

## **General Provisions**

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## Section 4

### General Provisions

#### Beneficiary Designations

You may name anyone you wish as beneficiary of your group term life insurance. You may also change your beneficiary designation at any time, unless you have made an irrevocable beneficiary designation through a Viatical Settlement. For the change to be effective, the form must be signed by you, witnessed, and filed with ERS prior to your death. A beneficiary designation, change, or cancellation in your will or other legal document which are **not** on file with ERS, will not be effective. If you have not named a beneficiary, or if the beneficiary you have named dies before you, your group term life insurance benefit will be paid in the following order:

- Your surviving spouse, or if none, then
- Your child(ren) and descendants of your deceased child(ren) by representation, or if none, then
- Your parents or the surviving parent, or if none, then
- The duly appointed executor or administrator of your estate, or
- If none of the above, any other kin entitled under the laws of the state where you lived at the date of your death.

If, within one year after your death:

- no claim for payment has been filed by a person entitled to it as shown in the order above, or
- if a person makes a claim within a year, but is not allowed to receive it by any statute or regulation,

then the claim payment may be made in the order stated above as if the person who did not make a claim or is not allowed to receive it had died before you. The claim payment is final and no other party can recover the money.

If, within two years after your death:

- no claim for payment has been filed by a person entitled to it as stated in the order above, and
- neither the ERS nor FDL has received notice that a claim will be made,

then the payment may be made to the person who, in the judgment of ERS, is rightfully entitled to it. The claim payment is final and no other party can recover the money.

If, within four years after your death:

- payment has not been made under this “Beneficiary Designations” subsection, and
- no claim for payment by a person entitled under this “Beneficiary Designations” subsection is pending,

then the amount payable is credited to the Fund, as defined in the Act.

If you designate your spouse as beneficiary of your group term life insurance, and if:

- the marriage ends in divorce after your designation is made; and
- you die before the new designation is made,

your insurance benefit will be paid in accordance with Sections 7.004 and 9.301 of the *Texas Family Code*.

You are the beneficiary for your Dependents’ coverage under Dependent Group Term Life Insurance.

## **Conversion Privilege**

### **Conversion For You**

You may convert your Group Term Life Insurance (both Basic and Optional amounts) to an individual policy of whole life insurance to be issued by FDL if you are no longer eligible for these coverages. Evidence of Insurability is not required if you apply for the individual life insurance policy and pay the first premium within 31 days after your group coverage ends.

If at retirement you continued Election I or II Optional Group Term Life Insurance, you may reduce the coverage to a lower level. Any amount of Group Term Life Insurance coverage that you reduce may be converted to an individual whole life insurance policy issued by FDL. Evidence of Insurability is not required for the reduction or the conversion. Conversion is not available if your benefit was reduced because of an Accelerated Life Benefit or if you have received a Viatical Settlement payment.

**Once Your Optional Group Term Life Insurance coverage amount has been reduced or canceled, it cannot be increased or reinstated.**

If you convert to an individual life insurance policy, the premium will cost more than your group term life insurance premium.

*Note:* The individual life insurance policy is not term insurance.

If the Group Policy is discontinued, you may be able to convert to an individual life insurance policy (as described above), provided:

- you were insured under the Group Policy when the Group Policy ends;
- you were continuously insured under the Group Policy for at least five years before the Group Policy ends; and
- your insurance under the Group Policy ends because the Group Policy has ended.

The individual life insurance policy will not be for an amount of insurance greater than the smaller of the following amounts:

- the amount of your insurance under the Group Policy, minus the amount of any life insurance you are eligible for under any group Policy issued or reinstated by FDL or by any other life insurance company within 31 days after the termination of the Group Policy; or
- \$2,000.

If you die within the 31-day period allowed for conversion, a benefit may be paid to your beneficiary. The amount paid will be the amount your beneficiary would have received if you had applied for conversion. This benefit may be paid, regardless of whether or not you applied for it.

## Conversion For Your Covered Spouse

Your covered spouse may convert his or her Dependent Group Term Life Insurance amount to an individual policy of whole life insurance if:

- your coverage ends for any reason;
- you are no longer eligible for Dependent insurance under these coverages; or
- you die.

Your covered spouse is not required to provide Evidence of Insurability if your spouse applies for the individual life insurance policy and pays the first premium within 31 days after group coverage ends. Conversion is not available if your spouse has received a Viatical Settlement payment.

If your covered spouse converts to an individual life insurance policy, the premium will cost more than your covered spouse's group term life insurance premium.

**Note:** The individual life insurance policy is not term insurance.

If the Group Policy is discontinued or is changed to end coverage for Dependents, your covered spouse will be able to convert his or her Dependent Group Term Life Insurance to an individual life insurance policy (as described above), provided:

- your covered spouse was insured under the Group Policy when the Group Policy ends;
- your covered spouse was continuously insured under the Group Policy for at least five years before the Group Policy ends; and
- your covered spouse's insurance under the Group Policy ends because the Group Policy has ended.

The individual life insurance policy will not be for an amount of insurance greater than the smaller of the following amounts:

- the amount of your covered spouse's insurance under the Group Policy, minus the amount of any life insurance your covered spouse is eligible for under any group policy issued or reinstated by FDL or by any other life insurance company within 31 days after the termination of the Group Policy; or
- \$2,000.

If your covered spouse dies within the 31-day period allowed for conversion, a benefit may be paid to your covered spouse's beneficiary. The amount paid will be the amount your covered spouse's beneficiary would have received if your covered spouse had applied for conversion. This benefit may be paid, regardless of whether or not you or your covered spouse applied for conversion.

### **How to Request a Review of a Claim Determination**

If your claim for benefits is reduced or denied, you or your beneficiary may ask FDL to reconsider the claim by submitting a written request with additional information about your claim.

If the claim is again denied after reconsideration, FDL will send you a letter with instructions on how to file a grievance with the Employees Retirement System of Texas. If you desire to file a grievance, you are required to send your written request, along with copies of all correspondence from FDL, and any other related information, to the:

Grievance Administrator  
Employees Retirement System of Texas  
P.O. Box 13207  
Austin, Texas 78711-3207

Your written request to ERS must be made and postmarked or received by ERS no later than 90 days following the date of FDL's letter to you notifying you of your right to appeal. ERS will send you a decision in writing.

If you have any questions about the appeal process, please contact ERS' Customer Benefits Division. You may call or write:

Customer Benefits Division  
Employees Retirement System of Texas  
P. O. Box 13207  
Austin, TX 78711-3207  
(877) 275-4377

### **Incontestability**

Your coverage under the Group Policy cannot be contested after two years from the effective date, except for nonpayment of premiums and except if coverage has been obtained through fraud, attempted fraud, or misrepresentation.

In the absence of fraud, attempted fraud, or misrepresentation, no statement made by any person insured under the Group Policy relating to his or her insurability will be used in contesting the insurance validity if the insurance for which such statement was applicable has been in force a period of two years during such person's lifetime. Any statement used to contest the validity of the

insurance must be contained in a written instrument signed by him or her.

Statements made and information provided in an Evidence of Insurability application will not be used to contest the validity of insurance if the insurance obtained through such Evidence of Insurability has been in force for a period of two years.

### **Incomplete or Incorrect Information**

If during the underwriting or claims review process FDL has reason to believe that information provided is not correct or is incomplete, FDL may, subject to an authorization signed by you or your designated beneficiary, request additional information from the sources listed in the authorization.

Incorrect information could cause an otherwise valid claim to be denied or coverage to be rescinded or canceled.

### **Misstatement of Age**

If the age of an insured person is misstated, the amount of insurance for that person will be determined by the Group Policy based on the insured person's true age. An adjustment of premiums will be made by ERS to reflect the person's true age and correct premiums.

### **Non-Assignability**

The insurance and any benefits provided by the Group Policy cannot be assigned, except by irrevocable beneficiary designation made as part of a Viatical Settlement permitted by law.

### **Suicide Exclusions**

- The Retiree's Basic Group Term Life Insurance is not subject to this Suicide Exclusion.
- Group Term Life Insurance benefits under the Retiree's Optional Group Term Life Insurance and Dependent Group Term Life Insurance coverages will not be paid if the Retiree's or Dependent's death is a result of intentionally self-inflicted injuries, suicide, or attempted suicide, while sane or insane, unless the insurance coverage was continuously in effect for two years immediately before the death. The amount of insurance that will be paid is the amount of the Retiree's Optional Group Term Life Insurance or Dependents' Group Term Life Insurance that has been continuously in effect for at least two years immediately prior to the date of death.

### **Termination of Insurance**

All of your insurance will automatically end on the:

1. last day of the month in which you become ineligible for membership. Contact ERS for details;
2. expiration date of the time period in which your last premium payment was made in full and covered for that period;
3. date you are expelled from the Group Benefits Program for fraud or attempted fraud;
4. date the Group Policy is amended to end insurance for any class of Retirees eligible for coverage under the Group Policy; or
5. Group Policy termination date.

Your Dependent Group Term Life Insurance will also end if any of the above events happen. In addition, Dependent Insurance will end automatically:

- on the last day of the month in which an individual is no longer a Dependent as defined in this book; or
- when your Dependent Child reaches age 25 or marries.

Please notify ERS immediately if your child(ren) no longer meets the definition of a Dependent. If you are a Retiree, call (877) 275-4377.