Document & Installation Services (due immediately upon inception) \$1,000.00 (25% is non-refundable)

MONTHLY FEES

Monthly Per Participant charge for reimbursement account participants \$4.00 ppm
Monthly Per Participant charge for the Flex Debit Card \$.25 ppm
Monthly Minimum participant charge \$200.00

RENEWAL FEES

Annual Renewal - Billed @ beginning of 2nd plan year \$500.00
Preliminary & Final Discrimination Testing \$350.00
Form 5500 preparation (if applicable) \$50 per form
Monthly Per Participant Fee for Paper Employee Statements (see application for frequency)
 2 Statements Mailed to Participants \$.05 ppm

When the plan sponsor furnishes incorrect data or incomplete data to FlexAmerica, an additional charge of \$100 per hour may be assessed at the discretion of FlexAmerica plus all overnight and priority mail costs. FlexAmerica is not responsible for late government filings and discrimination tests if the data requested is not returned in the time frame outlined or if no response is received after subsequent data requests. Arbitration - Any controversy or claim arising out of or relating to this Agreement between the Plan Sponsor and FlexAmerica, or the breach thereof, shall be settled by arbitration, in accordance with the rules of the American Arbitration Association of Maryland. And judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The costs of any arbitration, including arbitrator's fees, shall be borne by the losing party. Counsel, expert witness fees, and travel expenses shall be borne by the party incurring the same. Either party may terminate this agreement by providing a 60 (sixty) days prior written notice to the other party. FlexAmerica will charge the normal participant fee for claims paid during the grace period for all eligible participants and provide any schedules, claim and enrollment information to the plan sponsor in a timely manner. If a court deems any part of this agreement invalid, the remaining contract shall be intact. An officer of FlexAmerica may only amend this contract. The conditions and terms of this agreement are controlled by the Laws of Maryland and all actions brought to enforce this shall be brought in the State of Maryland.

EXHIBIT C INSURANCE REQUIREMENTS

1. CONTRACTOR, at its own expense, shall purchase and maintain insurance of the types and amounts required in this section, with companies possessing a current A.M. Best, Inc. rating of B++6, or better and legally authorized to do business in the State of Arizona with policies and forms satisfactory to CITY.
2. Policies written on a "Claims made" basis are not acceptable without written permission from the City's Risk Manager.
3. All insurance required herein shall be maintained in full force and effect until all work or services required to be performed under the terms of this Agreement is satisfactorily completed and formally accepted. Failure to do so may, at the sole discretion of CITY, constitute a material breach of this Agreement and may result in termination of this contract.
4. If any of the Insurance policies are not renewed prior to expiration, payments to the CONTRACTOR may be withheld until these requirements have been met, or at the option of the City, the City may pay the Renewal Premium and withhold such payments from any monies due the CONTRACTOR.
5. All Insurance policies, except Workers' Compensation and Professional Liability required by this Agreement, and self-insured retention or deductible portions, shall name, to the fullest extent permitted by law for claims arising out of the performance of this contract, the City of Chandler, its agents, representatives, officers, directors, officials and employees as Additional Insureds.
6. CONTRACTOR's Insurance shall be primary insurance over any insurance available to the CITY and as to any claims resulting from this contract, it being the intention of the parties that the insurance policies so effected shall protect both parties and be primary coverage for any and all losses covered by the described insurance.
7. The insurance policies, except Workers' Compensation, shall contain a waiver of transfer rights of recovery (subrogation) against CITY, its agents, representatives, officers, directors, officials and employees for any claims arising out of CONTRACTOR's acts, errors, mistakes, omissions, work or service.
8. The insurance policies may provide coverage, which contain deductibles or self-insured retentions. Such deductible and/or self-insured retentions shall be assumed by and be for the account of, and at the sole risk of CONTRACTOR. CONTRACTOR shall be solely responsible for the deductible and/or self-insured retention. The amounts of any self-insured retentions shall be noted on the Certificate of Insurance. CITY, at its option, may require CONTRACTOR to secure payment of such deductibles or self-insured retentions by a Surety Bond or an irrevocable and unconditional letter of credit. Self-insured retentions in excess of \$10,000 will not be accepted except with permission of the Management Services Director/designee.
9. All policies and certificates shall contain an endorsement providing that the coverage afforded under such policies shall not be reduced, canceled or allowed to expire until at least thirty (30) days prior written notice has been given to CITY.
10. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the CONTRACTOR with reasonable promptness in accordance with the CONTRACTOR's information and belief.
11. In the event that claims in excess of the insured amounts provided herein, are filed by reason of any operations under this contract, the amount of excess of such claims, or any portion thereof, may be withheld from payment due or to become due the CONTRACTOR until such time as the CONTRACTOR shall furnish such additional security covering such claims as may be determined by the CITY.

C.1 PROOF OF INSURANCE - CERTIFICATES OF INSURANCE

1. Prior to commencing work or services under this Agreement, CONTRACTOR shall furnish to CITY. Certificates of Insurance, issued by CONTRACTOR's insurer(s), as evidence that policies providing the required coverages, conditions and limits required by this Agreement are in full force and effect and obtain from the City's Risk Management Division approval of such Certificates.
2. If a policy does expire during the life of this Agreement, a renewal certificate must be sent to the City of Chandler five (5) days prior to the expiration date.
3. All Certificates of Insurance shall identify the policies in effect on behalf of CONTRACTOR, their policy period(s), and limits of liability. Each Certificate shall include the job site and project number and title.

Coverage shown on the Certificate of Insurance must coincide with the requirements in the text of the contract documents. Information required to be on the certificate of Insurance may be typed on the reverse of the Certificate and countersigned by an authorized representative of the insurance company.

4. CITY reserves the right to request and to receive, within 10 working days, certified copies of any or all of the herein required Insurance policies and/or endorsements. CITY shall not be obligated, however, to review same or to advise CONTRACTOR of any deficiencies in such policies and endorsements, and such receipt shall not relieve CONTRACTOR from, or be deemed a waiver of CITY's right to insist on, strict fulfillment of CONTRACTOR's obligations under this Agreement.

C.2 REQUIRED COVERAGE

1. Such Insurance shall protect CONTRACTOR from claims set forth below which may arise out of or result from the operations of CONTRACTOR under this Contract and for which CONTRACTOR may be legally liable, whether such operations be by the CONTRACTOR or by a Sub-contractor or subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable. Coverage under the policy will be at least as broad as Insurance Services Office, Inc., policy form CG00011093 or equivalent thereof, including but not limited to severability of interest and waiver of subrogation clauses.
2. Claims under workers' compensation, disability benefit and other similar employee benefit acts which are applicable to the Work to be performed;
3. Claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;
4. Claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;
5. Claims for damages insured by usual personal injury liability coverage;
6. Claims for damages, other than to Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
7. Claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle; Coverage will be at least as broad as Insurance Service Office, Inc., coverage Code "I" "any auto" policy form CA00011293 or equivalent thereof.
8. Claims for bodily injury or property damage arising out of completed operations;
9. Claims involving contractual liability insurance applicable to the Contractor's obligations under the Indemnification Agreement;
10. Claims for injury or damages in connection with one's professional services;

C.2.1 Commercial General Liability - Minimum Coverage Limits

The Commercial General Liability Insurance required herein shall be written for not less than \$1,000,000 limits of liability or ten percent (10%) of the Contract Price, whichever coverage is greater. Any combination between general liability and excess general liability alone amounting to a minimum of \$1,000,000 per occurrence (or 10% per occurrence) and an aggregate of \$2,000,000 (or 20% whichever is greater) in coverage will be acceptable. The Commercial General Liability additional insured endorsement shall be as broad as the Insurance Services, Inc's (ISO) Additional Insured, Form B, CG 20101001, and shall include coverage for CONTRACTOR's operations and products, and completed operations.

C.2.2 General Liability - Minimum Coverage Limits

The General Liability Insurance required herein, including, Comprehensive Form, Premises-Operations, Explosion and Collapse, Underground Hazard, Products/Completed Operations, Contractual Insurance, Broad Form Property Damage, Independent Contractors, and Personal Injury shall be written for Bodily Injury and Property Damage Combined shall be written for not less than \$1,000,000 or 10% of the contract cost and with a \$2,000,000 aggregate.

C.2.3 Automobile Liability

CONTRACTOR shall maintain Commercial/Business Automobile Liability insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000 each occurrence with respect to any owned, hired, and non-owned vehicles assigned to or used in performance of the CONTRACTOR's work. Coverage shall be at least as broad as coverage code 1, "any auto", (Insurance Service Office, Inc. Policy Form CA 00011293, or any replacements thereof). Such insurance shall include coverage for loading and off loading hazards if hazardous substances, materials or wastes are to be transported and a MCS 90 endorsement shall be included with coverage limits of \$5,000,000 per accident for bodily injury and property damage.

C.2.4 Worker's Compensation and Employer's Liability

CONTRACTOR shall maintain Workers' Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction over CONTRACTOR's employees engaged in the performance of the work or services; and, Employer's Liability insurance of not less than \$1,000,000 for each accident, \$1,000,000 disease coverage for each employee, and \$1,000,000 disease policy limit.

In case any work is subcontracted, CONTRACTOR will require the Subcontractor to provide Workers' Compensation and Employer's Liability to at least the same extent as required of CONTRACTOR.

C.2.5 Professional Liability

CONTRACTOR shall maintain Professional Liability Insurance covering acts, errors, mistakes and omissions arising out of the work or services performed by CONTRACTOR, or any person employed by CONTRACTOR, with the coverage limit of not less than \$1,000,000 per each occurrence

18-417

CALENDAR YEAR 2007
AMENDMENT TO THE AGREEMENT
BETWEEN THE CITY OF CHANDLER
AND FLEXAMERICA, INC.
FOR FLEXIBLE SPENDING ACCOUNT ADMINISTRATION

This Amendment ("Calendar Year 2007 Amendment"), is made and entered this 17th day of July, 2007 to the Agreement Between the City of Chandler and FlexAmerica, Inc. For Flexible Spending Account Administration, dated January 1, 2004.

WHEREAS, the City of Chandler and FlexAmerica, Inc., entered into an Agreement for Flexible Spending Account Administration dated January 1, 2004 ("Agreement") for one year, and extended that contract; (1) for calendar year 2005, subject to the same terms and conditions as the initial Agreement except that the Spending Account Administration Fee was amended to \$4.00 and the Debit Card Administration Fee was amended to \$0.25, and (2) for calendar year 2006, subject to the same terms and conditions as the initial Agreement, except that the Spending Account Administration Fee was amended to \$4.00 and the Debit Card Administration Fee continued to be \$0.50; and

WHEREAS, the City and FlexAmerica, Inc. want to extend this Agreement for the term January 1, 2007 through December 31, 2007 subject to the same terms and conditions as the initial Agreement except to amend the rates for certain of the fees charged pursuant to that Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Administration, dated November 6, 2003 ("Agreement") is attached hereto as Attachment 1 and incorporated herein by this reference.

2. The Agreement is extended for the period January 1, 2007 through December 31, 2007.

3. Three of the charges listed on Exhibit B to the Agreement are amended as follows:

- a. Monthly per participant charge for reimbursement account participants \$4.25 per participant per month;
- b. Annual Renewal Fee \$925.00; and

CC 10-26-06

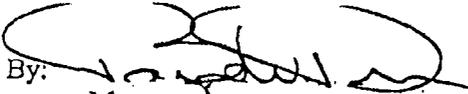
c. Monthly per participant charge for the Flex Debit Credit \$0.75.

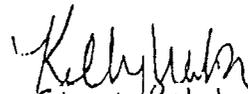
4. Except for the provisions amended herein, the Agreement shall remain in full force and effect.

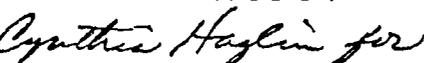
IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2007 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration* to be duly executed this 13 day of August, 2008.

CITY OF CHANDLER,
an Arizona municipal corporation

FLEXAMERICA, INC.

By: 
Mayor

By: 
Title: Client Relationship Manager

APPROVED AS TO FORM:

City Attorney CH

ATTEST: (If corporation)

Secretary

ATTEST:

City Clerk



*CALENDAR YEAR 2008
AMENDMENT TO THE AGREEMENT
BETWEEN THE CITY OF CHANDLER
AND FLEXAMERICA, INC.
FOR FLEXIBLE SPENDING ACCOUNT ADMINISTRATION*

This Amendment ("Calendar Year 2008 Amendment"), is made and entered this 5th day of December, 2007 to the *Agreement Between the City of Chandler and FlexAmerica, Inc. For Flexible Spending Account Administration*, dated January 1, 2004, as amended.

WHEREAS, the City of Chandler and FlexAmerica, Inc., entered into an Agreement for Flexible Spending Account Administration dated January 1, 2004 ("Agreement") for one year, and extended that contract: (1) for Calendar Years 2005 and 2006, subject to the same terms and conditions as the initial Agreement except for certain changes in the fees and charges, and (2) Calendar Year 2007 Amendment to the Agreement extended the term of the Agreement through December 31, 2007 subject to the same terms and conditions as the initial Agreement except to amend the rates on Exhibit B as follows: (a) Monthly per participant charge for reimbursement account participants \$4.25 per participant per month; (b) Annual Renewal Fee \$925.00; and (c) Monthly per participant charge for the Flex Debit Credit \$0.75.

WHEREAS, the City and FlexAmerica, Inc. want to extend this Agreement for the term January 1, 2008 through December 31, 2008 subject to the same terms and condition as the initial Agreement as amended by the Calendar Year 2007 Amendment.

NOW, THEREFORE, in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the parties do agree as follows:

1. The *Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Administration*, dated November 6, 2003 ("Agreement") is attached hereto as Attachment 1 incorporated herein by this reference.
2. The *Calendar Year 2007 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration* is attached hereto as Attachment 2 and incorporated by this reference.
3. The Agreement is extended for the period January 1, 2008 through December 31, 2008.
4. Except for the provisions amended herein, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this *Calendar Year 2008 Amendment to the Agreement Between the City of Chandler and FlexAmerica, Inc. for Flexible Spending Account Administration* to be duly executed this 5th day of December, 2007.

CITY OF CHANDLER,
an Arizona municipal corporation

FLEXAMERICA, INC.

By: [Signature]
Mayor

By: Angela Lyons [Signature]
Title: FSA Client Analyst

APPROVED AS TO FORM:

ATTEST: (If corporation)

[Signature] for
City Attorney CH

Secretary

ATTEST:

[Signature]
City Clerk



Attachment 4

REQUIRED COMPLIANCE WITH ARIZONA PROCUREMENT LAW

1. Compliance with A.R.S. § 41-4401. Pursuant to the provisions of A.R.S. § 41-4401, the Contractor hereby warrants to the City that the Contractor and each of its subcontractors (“Subcontractors”) will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter “Contractor Immigration Warranty”).

1.1 A breach of the Contractor Immigration Warranty (Exhibit A) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.

1.2 The City retains the legal right to inspect the papers of any Contractor or Subcontractor employee who works on this Contract to ensure that the Contractor or Subcontractor is complying with the Contractor Immigration Warranty. The Contractor agrees to assist the City in the conduct of any such inspections. The City’s inspection rights under this Paragraph 1.2 only extend to such employee records necessary to determine whether Contractor or Contractor’s Subcontractor is complying with the Contractor’s Immigration Warranty and not any other employment or other employee records. In conducting any inspections under this Paragraph 1.2, the City agrees to keep confidential and not disclose Contractor’s employee’s personal information such as social security numbers and other information of Contractor’s employees.

1.3 The City may, at its sole discretion, conduct random verifications of the employment records of the Contractor and any Subcontractors to ensure compliance with Contractors Immigration Warranty. The Contractor agrees to assist the City in performing any such random verifications. The City’s random verifications rights under this Paragraph 1.3 only extend to the right to review such employee records necessary to determine whether Contractor or Contractor’s Subcontractor is complying with the Contractor’s Immigration Warranty and not any other employment or other employee records. In conducting any random verifications under this Paragraph 1.3, the City agrees to keep confidential and not disclose Contractor’s employee’s personal information such as social security numbers and other information of Contractor’s employees.

1.4 The provisions of this Article must be included in any contract the Contractor enters into with any and all of its subcontractors who provide services under this Contract or any subcontract. “Services” are defined as furnishing labor, time or effort in the State of Arizona by a contractor or subcontractor. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

1.5 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Iran.

1.6 In accordance with A.R.S. §35-397, the Contractor hereby certifies that the offeror does not have scrutinized business operations in Sudan.

Exhibit A

**Contractor Immigration Warranty
To Be Completed by Contractor Prior to Execution of Contract**

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the contractor and subcontractors with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

By completing and signing this form and attached Employee Verification Worksheet the contractor shall attest that it and all subcontractors performing work under the cited contract meet all conditions contained herein.

| | | | |
|---|---------------|------------------------|--|
| Contract Number/PO Number _____ | | Division: _____ | |
| Name (as listed in the contract. PayFlex Systems USA, Inc. | | | |
| Street Name and Number: | | | |
| City: | State: | Zip Code: | |

I hereby attest that:

1. The contractor complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing work under this contract;
2. All subcontractors performing work under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees; and
3. The contractor has identified all contractor and subcontractor employees who perform work under the contract on the attached Employee Verification Worksheet and has verified compliance with Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214.

Signature of Contractor (Employer) or Authorized Designee:

Printed Name: _____

Title: _____

Date (month/day/year): _____

**GROUP SAVINGS PLUS ®
HOLD HARMLESS AND MARKETING AGREEMENT**

The purpose of this Agreement is to confirm the relationship between City of Chandler, with its primary office located at 55 N. Arizona Pl. Chandler, AZ 85225 (“Employer”), and Liberty Mutual Insurance Company and its affiliates and subsidiaries, with its primary office located at 175 Berkeley Street, Boston, Massachusetts 02116-5066 (“Liberty”).

DEFINITIONS

“Eligible Employees” means Employer’s employees and retirees.

“Insurance Products” means auto, home, and other personal insurance products offered to the Eligible Employees in connection with the Program (the Program is defined in Section 1).

“Group Discount” means the discounted rate Liberty Mutual agrees to provide for specified Insurance Products to an Eligible Employee pursuant to this Agreement.

“Participating Employee” means an Eligible Employee who purchases an Insurance Product.

“Indemnified Parties” means Employer, its officers, directors, and employees.

1. GROUP SAVINGS PLUS ® PROGRAM

The Group Savings Plus ® Program, marketed and underwritten by Liberty, is a voluntary personal insurance program through which Eligible Employees are able to purchase Insurance Products (the “Program”). The Group Discount under this Program shall be offered to the Eligible Employees in addition to Liberty’s standard discounts; which are approved for use in the relevant jurisdiction. The Group Discount will be offered so long as allowed by law and as long as Liberty, in its sole discretion, deems rates adequate to support such a discount. The Program and the offering of the Insurance Products shall be subject to Liberty’s underwriting standards and rates and subject to Liberty’s sole discretion in making business decisions regarding states in which it offers coverage.

2. PROGRAM PARTICIPATION

Election to purchase any of the Insurance Products offered through the Program will be at the option of the Eligible Employee. A Participating Employee shall have the option to select one of the following payment options: direct bill, electronic funds transfer through their checking account, or if applicable, payroll deduction. Employer will not be considered an agent of Liberty Mutual for any purpose, including the collection of premiums.

3. INDEMNIFICATION

Liberty agrees to indemnify and hold harmless the Indemnified Parties for, from, and against, any and all liability, damage and costs (including reasonable attorney fees) arising out of any claim or action brought against the Indemnified Parties which arise as a result of acts or omissions of Liberty or their employees in the performance of this Agreement. The Indemnified Parties agree that Liberty may, at its option and expense, direct the defense, compromise, or settlement of any such claim and employ attorneys of its own selection to defend, compromise, or settle the same. In addition, Employer agrees to notify Liberty in writing within 15 days of any suit or claim made against the Indemnified Parties. This section shall survive the termination of this Agreement.

4. PRIVACY

In accordance with applicable state and federal laws and regulations, including but not limited to provisions of Gramm-Leach-Bliley Title V, Liberty and Employer agree to hold in confidence any and all non-public personally identifiable information relating to the Eligible Employees which may be obtained from one another in performance of this Agreement. Liberty warrants that it is in compliance with federal and state privacy laws and agrees not to sell, release, or distribute any information relating to the Eligible Employees to any third party except for those third parties providing services integral to the performance of this Agreement.

5. TERM AND TERMINATION

This Agreement, dated November 1, 2008, shall continue until December 31, 2009 and may be terminated by either party, at any time, by providing the other party with sixty (60) calendar days advance written notice. This Agreement may be extended by mutual agreement of the parties for up to five (5) additional 12-month terms.

6. PROGRAM COMMUNICATION

The promotion of the Program to the Eligible Employees will consist of a mutually agreed upon communication plan. The communication plan may include some or all of the following promotional activities: on-site sales consultation, interoffice mail and desk drops, electronic mail announcements, links or ads placed on Employer's intranet, information placed in Employer's new hire benefit package, or direct mail. Upon approval by both parties, promotional activities not listed in this section may be used in connection with the communication of this Program.

