

Office of State
PERSONNEL
NC FLEX

ncflex.org

Enrollment

YOUR NCFLEX BENEFITS OVERVIEW

2006

Dental Plan

Vision Care Plan

*Supplemental
Medical*

Cancer Insurance

*Voluntary
Accidental Death &
Dismemberment
Insurance*

*Voluntary Group
Term Life Insurance*

*Health
Care Flexible
Spending Account*

*Dependent
Day Care
Flexible Spending
Account*

*Annual Enrollment Dates
October 3 – November 4*

*The NCFlex Program is
administered through the
Office of State Personnel.*

NCFLEX EMPLOYEE INFORMATION SESSIONS

Date	County	City	Meeting Location	Time
9/30	Wake	Raleigh	NCSU Spanish Session, Talley Student Center, Walnut Room (4th Floor)	9:00 am–11:00 am
9/30	Wake	Raleigh	NCSU English Session, Talley Student Center, Walnut Room (4th Floor)	1:00 pm–3:00 pm
10/04	Wilson	Wilson	Wilson Tech Community College, 902 Herring Ave., Bldg. B	10:00 am–12:00 pm
10/05	Wake	Raleigh	State Highway Patrol & SBI Auditorium 3320 Garner Road	9:00 am–11:00 am
10/18	Wake	Raleigh	Wake Tech Community College, 9101 Fayetteville Rd., Room #215 Student Service Bldg.	10:00 am–12:00 pm
10/19	Buncombe	Asheville	UNC-Asheville, One University Heights Humanities Lecture Hall	9:00 am–11:00 am
10/19	Buncombe	Asheville	UNC-Asheville, 100 Frederick Law Olmsted Way Arboretum	1:00 pm–3:00 pm
10/21	Orange	Chapel Hill	UNC General Administration, 910 Raleigh Rd., Boardroom	10:00 am–12:00 pm
10/24	Forsyth	Winston-Salem	Winston-Salem State, Thompson Center, Dillard Auditorium, Room #207	1:00 pm–3:00 pm
10/25	Wake	Raleigh	NC Housing Finance, 3508 Bush Street	10:00 am–12:00 pm
10/26	Wake	Raleigh	Dept. of Public Instruction, 301 N. Wilmington Street, Room #150	10:00 am–12:00 pm
10/28	Wake	Raleigh	DOC, 2020 Yonkers Rd., Door #4 Enterprise Room	9:30 am–11:30 am 1:00 pm–3:00 pm
11/01	Lenoir	Kinston	Lenoir Community College, Kinston & Goldsboro Admin Bldg. Auditorium, 231 Hwy 58 S	1:00 pm–3:00 pm

The State of North Carolina is the employer of this plan.

NCFlex Program

NCFlex is the program of pre-tax plans available to state agency, university and select community college employees. It's a great way to save money on those benefits you want and need.

NCFlex offers the following:

- Dental Plan page 8
- Vision Care Plan page 12
- Supplemental Medical page 15
- Cancer Insurance page 18
- Voluntary Accidental Death & Dismemberment Insurance page 22
- Voluntary Group Term Life Insurance page 26
- Health Care Flexible Spending Account page 28
- Dependent Day Care Flexible Spending Account page 32

All plan benefits operate on a calendar year — January 1 through December 31.

2006 ENROLLMENT

The 2006 annual enrollment period is October 3 - November 4, 2005. The benefit elections you make will be effective on January 1, 2006. You may choose to participate in any or all of the NCFlex benefits. You should review your enrollment materials before the enrollment period so you know which benefits you want to participate in for 2006.

WHAT YOU MUST DO

This guide describes the plans available through NCFlex. Attached at the end of this guide, you'll find your NCFlex Enrollment Form, which you will need to complete. Then follow these easy steps:

- Read this guide or go online to ncflex.org; then select the NCFlex Flexible Benefits site link for detailed plan information.
- Complete the enclosed Enrollment Form. Be sure to complete ALL the necessary information.
- Return the completed ORIGINAL Enrollment Form to your Benefits Representative or department.

It's that easy!

IF YOU NEED HELP

If you have special needs and need assistance with this guide or aspects of NCFlex, you can contact your Benefits Representative, department or the Office of State Personnel.

WHAT'S NEW AND WHAT'S CHANGING

The NCFlex Program is evaluated on a yearly basis to ensure you have access to quality benefits and reputable carriers. NCFlex is making the following enhancements and changes for this year's enrollment:

Dental Plan — If you are currently enrolled in an after-tax dental plan sponsored by a State of North Carolina agency, university or select community college, you may enroll in one of the NCFlex dental plans with credit applied towards any applicable waiting periods based on the number of months of continuous coverage in an after-tax dental plan. **This opportunity is available only during approved annual enrollment periods.** Refer to the "Dental Plan" section in this guide for more information.

Voluntary Group Term Life Insurance and Cancer Insurance — If you decide to enroll for coverage or increase your coverage for 2006, you will have to submit evidence of good health—unless you are a new hire or newly benefits-eligible employee.

Flexible Spending Account — You can contribute up to \$4,200 in your Health Care Flexible Spending Account. There are also new toll-free numbers: customer service (1-866-270-2331 effective 1/01/06) and fax (1-866-887-3212).

WHY YOU SHOULD PARTICIPATE

Savings — You'll save about 25% - 40% or more on most NCFlex benefits because your contributions are made on a pre-tax basis. NCFlex lets you save taxes on premiums and out-of-pocket health care expenses for you and your covered dependents. You also save on the cost of premiums because NCFlex has buying power for the whole state. If you need day care services for a child or dependent adult, you can save taxes on those dependent day care expenses. The amount you save depends on your tax bracket.

Convenience — All contributions for NCFlex benefits are made through payroll deduction **before taxes** are withheld.

Flexibility — The choice to participate is yours. You can sign up for any or all of the plans offered through NCFlex. Then, each year you'll get to decide if you want to participate for the next year.

IMPORTANT NOTES

- Review your monthly pay stub (especially your January 2006 stub), to make sure your deductions are correct. If the deductions are incorrect on your pay stub, contact your Benefits Representative or department immediately.
- If you change banks or bank accounts during the year, you'll need to notify your Benefits Representative or department so your reimbursements will be credited to the correct account.

YOUR ELIGIBILITY AND EFFECTIVE DATE

You are eligible to participate in NCFlex if you're a state agency, university or select community college employee working 20 or more hours per week in a permanent, probationary or time-limited position. If you enroll during annual enrollment, your participation is effective January 1, 2006. **If you are a newly hired employee, you must enroll within 30 days of your employment date. Your participation begins the first day of the month after you sign your Enrollment Form.** No claims prior to the effective date of coverage or after your plan termination date are eligible.

2006 DEPENDENT ELIGIBILITY

Coverage for your eligible dependents is available for most NCFlex benefits (see specific benefit section or the coverage certificate for details). Eligible dependents are generally:

- Your legally-married spouse;
- Your unmarried child(ren), including stepchild(ren), to the end of the month in which he or she turns age 19 (age 22 for Cancer Insurance only) or to the end of the month in which he or she turns age 26, if a full-time student. You may have a tax issue covering a child who is not your federal income tax dependent (e.g., a full-time student age 24 or 25 who supports himself). The value of any health coverage (e.g., dental, vision) will be taxable to you if you cover a child who is not your income tax dependent (e.g., you do not provide more than 50% of child's support during the calendar year). For Cancer Insurance, if you cover a dependent child age 19 or over who is not a full-time student and is not otherwise your federal income tax dependent, the coverage will be taxable;

- Your unmarried child(ren), including stepchild(ren), of any age if permanently and totally disabled for whom you provide more than 50% of the individual's support and who is not the federal income tax dependent of another taxpayer;
- For the HCFSAs, you may submit eligible expenses for reimbursement for a qualifying relative, which includes an individual who is a member of the employee's household and who the employee provides more than 50% support for the calendar year; and
- The DDCFSA has special eligibility rules. See page 32 for details.

IF YOUR BENEFITS CLAIM IS DENIED

If you have a benefits claim that is denied by the carrier, you have certain rights as a plan participant to appeal. For information on the appeals process for specific benefits, you may contact the individual benefit providers. Please refer to the "Who To Contact" section of this guide (back cover) or call NCFlex in the Office of State Personnel at 1-919-733-6316. The appeals process is also located in the plan document and insurance certificates.

ABOUT THIS GUIDE

This guide describes benefits offered through NCFlex. In the event of any discrepancy between what is written here and what is written in the plan document and insurance certificates, the plan document and insurance certificates will govern. Changes in the tax laws or other requirements might cause changes in the plan. The State reserves the right to amend or terminate the plan or any benefits under the plan at any time.

OPEN ENROLLMENT —

Do I Need to Participate?

You **DO** need to enroll if you want to...

- Re-enroll in the flexible spending accounts;
- Make changes to your benefits and/or coverage levels; or
- Elect benefits for the first time (some benefits may have a waiting period or require Evidence of Insurability).

You **DON'T** need to enroll if you want to...

- Keep your 2005 benefits and coverage levels the same for 2006 (except for the flexible spending accounts).

NCFlex Benefits	If You are Enrolling for the First Time	If You are Currently Enrolled
Dental Plan	Enroll and elect High or Low Option	No action unless changing or canceling coverage
Vision Care Plan	Enroll and elect Plan 1 or Plan 2	No action unless changing or canceling coverage
Supplemental Medical Plan	Enroll and elect coverage option	No action unless changing or canceling coverage
Cancer Insurance	Enroll and elect High or Low Option	No action unless changing or canceling coverage
Voluntary Accidental Death & Dismemberment Insurance	Enroll and elect coverage amount	No action unless changing or canceling coverage
Voluntary Group Term Life Insurance	Enroll and elect coverage amount	No action unless changing or canceling coverage
Health Care Flexible Spending Account*	Designate monthly contribution	Re-enroll and designate monthly contribution amount
Dependent Day Care Flexible Spending Account*	Designate monthly contribution	Re-enroll and designate monthly contribution amount

*Flexible Spending Accounts require you to enroll each year.

Online Resources



To log in to the State's flexible benefits website, follow these steps:

1. Visit ncflex.org.
2. Click on NCFlex Flexible Benefits site to be connected to the website.
3. If you are a current NCFlex Flexible Spending Account participant:

To log in to the website you will need to enter:

- your NCFlex Access Number (this is your Social Security Number); and
- your 5-digit PIN (this number will be your zip code unless you log in and change it).

To change your PIN:

- click on the Spending Accounts section, then click on Your Account; and
- click on Change PIN in the left navigation menu.

If you DO NOT currently participate in a NCFlex Flexible Spending Account:

To log in to the website you will need to enter:

- The 9-digit NCFlex Access Number - "000000002;" and
- the generic 5-digit PIN - "00002."

IMPORTANT NOTE

You can access NCFlex forms by visiting ncflex.org without having to log in.

4. Now you are in the State's flexible benefits website.

The site opens to a Welcome page, which provides links to:

- Benefits Info (Benefits Guide, Who to Call, Benefits Summaries, Certificates, etc.);
- Forms;
- Spending Accounts; and
- links to provider websites and contact information.

5. Click once on any of the buttons located on the upper right of the screen to access different areas of the website.

6. These buttons open new screens with additional links. Click once on the links located below the row of buttons to view the information you want. On the left side of the screen, you will see a navigation menu with additional links.

7. To log out of the site, click on the Logout button.



Helpful Hints

DENTAL PLAN

- If you are not making changes to your dental coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently enrolled in an NCFlex Dental Plan and you need to make changes to your coverage, check the appropriate box on the form.
- If you want to elect NCFlex dental coverage for the first time, check new and then the appropriate plan option and coverage level.
- If you are currently in the pre-tax NCFlex Dental Plan and you want to change or cancel your coverage for the coming year, check the appropriate box.
- If you are enrolling your dependents, list the dependent information in the space provided. Be sure to check the box for the dependent's gender, full-time student status and use the two-digit format to write in each dependent's date of birth (e.g., July 1, 2002 should appear as 07/01/02).

Please Note: If you're a current participant in an after-tax dental plan sponsored by a State of North Carolina agency, university or select community college, you may choose to rollover to one of the NCFlex dental plans with credit applied towards any applicable waiting periods for most dental services based on the number of months of continuous coverage in the after-tax dental plan. **This opportunity is available only during approved annual enrollment periods.** Refer to the "Dental Plan" section in this guide for more information.

VISION CARE PLAN

- If you are not making changes to your vision coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently in the NCFlex Vision Plan and you want to change or cancel your coverage for the coming year, check the appropriate box.
- If you are enrolling for the first time, check new and then the appropriate plan option and coverage level.
- If you are enrolling your dependents, list the dependent information in the space provided. Be sure to check the box for the dependent's gender, full-time student status and use the two-digit format to write in each dependent's date of birth (e.g., July 1, 2002 should appear as 07/01/02).

SUPPLEMENTAL MEDICAL

- If you are not making changes to your supplemental medical coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently in the NCFlex Supplemental Medical and you want to change or cancel your coverage for the coming year, check the appropriate box.
- If you are enrolling for the first time, check new and then the appropriate coverage level.
- If you elect are enrolling your dependents, list the dependent information in the space provided. Be sure to check the box for the dependent's gender, full-time student status and use the two-digit format to write in each dependent's date of birth (e.g., July 1, 2002 should appear as 07/01/02).

CANCER INSURANCE

- If you are not making changes to your cancer insurance coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently in the NCFlex Cancer Insurance and you want to change or cancel your coverage for the coming year, check the appropriate box.
- If you are enrolling for the first time, check new and then the appropriate plan option and coverage level. (EOI is required for late applicants.) Write in the monthly cost of coverage you elect. Refer to the rate table in this guide for your costs.
- If you are enrolling your dependents, list the dependent information in the space provided. Be sure to check the box for the dependent's gender, full-time student status and use the two-digit format to write in each dependent's date of birth (e.g., July 1, 2002 should appear as 07/01/02).

IT'S EASY TO ENROLL

Read this guide first or go online to ncflex.org then click on the NCFlex Flexible Benefits site link for detailed plan information.

Then

Complete the enclosed Enrollment Form. Be sure to complete ALL the necessary information.

Finally

Return the completed ORIGINAL Enrollment Form to your Benefits Representative or department.

(Do NOT send it to the providers.)

VOLUNTARY ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) INSURANCE

- If you are not making changes to your voluntary AD&D coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently in the AD&D Plan and you want to change or cancel your coverage for the current year, check the appropriate box.
- If you are enrolling for the first time, print the amount of coverage you want for yourself. If you elect employee and family coverage, the amount of their coverage is based on the amount of coverage you choose for yourself.
- Next to the section where you wrote in the insurance amount, write in the monthly cost of the coverage you elect. Refer to the rate table in this guide for your costs. Print the name of the beneficiary or beneficiaries you want to receive the plan benefit if you die while covered. Print each beneficiary's full name, relationship to you and percentage of benefit.
- If you are naming more than one primary beneficiary, benefits will be divided equally among those named, unless you write in a specific percentage to go to each beneficiary (the total should not exceed 100%). It is also recommended that you name a contingent beneficiary or beneficiaries who will receive the benefit if the primary beneficiary dies.

VOLUNTARY GROUP TERM LIFE INSURANCE

- If you are not making changes to your voluntary group term life insurance coverage, you do not need to complete this section on the Enrollment Form.
- If you are currently in the NCFlex Voluntary Group Term Life Insurance and you want to change or cancel your coverage for the coming year, check the appropriate box.
- If you are enrolling for the first time, print the amount of coverage you want for yourself in the space provided on the Enrollment Form. Next write the monthly cost of the coverage you elect. Refer to the rate table in this guide for your costs. Print the name of the beneficiary or beneficiaries you want to receive the plan benefit if you die while covered. Print each beneficiary's full name, relationship to you and percentage of benefit. (EOI is required for late applicants. The EOI form can be completed on the ncflex.org website and submitted directly to the vendor.)
- If you are naming more than one primary beneficiary, benefits will be divided equally among those named, unless you write in a specific percentage to go to each beneficiary (the total should not exceed 100%). It is also recommended that you name a contingent beneficiary or beneficiaries who will receive the benefit if the primary beneficiary dies.

HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA)

- Use the HCFSA worksheet to determine your potential out-of-pocket expenses for 2006.
- If you anticipate expenses greater than \$120 a year, determine if you want to participate in the HCFSA and receive a tax savings on those expenses.
- In the section under Flexible Spending Accounts, print the amount you want to contribute to this account for 2006. Write in a monthly amount, not an annual or per-pay-period amount. (To arrive at a monthly amount, divide the annual amount you calculated on the HCFSA worksheet by 12.) Remember, your contributions are made on a pre-tax basis, so you actually will have more take home pay than if you paid these expenses on an after-tax basis.

DEPENDENT DAY CARE FLEXIBLE SPENDING ACCOUNT (DDCFSA)

- Use the DDCFSA worksheet to determine your potential out-of-pocket expenses for 2006.
- If you anticipate expenses greater than \$120 a year, determine if you want to participate in the DDCFSA and receive a tax savings on those expenses.
- In the section under Flexible Spending Accounts, print the amount you want to contribute to this account for 2006. Write in a monthly amount, not an annual or per-pay-period amount. (To arrive at a monthly amount, divide the annual amount you calculated on the DDCFSA worksheet by 12.) Remember, your contributions are made on a pre-tax basis, so you actually will have more take home pay than if you paid these expenses on an after-tax basis.

AUTHORIZING YOUR ELECTIONS

1. *When you have completed your elections, go to the bottom of the Enrollment Form. In the Employee Authorization section, SIGN your name and PRINT the date on the form. If you would like a copy of the Enrollment Form, make a photocopy.*
2. *Return your completed original Enrollment Form to your Benefits Representative or department. He or she will complete the information at the top of the form.*

Changing Your NCFlex Elections

Each year you can choose to participate in any or all of the NCFlex benefits. However, once you've decided to participate, **you cannot change or cancel that decision during the year unless you have a change in family or employment status**, see "*Qualifying Status Changes*."

If you wish to change your elections, you must notify your Benefits Representative or department of any change in status within **30 days** of the event.

The changes you want to make to your benefits must be consistent with the change in your status. All benefits changes are subject to approval. Some plans are subject to waiting periods or EOI. The Dental Plan does not permit participants to change dental options during the plan year. (For example, Low Option to High Option or High Option to Low Option.)

Valid changes to your elections are effective on the first day of the month after you sign and date your Family/Employment Status Change Form.

QUALIFYING STATUS CHANGES

If any of the following events occur, you can change your NCFlex coverage for the remainder of the year (documentation may be required):

- marriage;
- divorce or legal separation (must be living apart from spouse for at least 90 days);
- death of a spouse or eligible, covered dependent;
- a dependent loses eligibility due to age, marriage or loss of full-time student status;
- birth, adoption of a child, or placement for adoption of a child;
- an incapacitated adult becomes your dependent;
- spouse becomes employed/unemployed;
- you or your spouse change from part-time to full-time employment (or vice-versa) and benefits eligibility is gained or lost;
- you or your spouse take an unpaid leave of absence; or
- other changes permitted by the IRS and approved by the State.

Please note a waiting period may apply to dental and vision coverages. Also, EOI may be required for the cancer and voluntary group term life benefits. Please refer to those sections in this guide.

TRANSFERS

The State of NC is the employer for the NCFlex benefits. When you transfer between a State agency, university or select community college, you cannot make changes to your elections or elect new benefit options. You must transfer your existing NCFlex benefits to the new employing State agency, university or select community college. **You must notify your new Benefits Representative or department of your existing NCFlex elections.**

NON-QUALIFYING STATUS CHANGES

If any events other than those listed under "*Qualifying Status Changes*" occur, you cannot change your NCFlex coverage during the year. Some examples of events that don't allow you to change your NCFlex elections are:

- rehires within 30 days of termination date;
- the benefit cost is too high/you didn't realize how much was going to come out of your paycheck;
- you decided you don't like the coverage; or
- you need more money in your paycheck to pay off a loan, mortgage, credit card, etc.

LIMITATION AFFECTING INCREASES TO SPENDING ACCOUNT ELECTION

If you use an approved family/employment status change event to increase your election amount, reimbursement of expenses incurred prior to the change date will be limited to your original account maximum and not the new higher maximum. For example, if you elect \$1,200 for the plan year, then increase your plan year maximum to \$2,400 on July 1, you cannot be reimbursed more than \$1,200 for expenses incurred prior to July 1.

WHEN CAN I MAKE A CHANGE TO MY NCFLEX BENEFITS?*

If...	Then...
You get married	You can add your legal spouse to your benefit coverage or drop coverage if enrolling in your spouse's benefit plans. You can add/drop your eligible dependents to your coverage.
You have or adopt a baby	You can add your new dependent to your coverage.
Your child turns age 19 (age 22 for Cancer Insurance) or there is a change in his/her student status	<p>If your unmarried child between the ages of 19 and 26 becomes a full-time student, you may add this dependent child to your coverage.</p> <p>If your unmarried child between the ages of 19 and 26 loses full-time student status, coverage will end for that child only. COBRA and HIPAA information will be mailed to you after completion of a status change form.</p> <p>Please Note: See the "2006 Dependent Eligibility" section for more information.</p>
There is a change in your spouse's employment impacting his/her benefits eligibility	<p>If your spouse gains coverage through his/her employer you can:</p> <ul style="list-style-type: none"> • Drop coverage for yourself; or • Drop coverage for your spouse and/or children if covered under spouse's or dependent's plan. <p>If your spouse loses coverage through his/her employer you can:</p> <ul style="list-style-type: none"> • Add coverage for yourself; or • Add coverage for your spouse and/or children.
You legally separate or divorce	<p>If you lose coverage under your spouse's plan, you are eligible to enroll yourself and your eligible dependent children in an NCFlex plan.</p> <p>When you legally separate and have been living apart from your spouse at least 90 days but are not yet divorced, you have the option to terminate your former spouse (and your children or stepchildren, if applicable) from your coverage. However, you may continue to cover them until the date of your divorce (except under the FSAs).</p> <p>When you divorce, your former spouse (and your children or stepchildren, if applicable) is no longer eligible for benefit coverage. When coverage for your spouse and children ends under an NCFlex plan, they may be able to continue coverage under COBRA for 36 months (for the HCFSA, until the end of the plan year).</p>
Your dependent dies	<p>If your spouse dies, you should:</p> <ul style="list-style-type: none"> • Drop coverage for your spouse; or • If you lose coverage under your spouse's plan, you are eligible to enroll yourself and your eligible dependent children under NCFlex. <p>If your dependent child dies, you should drop NCFlex coverage for that child.</p>
You die	<p>When you die, your spouse and dependent children who are covered under an NCFlex plan may continue coverage under COBRA for up to 36 months (for the HCFSA, until the end of the plan year) by paying up to 102% of the full cost of coverage.</p> <p>If your spouse and eligible dependent children decide not to continue coverage under NCFlex, their coverage will end at the end of the month following your death.</p>
You or your spouse take an unpaid leave of absence	If you or your spouse take an unpaid leave of absence, you may continue coverage for a certain period of time (depending on the type of leave of absence) as long as you continue to make the premium payments. Please contact your Benefits Representative or department prior to your unpaid leave to discuss how your NCFlex benefits will be affected and your options for continuing or discontinuing benefits during this time.
You transfer to a different State agency, university or select community college	No benefit changes are permitted. You must transfer your current NCFlex benefit elections to the new employing State agency, university or select community college. When you transfer, you must contact your new Benefits Representative or department to verify your current NCFlex benefit elections.

*You must notify your Benefits Representative or department and make benefit changes within 30 days of your Qualifying Status Change. Some benefit changes will be subject to a waiting period or EOI. Please note this is not an all-inclusive list. These are only common examples.

Dental Plan

PRE-TAX DENTAL PLAN

NCFlex offers two options:

- High Option
- Low Option

If you select the High Option or Low Option Dental Plan, your premiums are deducted on a pre-tax basis. This means the options give you the advantage of comprehensive dental coverage at a

discounted cost compared with an after-tax plan. Even in the lowest tax bracket, you'll save about 30%. If you're in a higher federal income tax bracket, you'll save even more.

It is important to enroll in NCFlex dental when you are first eligible to avoid waiting periods for dental services. If you decide to enroll at a later date during an annual enrollment or as a result of a family status change, waiting periods may apply. Refer to the table in this section regarding waiting period criteria.

PRE-TAX VERSUS AFTER-TAX: A COMPARISON		
	Pre-tax	After-tax
Monthly Dental Premium	\$50	\$50
Tax Savings @ 30%	\$15	N/A
Real Cost	\$35	\$50

ENROLLING FOR YOUR DENTAL COVERAGE

If you are currently enrolled in NCFlex dental, you are not required to re-enroll. If you do not want to make changes to your benefit election, your dental coverage will automatically continue for 2006. If you make changes to your benefit election or add coverage for the first time — you or your dependents may be subject to waiting periods. Refer to the table in this section regarding waiting period criteria.

DENTAL PLAN — HIGH AND LOW OPTIONS

Each option allows you to select the dentist of your choice. Both are traditional plans that pay a percentage of the usual and customary charges. Usual and customary charges are based on the amount charged by most dental offices in the locality where the charge is incurred. Locality means an area where size is large enough, as determined by the plan administrator, to give an accurate representation of standard charges for covered dental procedures.

COST PER MONTH (HIGH AND LOW OPTIONS)

Your cost per month for the Dental Plan High and Low Options are as follows:

	High Option	Low Option
Employee Only	\$31.34	\$17.12
Employee and Spouse	\$62.72	\$34.38
Employee and One Child	\$60.20	\$33.00
Employee and Two or More Children	\$76.04	\$42.02
Family	\$110.66	\$58.76

CHANGING DENTAL PLAN OPTIONS

Once you select your dental plan option, you must keep that option for the entire plan year. You may change your dental option (for example, Low Option to High Option or High Option to Low Option) during the annual enrollment period. However, waiting periods may apply. Refer to the table in this section regarding waiting period criteria.

COORDINATION WITH THE HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA)

A third option is you can set aside money from your pay on a pre-tax basis for out-of-pocket dental expenses under the HCFSA — whether you select dental coverage or not. You can be reimbursed for dental expenses not covered by a health plan. The dental expenses can be for you, your spouse or dependent children. The date you or your covered dependents receive service (incur expenses) must be during the plan year. **To participate, you must enroll in the HCFSA each year.**

ELIGIBLE DEPENDENT

Spouse or unmarried dependent child(ren) up to age 19, or if enrolled as a full-time student up to age 26. Verification of full-time student status will be required once a year. For more information on dependent eligibility, refer to the "2006 Dependent Eligibility" section.

Covered Services (Partial Listing):

A complete listing of services may be found in your Certificate of Coverage. All services are subject to usual and customary charges.

Calendar Year Deductible:

High Option: \$50 per individual / \$150 family aggregate per calendar year. No deductible required for Type I (Preventive benefits/services). The deductible applies only to Type II and Type III (Basic and Major benefits/services).

Calendar Year Deductible:

Low Option: \$50 per individual / \$150 family aggregate per calendar year. The deductible will apply to both Type I and Type II (Preventive and Basic benefits/services).

	High Option	Low Option
Type I Diagnostic and Preventive		
Oral Examinations (<i>1 every 6 months</i>)	100%	100%
Prophylaxis (<i>1 cleaning every 6 months</i>)	100%	100%
X-rays (<i>full mouth every 3 yrs and 1 bitewing/tooth every 6 mo</i>)	100%	100%
Topical Fluoride (<i>under 19, 1 every 6 months</i>)	100%	100%
Sealants for First and Second Molars (<i>under 16</i>)	100%	100%
Space Maintainers (<i>under 19</i>)	100%	100%
Type II Basic Services		
Filings (<i>amalgam, synthetic or composite fillings – replacements limited to every 2 years</i>)	80%	80%
Simple Extractions	80%	80%
Endodontics (<i>root canal treatment</i>)	80%	50%
General Anesthesia	80%	50%
Oral Surgery (<i>wisdom teeth extractions</i>)	80%	50%
Recement Crowns, Inlays, Bridges	80%	50%
Repair Removable Dentures	80%	50%
Periodontic Services (<i>gingivectomy, gingivoplasty, gingival curettage, osseous surgery, mucogingivoplastic surgery, sealing and root planing</i>)	50%	50%
Type III Major Services		
Crowns (<i>replacements limited to every 5 years</i>)	50%	--
Inlays and Onlays (<i>replacements limited to every 5 years</i>)	50%	--
Dentures (<i>replacements limited to every 5 years</i>)	50%	--
Bridges (<i>replacements limited to every 5 years</i>)	50%	--
Fixed Bridge Repairs	50%	--
Denture Adjustments/Relining (<i>within 6 months of initial denture placement</i>)	50%	--

Type IV Orthodontics

Orthodontic services are covered for dependent children in the High Option Plan (under age 19) after meeting an initial waiting period of 12 months of continuous coverage. Plan benefits will cover 24 months of usual and customary orthodontic care. Treatment beyond 24-month period will not be covered.

Maximum Benefits:

High Option: \$1,000 per person per calendar year for all services other than orthodontic services.

Orthodontic services have a lifetime maximum of \$1,500 with a \$750 maximum per calendar year.

Maximum Benefits:

Low Option: \$1,000 per person per calendar year for all services.

PRE-DETERMINATION OF BENEFITS

If the estimated charges for a particular dental service are expected to be \$300 or more, ask your dental provider to submit a treatment plan, applicable x-rays and estimated charges to the claims administrator before the work begins. This provides an opportunity for you, your dentist and the claims administrator to review the proposed course of treatment and estimated fees before services begin. Refer to the Dental Claim Processing Guide at ncflex.org for details.

IMPORTANT NOTE

Claims must be filed and received by the dental plan within 180 days from the date of service.

PARTICIPANTS CURRENTLY ENROLLED IN AN AFTER-TAX DENTAL PLAN

If you're a current participant in an after-tax dental plan sponsored by a State of North Carolina agency, university or select community college, you may choose to rollover to one of the NCFlex dental plans with credit applied towards any applicable waiting periods based on the number of months of continuous coverage in the after-tax dental plan. To take advantage of this rollover opportunity, you must meet the following criteria:

- You and/or your dependents have been enrolled in an after-tax dental plan with a State of NC agency, university or select community college for at least one year prior to January 1 of the new plan year.
- **You and/or your dependents plan to enroll during the NCFlex 2006 annual enrollment period.**

The time you've participated in your after-tax dental plan applies toward your waiting period for the NCFlex Dental Plan. Refer to the table in this section regarding waiting period criteria.

WAITING PERIODS

The benefit waiting period refers to the amount of time the employee or dependent must be a member of the plan before becoming eligible for insurance. The plan will not pay for (and covered dental services do not include) charges incurred by the insured individual or dependent before the completion of the benefit waiting period. **The reference guide in this section provides information on how the waiting period impacts your coverage effective date.**

EXCLUSIONS

This is a partial listing of the exclusions listed with the plan policy. Please refer to your plan certificate for a complete listing. If there are any discrepancies, the plan policy certificate and/or contract shall govern.

The policy will not pay for the following dental expenses and services:

- major restorative services such as dentures, partial dentures, fixed bridges including a resin bonded bridge if the restoration is not replacing a natural tooth extracted while insured under this policy;
- crowns, inlays, cast restorations or other laboratory prepared restorations on teeth which may be restored with an amalgam or composite resin filing;
- procedures, services or supplies which: (a) are not included in the policy's list of covered dental services; or (b) have been rendered before the insured's insurance begins; or (c) have been rendered before any applicable waiting period has been served; or (d) have been rendered after the insured's insurance ends, except as defined under the plan policy;
- any procedure, service or appliance, which relates to: (a) the change in bite; or (b) the alteration of the bite with the exception of periodontal surgery; or (c) bite registration; or (d) bite analysis; or (e) occlusal guard;
- dental implants; pulp caps; adult fluoride treatments; athletic mouth guards; replacement of lost or stolen appliances; myofunctional therapy; infection control; oral hygiene instruction; separate charges for acid etch; treatment of jaw fractures; orthognathic surgery; personal supplies; broken appointments; completion of claim forms; exams required by a third party; travel time; transportation costs; professional advice given on the phone;
- procedures, services or supplies, which do not have a reasonably favorable prognosis, as determined by us;
- any procedure, service or supply provided primarily for cosmetic purposes;
- services or supplies received as a result of disease, defect or injury due to war or an act of war (declared or undeclared), taking part in a riot or insurrection, or committing or attempting to commit an assault or felony; or
- treatment performed outside of the United States of America, other than emergency treatment. However, for such emergency treatment, the maximum allowable charge shall not exceed the plan's allowable charge.

The Dental Plan is administered by National Pacific Dental and underwritten by North Carolina Mutual. For information regarding claim payment refer to Certificate of Coverage found at ncflex.org.

STATUS OF EMPLOYEE

WAITING PERIOD

<p>New Hire (within 30 days)</p>	<p>High Option Plan</p> <ul style="list-style-type: none"> • No waiting period for Type I (Preventive), Type II (Basic) and Type III (Major) services • 12-month waiting period for Type IV (Orthodontic) services (<i>dependent children up to age 19</i>) <p>Low Option Plan</p> <ul style="list-style-type: none"> • No waiting period for Type I (Preventive) and Type II (Basic) services
<p>Current Low Option NCFlex Dental Plan Participant</p>	<p>Change to the High Option Plan</p> <ul style="list-style-type: none"> • 12-month waiting period for Type III (Major) and Type IV (Orthodontic) services (<i>dependent children up to age 19</i>)
<p>Current High Option NCFlex Dental Plan Participant</p>	<p>Switch to the Low Option Plan</p> <ul style="list-style-type: none"> • No waiting periods for any covered services
<p>Your current after-tax Dental is a Low Option Plan **</p>	<p>Low Option Plan</p> <ul style="list-style-type: none"> • No additional waiting period for Type I (Preventive) and Type II (Basic) services if enrolled in the after-tax plan at least one year prior to January 1 of the new plan year ** <p>High Option Plan</p> <ul style="list-style-type: none"> • No additional waiting period for Type I (Preventive) and Type II (Basic) services if enrolled in the after-tax plan at least one year prior to January 1 of the new plan year ** • 12-month waiting period for Type III (Major) and Type IV (Orthodontic) services (<i>dependent children up to age 19</i>)
<p>Your Current after-tax Dental Plan is a High Option plan with an orthodontic benefit **</p>	<ul style="list-style-type: none"> • No additional waiting period for Type I (Preventive), Type II (Basic), Type III (Major) and Type IV (Orthodontic) services if enrolled in the after-tax benefit for at least one year prior to January 1 of the new plan year **
<p>Your Current after-tax Dental Plan is a High Option plan without an orthodontic benefit **</p>	<ul style="list-style-type: none"> • No additional waiting period for Type I (Preventive), Type II (Basic) and Type III (Major) if enrolled in the after-tax benefit for at least one year prior to January 1 of the new plan year ** • 12-month waiting period for Type IV (Orthodontic) services (<i>dependent children up to age 19</i>)
<p>Employee/dependent(s) who are not participating in NCFlex dental or qualified after-tax dental programs **</p>	<p>Low Option Plan</p> <ul style="list-style-type: none"> • Type I (Preventive) services are covered in the first plan year of coverage • 12-month waiting period for Type II (Basic) services <p>High Option Plan</p> <ul style="list-style-type: none"> • Type I (Preventive) services are covered in the first plan year of coverage • 12-month waiting period for Type II (Basic), Type III (Major) and Type IV (Orthodontic) services (<i>orthodontic services for dependent children up to age 19</i>)
<p>Family Status Change to add dependent due to marriage, birth/adoption/placement for adoption</p>	<p>No waiting period for Type I (Preventive), Type II (Basic) and Type III (Major) services if the family status change form is submitted within 30 days of the event. There is a 12-month waiting period for Type IV (Orthodontic) services for dependent children up to age 19.</p>

**The time you have participated in a qualified after-tax plan (sponsored by a State of North Carolina agency, university or select community college) applies towards your waiting period for the NCFlex Dental Plans. If participation in the after-tax plan has been less than one year, credit will be applied based on the number of months of continuous coverage prior to January 1 of the new plan year.

Vision Care Plan

NCFlex offers an excellent Vision Care Plan. The plan is administered by Superior Vision Services (SVS) and underwritten by ReliaStar Life Insurance Company. It offers two schedules of benefits — one that provides comprehensive vision care services, including vision examinations, and one that provides benefits for vision care materials but no coverage for vision examinations. You can receive either eyeglasses or contact lenses as a benefit, but not both. You have the following vision plan options:

- Plan 1 - with vision exam
- Plan 2 - without vision exam

Both plans offer in-network and non-network benefits. Using an in-network provider will result in less expense for you. However, it's your choice to make. Remember, you are responsible for paying any charges in excess of your covered benefit. When using a non-network provider, you pay the provider in full and submit an itemized bill to SVS. You will be reimbursed the non-network allowance.

You have a choice of over 1,400 vision providers in the SVS network that includes ophthalmologists, optometrists and optical companies. Providers in the SVS network also include many optical chain and 24-hour locations throughout the state. If your vision care provider is not part of the SVS network, you or your provider can contact SVS with the provider's name, address and telephone number to begin the provider nomination process.

ELIGIBLE DEPENDENT

Spouse or unmarried dependent child(ren) up to age 19, or if enrolled as a full-time student up to age 26. Verification of full-time student status will be required once a year. For more information on dependent eligibility refer to the "2006 *Dependent Eligibility*" section.

COST AND ELIGIBILITY

The monthly premium you pay for vision coverage is based on the plan you choose and whether you choose to cover yourself only or yourself and your family.

Cost	Employee Only	Employee and Family
Plan 1 (Exams and Materials)	\$7.98	\$20.24
Plan 2 (Materials only)	\$5.64	\$13.98

IMPORTANT NOTE

There is no waiting period for first-time enrollees. If you elect coverage this year and drop coverage the following year, you will have to wait an additional two years before you re-enroll in the plan. For example, if you enroll for 2006 and drop coverage for 2007, you cannot participate in the plan until 2009.

REFRACTIVE SURGERY BENEFIT

Ophthalmology surgeons are now being contracted to provide refractive surgery (RK, PRK and LASIK) at a 20% discount off their usual and customary surgical fees. Contact SVS at 1-800-507-3800 for information on this benefit.

PLAN 1 — INCLUDES EXAMINATIONS

This is a full service plan, which covers examinations and materials.

Service	Coverage Frequency
Comprehensive exam	Once every 12 months
Eyeglass lenses	Once every 12 months
Contact lenses	Once every 12 months
Eyeglass frames	Once every 24 months

Service	In-Network	Non-Network
Comprehensive exam by an ophthalmologist	Covered in full after \$20 copayment	Up to \$24
Comprehensive exam by an optometrist	Covered in full after \$20 copayment	Up to \$19
Eyeglass lenses (standard) per pair <ul style="list-style-type: none"> • Single vision • Bifocal • Trifocal • Lenticular 	Covered in full Covered in full Covered in full Covered in full	Up to \$34 Up to \$48 Up to \$64 Up to \$88
Contact lenses (allowance in lieu of eyeglass lenses and frames) Note: Fitting fee can be included into the allowance. <ul style="list-style-type: none"> • Medically necessary • Elective (instead of eyeglasses) 	Covered in full Up to \$100	Up to \$210 Up to \$100
Eyeglass frames (one)	Up to \$100 retail	Up to \$50

PLAN 2 — DOES NOT INCLUDE EXAMINATIONS

This is a basic materials plan, which covers eyewear or contact lenses, but not examinations.

Service	Coverage Frequency
Eyeglass lenses	Once every 12 months
Contact lenses	Once every 12 months
Eyeglass frames	Once every 24 months

Service	In-Network	Non-Network
Eyeglass lenses (standard) per pair <ul style="list-style-type: none"> • Single vision • Bifocal • Trifocal • Lenticular 	Covered in full Covered in full Covered in full Covered in full	Up to \$34 Up to \$48 Up to \$64 Up to \$88
Contact lenses (allowance in lieu of eyeglass lenses and frames) Note: Fitting fee can be included into the allowance. <ul style="list-style-type: none"> • Medically necessary • Elective (instead of eyeglasses) 	Covered in full Up to \$100	Up to \$210 Up to \$100
Eyeglass frames (one)	Up to \$100 retail	Up to \$50

AVAILABLE DISCOUNTS FROM SELECTED IN-NETWORK PROVIDERS

(See providers with "DP" associated with their listing in the SVS provider directory.)

A separate discount benefit is available for additional purchases and services exclusive of the first purchases under the fully insured benefit. Contact lens fittings are not discounted under the current discount program.

Discounts include:

- **Eyeglass frames:** 30% off retail prices
- **Eyeglass lenses, standard single vision, bifocals, trifocals, lenticular, progressive power (uncoated CR-39 plastic or clear glass):** 30% off retail prices
- **Add-ons to base lenses:** 20% off retail prices (includes tints; coatings; colored lenses; power over 4.00D sphere, 2.00D cylinder, 5.00D prism; polycarbonate; high index; photochromic; cosmetic finishing; beveling, edging and mounting)
- **Everyday "frame & lens" package pricing:** 20% off retail prices
- **Contact lenses (standard materials):** 20% off retail prices
- **Contact lenses (disposable):** 10% off retail prices
- **All other materials:** 20% off retail prices (can include non-prescription sunglasses, eyeglass lens cleaners, cases, etc.)

Discounts do not apply to the insured benefit underwritten by ReliaStar Life Insurance Company.

USING SVS BENEFITS WITH IN-STORE DISCOUNTS

SVS recognizes some members may wish to take advantage of the in-store promotions or coupons offered by some of our "in-network" providers. Your SVS benefits are not intended for use in conjunction with these types of offers, nor are the providers contractually obligated to provide discounts in addition to the insured benefit. The provider will allow one discount only:

- the discount to the insurance company (SVS); or
- the discount to you (the sale or coupon).

IMPORTANT NOTE

This is only a summary of the benefit plan. You may review and/or obtain a copy of the master policy and certificate of coverage by visiting ncflex.org.

The choice you make is important. If you go through SVS, you become a beneficiary of the stated coverage. If you choose to utilize the sale or coupon, you will pay for all charges in full and submit the itemized receipts to SVS. Please be aware the SVS reimbursement will be based on the "non-network" rates outlined in your policy. The "in-network" status applies only to the provider when you utilize the insurance, not as a "cash" customer. This is why the "non-network" rates are applied to your reimbursement. Please contact customer service at 1-800-507-3800 for more detailed information before making your purchase.

SERVICES AVAILABLE UNDER YOUR INSURED BENEFIT AT ADDITIONAL COST

- no-line bifocal lenses
- progressive power lenses
- polished bevels or faceted lenses
- scratch coating, UV coating, anti-reflective coating
- frames priced higher than the contracted allowance
- slab-off lenses
- polycarbonate, polaroid, photochromic lenses
- oversized lenses (larger than 62mm)
- prism lenses
- cosmetic lenses
- tints on lenses (except Rose or Pink #1 or #2)

COORDINATION WITH THE HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA)

If you do not elect vision coverage, you can still set aside money from your pay on a pre-tax basis and be reimbursed for out-of-pocket vision expenses under the HCFSA. The vision expenses can be for you, your spouse or dependent children. The date you or your covered dependents receive service (incur expense) must be during the plan year January 1 - December 31. To participate, you must enroll in the HCFSA each year.

LIST OF PROVIDERS

To get a list of vision care providers you can call the SVS toll-free number at 1-800-507-3800, or visit the State's website at ncflex.org at any time.

This benefit does not require annual re-enrollment

Supplemental Medical

This is voluntary coverage underwritten by Kanawha Insurance Company, Lancaster, SC. It is designed to supplement your medical plan by providing benefits for physician's office visits and inpatient hospital stays.

Benefits are paid directly to you. **Please understand this policy provides limited benefits and is *not* a replacement for the State Health Plan or other comprehensive medical coverage.**

	Benefit Payment	Maximum	Overall Calendar Year Maximum
Sickness			
Physician's Office Visit	\$50 per visit	\$150 per sickness	\$450 per each insured up to \$900 per family
Emergency Room	\$100 per visit		
Annual Physical Exam*			
Benefit begins after 6 months of coverage	\$100 per insured	\$200 per calendar year for all insureds	
Outpatient Accidental Injury**			
Physician's Office Visit	\$100 per visit	\$400 per injury	\$900 per each insured up to \$1,800 per family
Emergency Room	\$200 per visit		
Inpatient Hospital			
Benefit Payment	\$250 per insured per calendar year	NA	NA

* At least two of the following procedures must be performed: 1) cardiovascular stress test, 2) blood chemistry determination, 3) EKG, 4) mammogram, 5) prostate specific antigen test, 6) digital prostate examination, 7) pap smear, or 8) urinalysis.

** Treatment must begin within 72 hours of the accidental injury.

Age at Issue	Employee Only	Employee and Spouse	*Employee and Child(ren)	Family
Employee 18 – 50 Spouse 18 – 50	\$16.08	\$32.16	\$35.38	\$51.46
Employee 18 – 50 Spouse 51 – 69	\$16.08	\$41.42	\$35.38	\$60.72
Employee 51 – 69 Spouse 51 – 69	\$25.34	\$50.68	\$44.64	\$69.98
Employee 51 – 69 Spouse 18 – 50	\$25.34	\$41.42	\$44.64	\$60.72

* Dependent children are covered up to age 19, or to age 26 if a full-time student provided you have elected coverage for your children.

YOUR MONTHLY COST

Supplemental medical premiums are based on your age, and if applicable your spouse's age, on the effective date of your coverage and will not increase with age. Rates for the entire NCFlex group may increase based on experience and will apply to all insureds regardless of age. The chart to the left outlines your monthly cost.

ELIGIBLE DEPENDENT

Spouse or unmarried dependent child(ren) up to age 19, or if enrolled as a full-time student up to age 26. Verification of full-time student status will be required once a year. For more information on dependent eligibility refer to the "2006 Dependent Eligibility" section.

ASSIGNMENT OF BENEFITS

The benefits from this policy are designed to be sent directly to you. If you "assign your benefits" to a doctor or hospital then, by law, benefits must be sent to them.

Examples

Amy is age 35, single, and is enrolling in supplemental medical. She wants to know how this coverage will help offset medical expenses. Amy receives an annual physical exam and anticipates two office visits for sickness each year. The premium under this policy is \$16.08 per month or \$192.96 for the year. Assuming Amy is saving 30% in taxes on the premium, her actual premium expense would be \$135.07 instead of \$192.96. The chart to the right outlines Amy's savings. If Amy has additional office visits or is confined in a hospital overnight, the savings would be greater.

EXAMPLE:	
Annual Physical Exam Benefit	+ \$100.00
Two Office Visit (sickness) Benefits	+ \$100.00
Total	= \$200.00
Minus Plan Premium	- \$135.07
Amy Saves	\$64.93

Jan and Lee are married (both age 32) with two dependents. They enroll for supplemental medical. The premium for family coverage is \$51.46 per month or \$617.52 for the year. Since Jan pays for coverage on a pre-tax basis and saves 30% in taxes, the actual premium expense would be \$432.26 — savings of \$185.26.

EXAMPLE:	
Two Annual Physical Exam Benefits	+ \$200.00
Four Office Visit (sickness) Benefits	+ \$200.00
One ER visit	+ \$200.00
Total	= \$600.00
Minus Plan Premium	- \$432.26
Jan Saves	\$167.74

In addition to the pre-tax savings, here is an example of how the supplemental medical coverage may help offset medical costs for a family during the course of one year.

FILING YOUR SUPPLEMENTAL MEDICAL CLAIM

If you decide to enroll in supplemental medical, a claim form will be included with your Certificate of Coverage and ID card. Additional forms may be obtained by contacting Kanawha Customer Service at 1-877-378-1505 or by visiting ncflex.org. When you file a claim for a covered expense, submit a completed claim form along with a bill for covered services that includes a diagnosis code. In the event of a physical exam, please provide a procedure code.

TAX ISSUE

Any benefit amounts received from group plans and under this supplemental medical policy, which exceed actual medical expenses — incurred by you or your covered family members — would be considered taxable income by the IRS. It is your responsibility to report this income on your individual tax return.

CONVERSION

If you are covered under this policy and terminate your employment with the State of North Carolina, you will be able to convert your coverage provided you apply within 31 days of your termination date.

COORDINATION WITH THE HEALTH CARE FLEXIBLE SPENDING ACCOUNT (HCFSA)

Don't forget NCFlex provides you with another way to save on your health care expenses. You may use the HCFSA to be reimbursed for additional expenses not covered under your current medical plan or the supplemental medical policy. Keep in mind you must enroll in the HCFSA each year in order to participate.

PRE-EXISTING CONDITION LIMITATION

Pre-existing conditions means bodily injuries accidentally sustained or sickness, which a physician has treated or for which a physician had advised treatment within 12 months prior to the employee's date of Certificate of Coverage. It is also one which would cause a person to seek diagnosis or care within the same 12-month period.

Pre-existing conditions of covered persons are not covered for 12 months after the date of the Certificate of Coverage.

LIMITATIONS AND EXCLUSIONS

Benefits are not provided under the policy for loss due to:

- intentionally self-inflicted injury;
- suicide or any attempted suicide, while sane or insane;
- mental or emotional disorders without demonstrable organic disease;
- injury or sickness incurred while engaging in an illegal occupation;
- treatment for drug addiction or for the use of drugs, except for drugs as prescribed by a physician;
- treatment of alcoholism, or treatment for the use of alcohol;
- rest cures;
- dental services or treatments unless necessitated by injury. This does not exclude from coverage the diagnosis or treatment of injury or sickness involving bones or joints of the jaw, face or head;
- eye examinations, eye glasses, hearing aids or the fitting thereof;
- services or supplies for the treatment of an occupational injury or sickness which are paid under the North Carolina Workers' Compensation Act only to the extent such services or supplies are the liability of the covered person, employer or workers' compensation insurance carrier according to a final adjudication under the North Carolina Workers' Compensation Act or an order of the North Carolina Industrial Commission approving a settlement agreement under the North Carolina Workers' Compensation Act;
- participation in a riot, felony or insurrection;
- participation in aeronautics except as a fare-paying passenger traveling on a regularly scheduled airline flight;
- military or naval services. However, upon written notice to Kanawha, premiums will be refunded pro rata for any period not covered because of such service;
- hospitalization, treatment or services for members or ex-members of the armed forces in any military or veteran's hospital, soldier's home or hospital contracted for or operated by any national government or agency thereof unless the covered person is legally required to pay the charges therefore in the absence of insurance;
- loss incurred for cosmetic surgery except for such cosmetic surgery performed as a medical necessity under any of the following circumstances, as applicable: a medically diagnosed congenital defect or birth abnormality of a child, foster child or adopted child (as defined in the policy); incidental to or following surgery resulting from trauma, infection or other diseases of the involved part, to correct a normal bodily function;
- hernia, disorder of the reproductive organs, varicose veins or elective sterilization within six months after the date of coverage unless due to an emergency; or
- adenoids, appendix or tonsils unless first treated while your Certificate of Coverage is in force and after six months from the date of coverage, unless such specified disease or condition is treated on an emergency basis.

MEDICAID INFORMATION

For individuals who are eligible for Medicaid, this supplemental medical policy may not be the best choice for you. Benefits assigned under the policy are required to be assigned back to Medicaid.

Kanawha's Group Hospital/Medical Indemnity Insurance Policy is Policy Form 7002 2/03 NC ONLY.

This policy provides limited benefits and is *not* a replacement for the State Health Plan or other comprehensive medical coverage.

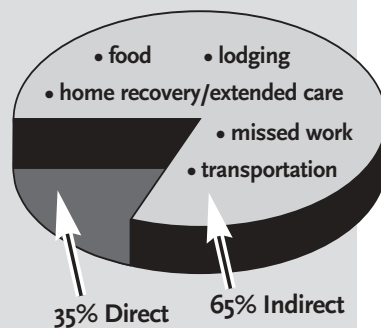
Cancer Insurance

This benefit does not require
annual re-enrollment

It's hard to face the facts, but cancer will affect many of us — regardless of age, gender or lifestyle. While treatment has advanced the fight against cancer, it still occurs in 1 in 2 men and in 1 in 3 women according to the American Cancer Society. And it's always costly. NCFlex offers Cancer Insurance to help pay for cancer-related expenses.

CANCER — THE COST

*Because it strikes so frequently, and because it is often fatal if ignored, cancer consumes enormous health care dollars. The National Institutes of Health estimate that the overall annual costs for cancer in 2004 was \$189.8 billion, \$69.4 billion for direct medical costs, \$16.9 billion for indirect morbidity costs (cost of lost productivity due to illness) and \$103.5 billion for indirect mortality costs (cost of lost productivity due to premature death).**



* Cancer Facts & Figures, American Cancer Society, 2005

Cancer Insurance is provided through Allstate Workplace Division (AWD). You have two plan options and two coverage levels to choose from depending on how much coverage you need. In addition to cancer coverage, this insurance pays benefits for 29 other specified diseases listed below.

Amyotrophic Lateral Sclerosis (Lou Gehrig's Disease), Muscular Dystrophy, Poliomyelitis, Multiple Sclerosis, Encephalitis, Rabies, Tetanus, Tuberculosis, Osteomyelitis, Diphtheria, Scarlet Fever, Cerebrospinal Meningitis (bacterial), Brucellosis, Sickle Cell Anemia, Thalassemia, Rocky Mountain Spotted Fever, Legionnaire's Disease (confirmation by culture or sputum), Addison's Disease, Hansen's Disease, Tularemia, Hepatitis (chronic B or chronic C with liver failure or hepatoma), Typhoid Fever, Myasthenia Gravis, Reye's Syndrome, Primary Sclerosing Cholangitis (Walter Payton's Liver Disease), Lyme Disease, Systemic Lupus Erythematosus, Cystic Fibrosis, and Primary Biliary Cirrhosis.

EVIDENCE OF INSURABILITY (EOI)

If you enroll in this plan the first time it is offered, you may elect coverage on a guaranteed basis (without providing Evidence of Insurability (EOI)). An EOI form is a way of providing proof of good health. This evaluation may include your current health status, medical history and family medical history. If you decide to enroll for cancer insurance coverage, increase your coverage or add your family to your coverage at a later date, you will have to provide an EOI form to AWD for approval before coverage becomes effective. You can access an EOI form by visiting the State's website at ncflex.org.

SUBMITTING EOI

If you are an existing employee, you will need to submit an EOI form if:

- You declined Cancer Insurance when it was first offered to you, and you decide to enroll for coverage for the first time.
- You declined Cancer Insurance for your family when it was first offered to you, and you decide to enroll them for the first time.
- You are currently enrolled in the Low Option and decide to enroll in the High Option.

To submit EOI, follow these steps:

Step 1: Visit ncflex.org.

Step 2: Select and print the Cancer EOI form.

Step 3: Complete the EOI form.

Step 4: Submit your completed EOI form with your NCFlex Enrollment Form and return to your Benefits Representative or department.

COVERAGE — LOW OPTION AND HIGH OPTION

You can choose between two plan options depending on your cancer insurance needs. Both plan options offer the same type of benefits and/or services. However, in most cases, the amount of coverage differs. The benefits under the High Option are richer as compared to the Low Option. Refer to the Schedule of Benefits for more details.

MONTHLY COST

The monthly premium you pay for cancer coverage is based on the plan you choose and whether you choose to cover yourself only or yourself and your family.

Cost	Employee Only	Employee and Family
Low Option	\$6.78	\$11.26
High Option	\$15.68	\$26.06

LIMITATIONS AND EXCLUSIONS

Pre-Existing Condition — A pre-existing condition is a disease or physical condition for which the covered person received medical advice or treatment during the 12-month period prior to the effective date of the covered person's coverage. AWD does not pay for any loss due to a pre-existing condition during the 12-month period beginning on the date that person became a covered person. Any covered loss that is incurred after the 12-month period is payable.

Exclusions and Limitations — The policy does not pay for any loss except those due from cancer or covered specified disease. Diagnosis must be submitted to support each claim.

ELIGIBLE DEPENDENT

Spouse or unmarried dependent child(ren) up to age 22, or if enrolled as a full-time student up to age 26. Verification of full-time student status will be required once a year. For more information on dependent eligibility refer to the "2006 *Dependent Eligibility*" section.

CONVERSION PRIVILEGE

Under the conversion feature, you or your covered dependents may convert your cancer insurance coverage to an individual policy if coverage is terminated. You must convert the policy within 31 days of termination, and you pay the full cost of individual policy coverage.

CERTIFICATE OF COVERAGE

The Certificate of Coverage provides complete details about the benefits and the limits and exclusions. For complete details you must review the Certificates of Coverage located on ncflex.org.

TAX ISSUE

If premiums are paid through your employer's Section 125 cafeteria plan, benefit amounts received from accident and health insurance that exceed qualified medical expenses incurred by you or your covered family members may be taxable for federal and state income tax purposes. It is your responsibility to report this income on your individual tax return(s).

MEDICAID INFORMATION

For individuals who are eligible for Medicaid, this cancer insurance policy may not be the best choice for you. Benefits assigned under the policy are required to be assigned back to Medicaid.

SUMMARY OF BENEFITS

You must review the Certificates of Coverage for complete details regarding these benefits.

Benefit	Low Option	High Option
Continuous Hospital Confinement (up to 70 days for each period of continuous confinement)	\$100 per day	\$200 per day
Extended Benefits* (after 70 days)	up to \$100 per day	up to \$200 per day
Surgery*	up to \$1,500 per surgery, based on surgical schedule	up to \$3,000 per surgery, based on surgical schedule
Second Surgical Opinion*	up to \$200	up to \$400
Anesthesia*	up to 25% of surgery benefit	
Ambulatory Surgical Center*	up to \$250 per day	up to \$500 per day
Radiation/Chemotherapy*	up to \$2,500 per 12 month period	up to \$7,500 per 12 month period
Inpatient Drugs and Medicine*	up to \$25 per day while confined in hospital	
Private Duty Nursing Services*	up to \$100 per day	up to \$200 per day
New or Experimental Treatment*	up to \$5,000 per 12 month period	
Blood, Plasma and Platelets*	up to \$2,500 per 12 month period	up to \$7,500 per 12 month period
Physician's Attendance*	up to \$50 per day	
At Home Nursing*	up to \$100 per day	up to \$200 per day
Prosthesis*	up to \$2,000 per amputation	
Ambulance*	up to \$100	
Hospice Benefits		
Freestanding Hospice Care Center*	up to \$100 per day	up to \$200 per day
Hospice Care Team* (limit 1 visit/day)	up to \$100 per visit	up to \$200 per visit
Government or Charity Hospital (in lieu of all other benefits in the policy, except the Waiver of Premium benefit)	\$100 per day	\$200 per day

*These benefits are payable based on actual charges up to the maximum amount listed.

Benefit	Low Option	High Option
Outpatient Lodging* Non-Local Transportation Family Member Lodging and Transportation (for one adult member of covered person's family) Lodging* Transportation*	up to \$50 per day, up to \$2,000 per 12 months pays coach fare or \$0.40 per mile	
Extended Care Facility* Physical or Speech Therapy* Comfort/Anti-Nausea*	up to \$100 per day	up to \$200 per day up to \$50 per day up to \$200 per calendar year
Bone Marrow or Stem Cell Transplant Transplant other than non-autologous Transplant for non-autologous; treatment of cancer or other specified disease; except Leukemia Transplant for non-autologous; treatment of Leukemia	up to \$500 per calendar year up to \$1,250 per calendar year up to \$2,500 per calendar year	up to \$1,000 per calendar year up to \$2,500 per calendar year up to \$5,000 per calendar year
Cancer Screening Benefit	\$25 per calendar year	\$75 per calendar year
Premium Waiver	premiums waived after 90 days of disability due to cancer for insured employee	

*These benefits are payable based on actual charges up to the maximum amount listed.

Voluntary Accidental Death & Dismemberment Insurance

The Voluntary Accidental Death and Dismemberment (AD&D) insurance plan is offered by UnumProvident. It pays a benefit if you suffer a loss as the result of a covered accident while you are insured under the plan. It also pays a benefit if you suffer certain disabling injuries while covered. The coverage is effective 24-hours a day, 365 days a year. It includes accidents on or off the job, while traveling by car, plane, train, boat or any other public or private form of transportation. *Pilot and crew members of the State — see details in the “Pilot and Crew Member Cost and Coverage” section.* The coverage is in addition to any other coverage you have under any other insurance policy.

Some of the example benefit amounts are shown below. **If you and your spouse are both eligible to elect this coverage as state agency, university or select community college employees, you both may elect to participate as employees, but only one may enroll for employee and family coverage.** The spouse who elects employee and family coverage will not have coverage for his/her spouse, only children. An employee may not be covered as both an employee and a dependent.

MONTHLY COST AND COVERAGE*

The amount of insurance you purchase is called the principal sum. Example benefit amounts include:

Principal Sum	Cost for Employee Only	Cost for Employee & Family	Principal Sum	Cost for Employee Only	Cost for Employee & Family
\$ 50,000	\$ 1.36	\$ 2.00	\$ 200,000	\$ 5.40	\$ 8.00
75,000	2.02	3.00	250,000	6.76	10.00
100,000	2.70	4.00	300,000	8.10	12.00
125,000	3.38	5.00	350,000	9.46	14.00
150,000	4.06	6.00	400,000	10.80	16.00
175,000	4.72	7.00	500,000	13.50	20.00

*Pilot and Crew Members will need to reference the “Pilot and Crew Member Cost and Coverage” on page 25.

Insurance product underwritten by UnumProvident Corporation subsidiary,
Unum Life Insurance Company of America.

COVERAGE

If you or one of your covered dependents suffers any one of the losses listed on the chart below, as the result of a “covered injury,” a percentage of the principal sum will be paid, as listed. Only the largest percentage will be paid if you or a covered dependent suffers more than one loss from an accident.

Note: Loss of hand means that all four fingers are cut off at or above the knuckles joining each to the hand. Loss of foot means that all of the foot is cut off at or above the ankle joint. Loss of sight is defined as the entire and irrecoverable loss of sight. Loss of thumb and finger is defined as actual severance at or above the metacarpophalangeal joint. Loss of speech or hearing is defined as the entire and irrecoverable loss of speech or hearing. Paralysis is defined as complete and irreversible paralysis of such limbs.

Loss of:	Percentage of the Principal Sum
Life	100%
Both hands or both feet or sight in both eyes	100%
One hand and one foot	100%
One hand or foot and sight in one eye	100%
Speech and hearing	100%
Quadriplegia (<i>total and irreversible paralysis in all four limbs</i>)	100%
Paraplegia (<i>total and irreversible paralysis of both lower limbs</i>)	75%
Hemiplegia (<i>total and irreversible paralysis of one arm and one leg on the same side of the body</i>)	50%
One hand or foot	50%
Sight in one eye	50%
Speech or hearing	50%
Thumb and index finger on the same hand	25%

FAMILY BENEFITS

In addition to coverage for yourself, you can elect to cover your spouse and dependent children up to age 19 (up to age 26 effective January 1, 2003 if a full-time student). If you elect family coverage and a family member suffers a loss, the benefit paid is a percentage of the amount paid if you suffered the loss.

Family Members	Percentage of Your Benefit Payable
Spouse only	60%
Spouse and children	50% spouse; 10% each child
Children only	15% each child

Voluntary AD&D Insurance

ADDITIONAL BENEFITS

Education Benefit — If you have family coverage and you or your spouse die within 365 days as a result of a covered injury, an extra benefit of 5% to a maximum of \$5,000, is paid on behalf of any qualified children in order to help provide support for the child's education beyond the 12th grade. Dependent children who qualify for this benefit receive payments annually to a maximum of four years.

Child Care Benefit — If you die within 365 days of the injury which causes your death or your spouse's death, a day care benefit is provided for each eligible dependent child under age 13 and under. Payments equal the lesser of 3% of payable benefits or the maximum of \$3,000. This benefit is paid annually for four consecutive years.

Seat Belt Coverage — If you or a covered dependent dies as the result of a car accident in which the person suffering the loss is wearing a seat belt, an additional 10% of the benefit to a maximum of \$10,000 is paid.

Survivor's Benefit — If you or your spouse die as a result of a "covered injury," your surviving spouse or dependent receives a monthly benefit of 1% of your coverage amount for 12 consecutive months.

Comatose Benefit — If an accident puts you or a covered dependent in a coma, a benefit of 1% of the principal sum is payable for the lesser of 100 months or until the person recovers or dies.

Common Disaster Benefit — If both you and your covered spouse die as the result of the same accident within 90 days of the accident, your spouse's coverage increases to 100% of the employee's principal sum.

Enhancement For Children — If you elect family coverage and your covered dependent child sustains a covered loss within 365 days of the accident, other than loss of life, while the policy is in force, you are paid a benefit equal to two times the dismemberment schedule listed in the "Family Benefits" portion of this section.

Worldwide Emergency Travel Assistance Services — These services are provided by Assist America, Inc. to arrange and pay for the following when a medical emergency happens more than 100 miles from your home:

- emergency air evacuation;
- transportation of a friend or relative;
- care of minor children;
- medically supervised repatriation; or
- return of mortal remains.

You may contact Assist America at 1-609-921-0868.

Portability — When your employment ends, you may elect to continue your AD&D coverage for yourself and your dependents at the current group rates.

You need to apply for portable coverage within 31 days of your termination date. Coverage begins on the latest date of the following:

- the date your state coverage ends;
- the date you apply for coverage; or
- the date you pay your premium.

If you're not a retiree and you choose an AD&D portability option, you are eligible to elect PortAssist. PortAssist offers the same travel assistance services to you and your dependents as Assist America.

Your annual cost for PortAssist is:

- Employee only \$85
- Family \$150

You may contact PortAssist at 1-800-257-0930.

* Refer to the Certificate for a complete description of these benefits. The highlights listed in this section are not intended to replace the actual Certificate which contains the wording which will govern all claim decisions.

COVERAGE AFTER AGE 70

If you are actively at work at age 70 and beyond, the percentage of the amount payable declines as follows:

Age	Percentage of Full Benefit
70	65%
75	45%
80	30%
85	15%

GENERAL EXCLUSIONS FROM COVERAGE

The policy will not pay for a loss caused by:

- intentionally self-inflicted injuries or suicide, or any attempts at such;
- war or any act of war, declared or undeclared;
- service in the armed forces of any country;
- illness, disease, bodily infirmity or any bacterial infection, other than bacterial infection occurring as a consequence of an accidental cut or wound;
- while in any aircraft being used for test or experimental purpose;
- being under the influence of a controlled substance as defined by federal or state law unless administered on the advice of a physician; or
- operating, learning to operate or serving as a member of a crew in an aircraft, including boarding or alighting from an aircraft, to include:
 - any aircraft operated by or under any military authority;
 - any aircraft being used for a test or experimental purpose;
 - any aircraft that is owned, leased, operated or used for the purposes of performing the business of the State of North Carolina (to include any division, subsidiary or affiliate of the State of North Carolina); or
 - aircraft owned or leased by or on behalf of the Insured and/or members of their family.

This exclusion does not apply to:

- transport type aircraft operated by the Military Airlift Command of the United States; and
- similar air transport service of any other country.

PILOT AND CREW MEMBER COST AND COVERAGE

Pilot and crew members can buy a benefit which provides 24-hour coverage while flying an aircraft that is owned, leased, operated or used for the purpose of performing the business of the State of North Carolina (to include any division, subsidiary or affiliate of the State of North Carolina). All other general and aircraft-specific exclusions will still apply.

Each pilot and crew member may elect up to \$500,000 of coverage with 10 times salary limit. However, in the event of an accident involving flying for the purpose of the State, only 50% of the death benefit will be awarded. For all other accidental deaths, 100% of the benefit will be awarded.

**Pilot and Crew Member Monthly Rates
(limited to 10 times salary)**

Principal Sum	Monthly Cost for Employee Only	Monthly Cost for Employee & Family
\$50,000	\$ 8.50	\$ 9.00
75,000	12.76	13.50
100,000	17.00	18.00
125,000	21.26	22.50
150,000	25.50	27.00
175,000	29.76	31.50
200,000	34.00	36.00
250,000	42.50	45.00
300,000	51.00	54.00
350,000	59.50	63.00
400,000	68.00	72.00
500,000	85.00	90.00

Voluntary AD&D Insurance

Voluntary Group Term Life Insurance

NCFlex knows how important it is to protect your family from the unexpected. If something should happen to you, life insurance helps provide financial security for your family. That's why NCFlex is offering Voluntary Group Term Life Insurance.

Voluntary Group Term Life Insurance pays a benefit to your beneficiary(ies) if you die while covered under the policy. Please note that this is strictly a life insurance policy that provides a benefit if you die. There is no accumulated cash value. **If you enroll in this plan the first time it is offered, you may elect coverage up to \$100,000 without providing Evidence of Insurability (EOI).** An EOI form is a way of providing proof of good health. This evaluation may include your current health status, medical history and family medical history. If you decide to enroll for life insurance coverage after it was initially offered to you or increase your coverage at a later date, you will have to provide an EOI form to ReliaStar Life for approval before coverage can become effective.

MONTHLY COST AND COVERAGE

Your monthly premium is based on your age as of your effective date of coverage and the coverage amount you elect. You can elect life insurance coverage in increments of \$10,000. A minimum of \$20,000 of coverage is available up to a maximum of \$500,000 of coverage. However, your coverage amount may not exceed five times your base annual earnings. The following chart outlines the cost of coverage per \$1,000 increments based on age.

Your Age	Monthly Rates*/ \$1,000 Coverage	Monthly Cost for Sample Coverage Amounts		
		\$20,000	\$50,000	\$100,000
Under 25	\$0.054	\$1.08	\$2.70	\$5.40
25-29	0.065	1.30	3.25	6.50
30-34	0.086	1.72	4.30	8.60
35-39	0.097	1.94	4.85	9.70
40-44	0.151	3.02	7.55	15.10
45-49	0.215	4.30	10.75	21.50
50-54	0.366	7.32	18.30	36.60
55-59	0.613	12.26	30.65	61.30
60-64	0.914	18.28	45.70	91.40
65-69	1.881	37.62	94.05	188.10
70 & Above	2.741	54.82	137.05	274.10

*Rates are guaranteed until December 31, 2007.

To calculate your monthly premium, multiply the rate that corresponds to your age by the amount of \$1,000 coverage increments you want. For example, if you are 35 years old and want \$30,000 coverage, your monthly premium would be (\$0.097 x 30 units) = \$2.91.

YOUR BENEFIT AFTER AGE 70

If you are still employed with the State of North Carolina at age 70, your benefit amount is reduced to 65%. At age 75, your benefit is reduced to 50%. Your Voluntary Group Term Life Insurance terminates at retirement. However, there is a conversion option available.

SUBMITTING EVIDENCE OF INSURABILITY (EOI)

You will need to submit an EOI form in the following situations:

New Hires:

- You are enrolling for coverage for the first time and electing more than \$100,000 of coverage.

Existing Employees:

- You declined term life insurance when it was first offered to you, and you decide to enroll for coverage for the first time.
- You decide to increase your existing coverage.

To submit EOI, follow all five of these steps:

Step 1: Visit ncflex.org.

Step 2: Select the Voluntary Group Term Life Insurance EOI form.

Step 3: Complete the EOI form and select the "Submit" button.

Step 4: Print the completed EOI form.

Step 5: Mail the completed EOI form to the address listed on the form. **This form must be signed and dated.**

ING Employee Benefits will notify you whether or not your EOI is satisfactory.

Please note completing the EOI form electronically is preferred. However, paper forms are available through your Benefits Representative or department if you have problems accessing a computer.

WHEN COVERAGE BEGINS

New Hires:

- If you are a new hire and enroll for coverage of \$100,000 or less, your coverage will begin on the first day of the month following the date you sign and return the NCFlex Enrollment Form to your Benefits Representative or department. You must enroll within 30 days of your hire date.
- If you have to submit an EOI form as part of your enrollment, your coverage will begin the first of the month on or following the date your EOI is approved by ReliaStar Life.

For Existing Employees:

- If you enroll for coverage during annual enrollment and your EOI is approved prior to January 1, your coverage will be effective January 1, 2006. If your EOI date of approval is after January 1, 2006, your coverage will be effective on the first of the month following the date your EOI is approved by ReliaStar.
- If you are on disability, you may enroll when you return to active status.

All term life insurance contributions begin when coverage becomes effective. Any future rate changes due to age will be effective on January 1 following the date you enter a new five-year age bracket.

TAX ISSUE

While on one hand your monthly life insurance premium is deducted from your pay on a pre-tax basis, on the other hand the IRS takes back those same tax savings on life insurance amounts over \$50,000. This means for life insurance amounts over \$50,000 (including State Retirement death benefits), you do not save any taxes — it is a wash. After \$50,000, it is like buying life insurance on an after-tax basis, except you get lower premiums because of the purchasing power of NCFlex.

This is how it works. Since you automatically save taxes (state, federal and FICA) when the life insurance premium is first deducted from your pay, the IRS is then automatically repaid those taxes in the same paycheck for amounts over \$50,000. You will see a small premium charge that is added to your income only for tax purposes — this is how the IRS is repaid.

To calculate the amount of income added to your pay, visit ncflex.org for instructions and an example. You will notice that the life insurance you automatically receive free under the State Retirement System must be included in the calculation.

DISABILITY WAIVER OF PREMIUM

ReliaStar Life waives your life insurance premium that becomes due while you are totally disabled. The premium will be waived if you satisfy certain conditions. If you become totally disabled before age 60 as defined under the policy, you will not have to pay premiums for your life insurance coverage during this time. Premiums are waived until the earlier of:

- the date you are no longer disabled;
- the date you do not give ReliaStar Life proof of total disability when asked; or
- the date you turn age 70.

ACCELERATED DEATH BENEFIT

The policy allows you to collect a portion of your benefit amount if you become terminally ill and are expected to live six months or less. You may collect 50% of your benefit up to a maximum of \$250,000. Your remaining benefits will be paid to your beneficiary after your death.

EXCLUSION

The policy has a suicide death exclusion. Your claim will be denied if you have been covered under the Voluntary Group Term Life Insurance policy for less than two years, and a claim is filed for death by suicide. Your beneficiary(ies) will not receive a benefit.

PORTABILITY

Under the portability feature, you may continue your life insurance coverage under the NCFlex Voluntary Group Term Life Insurance policy if you terminate employment with the State of North Carolina or retire before age 70. A physical examination is not required. Your coverage will be subject to the same terms and conditions as the NCFlex Voluntary Group Term Life Insurance policy. You pay the full cost of continued coverage plus a small billing fee. Premium rates for portable term life insurance are generally less expensive than term life insurance conversion rates.

CONVERSION

Under the conversion feature, you may convert your life insurance coverage to an individual whole life policy without a physical examination. The whole life policy has a cash value, and the premiums do not change as you get older. You pay the full cost of individual policy coverage. Premium rates for life insurance conversion are generally more expensive than portable life insurance rates.

This plan is offered by ING Employee Benefits and underwritten by ReliaStar Life Insurance Company under policy LP00GP.

Health Care Flexible Spending Account

The Health Care Flexible Spending Account (HCFSAs) is simple. When you join, you choose to contribute a set amount to your account through payroll deduction on a pre-tax basis. When you have an expense that qualifies for reimbursement, attach your receipt or the insurance company explanation of benefits (EOB) to a HCFSAs claim form and you'll receive a tax-free reimbursement. Claims are processed weekly.

With this account you are reimbursed with the pre-tax dollars you set aside to pay for medical, dental or other health care expenses not covered by a health plan. This account can benefit almost all eligible employees, their spouses, children and dependents for whom you provide more than 50% of their support during a calendar year.

You never have to pay taxes on the money you receive from your spending account. That means permanent tax savings, which helps your health care dollars go farther.

To participate, you must enroll in this plan each year.

HOW TO USE YOUR HEALTH CARE FLEXIBLE SPENDING ACCOUNT

If you participate in the HCFSAs, you decide how much money you want to put into your account. Your annual contribution can't be less than \$120 a year (\$10 per month) or greater than \$4,200 a year (\$350 per month).

When filing a claim, attach your itemized receipt or insurance EOB. Claims for eligible expenses that aren't covered by a health care plan can be submitted directly to the HCFSAs for reimbursement. If your claim is for a medical condition that's covered by a medical or dental plan, you'll need to file your claim with that plan first. After that claim is processed, submit a copy of the EOB, which shows your out-of-pocket expenses, as part of your HCFSAs claim.

Claims are processed each week. Claims received by 5:00 pm on Thursday of one week are processed by the following Friday (except when affected by a holiday).

Claim reimbursement is based on the date you receive health care service (not the date you pay the invoice or the date you're billed) which must be January 1 - December 31 and within your plan effective date. With the HCFSAs, you can be reimbursed for your entire claim, even if you don't have the entire claim amount in your account. **The plan reimburses up to the maximum amount you have agreed to put in the plan for the year, not the amount you have put into your HCFSAs to date.**

HEALTH CARE TAX SAVINGS EXAMPLE

Here is an example of the savings you can get by participating in the HCFSAs. This example is based on 2005 federal income tax withholding (with one exemption) and Social Security tax rates.

In this simplified example, Kim is a single employee and earning \$34,000 a year. Kim has \$1,000 out-of-pocket medical expenses.

While Kim would still pay \$1,000 in expenses by participating in the HCFSAs, she would save \$296 in taxes on that amount.

EXAMPLES:	With HCFSAs	Without HCFSAs
Gross pay	\$34,000	\$34,000
Pre-tax contribution to HCFSAs	- 1,000	—
Taxable income	\$33,000	\$34,000
Federal income tax	- 3,355	- 3,505
NC state income tax	- 1,609	- 1,679
Social Security & Medicare tax	- 2,525	- 2,601
After-tax health care expenses	—	- 1,000
Take-home pay	\$25,511	\$25,215

ELIGIBLE HEALTH CARE EXPENSES

You may use your HCFSAs for reimbursement of the following out-of-pocket health care expenses incurred during the plan year:

- deductible(s) and copayments you have to pay under your health care plan or under your spouse's plan;
- the portion of covered expenses you have to pay (called a coinsurance) for any medical or dental bills after you've met your deductible;
- any amounts you are required to pay after reaching your maximum benefit under a medical or dental plan;
- most over-the-counter drugs and medicines;
- vitamins if used for a diagnosed medical condition (need doctor's statement) and not just for a person's general good health; and
- other allowable expenses including:
 - acupuncture
 - alcoholism treatment
 - ambulance
 - anesthetist
 - artificial limbs
 - autoeette (a type of three-wheeled wheel chair)
 - birth control pills
 - Braille books and magazines
 - chiropractors
 - contact lenses, solutions and enzymes
 - contraceptive devices (prescription)
 - cosmetic procedures (only if it corrects a congenital deformity or disfigurement due to accident or disease)
 - crutches
 - dental expenses
 - dentures
 - dermatologists
 - diagnostic services
 - drug addiction treatment
 - eye examinations
 - eyeglasses
 - hearing aid and its batteries
 - hospital expenses
 - infertility treatment
 - insulin and diabetic supplies
 - legal abortions
 - legal fees (medically related)
 - mileage (@ 15¢ per mile) to/from medical provider's office for treatment
 - nursing home (medical portion only)
 - nursing services
 - obstetricians
 - occupational therapy
 - ophthalmologists
 - optician
 - optometrists
 - orthodontia
 - orthopedic shoes
 - orthopedists
 - osteopaths
 - patterning exercises given to retarded children
 - pediatrician
 - physical exams (not employment related)
 - physical therapy
 - physician's fee
 - physiotherapist
 - podiatrists
 - prenatal care
 - prescription drugs
 - psychiatric care
 - psychologists
 - psychotherapy
 - refractive surgery (RK, PRK, LASIK)
 - seeing-eye dogs
 - sterilization procedures
 - stop smoking programs and drugs/medical supplies
 - surgical fees
 - telephone equipped for hearing impaired
 - transplants
 - tuition at special school or specially trained tutor for disabled
 - vaccines
 - vasectomy
 - weight reduction program (prescribed by doctor to alleviate a diagnosed medical condition or obesity)
 - wheelchair
 - x-ray fees

MORE HCFSAs INFORMATION

For additional examples on how to save money using the HCFSAs, visit ncflex.org and select the NCFlex Flexible Benefits site link.

For the expenses listed above to be eligible, they must be incurred for medical care and not reimbursable by a health plan.

INELIGIBLE HEALTH CARE EXPENSES

Medical, dental and other premiums cannot be reimbursed through the HCFSAs. In addition, elective cosmetic procedures and similar expenses are not allowable expenses according to the Internal Revenue Service (IRS). Other common ineligible expenses include:

- anti-baldness drugs
- cosmetics and toiletries
- dental procedures to whiten your teeth
- donations to volunteer ambulance companies
- electrolysis
- expense for trips even if for general health improvement
- hair transplant
- health club dues (unless prescribed by a physician to treat a specific diagnosed medical condition or obesity)
- household help
- illegal operations and treatment
- vitamins and supplements if only used for your general good health
- weight loss programs (unless prescribed by a doctor to alleviate a diagnosed medical condition or obesity)

When you enroll in the HCFSAs, you'll receive a claims kit containing a claim form, the previous lists of eligible and ineligible expenses and the procedures you need to follow when filing a claim. You may also visit ncflex.org for this information.

COORDINATING THE HCFSAs WITH THE DENTAL, VISION AND SUPPLEMENTAL MEDICAL

If you choose to participate in the Dental Plan, Vision Plan or Supplemental Medical (discussed in this guide), you're likely to still have some out-of-pocket expenses. If so, consider putting money into the HCFSAs to cover these out-of-pocket expenses. By getting a tax-free reimbursement from the HCFSAs, you increase the amount you save on your dental, medical and vision care expenses. As medical costs increase, you can offset out-of-pocket expenses of the State Medical Plan by participating in the HCFSAs to help pay for your out-of-pocket health care expenses. **Premiums are not reimbursable through the HCFSAs.**

IMPORTANT NOTE

You may submit claims for expenses within the current year and your plan effective dates.

At the end of the plan year, you have until March 31 of the following year to submit expenses for reimbursement from the prior plan year.

PLAN CAREFULLY

Carefully consider your contributions to the HCFSAs. ***Under IRS regulations, any expenses incurred by December 31 and not claimed for current year expenses by the next March 31 will be forfeited.*** Therefore, you should estimate carefully and conservatively, only setting aside money you feel certain you will spend out of your own pocket for health care expenses during the plan year. If you terminate employment or coverage during the plan year, you may submit claims for services incurred before your coverage termination date. Services received after your termination date cannot be claimed unless you elect continued coverage through COBRA. Any unused money in your account is forfeited and remains with the State.

USE YOUR HCFSAs WORKSHEET TO YOUR ADVANTAGE

An important part of planning carefully is using the HCFSAs worksheet on page 31 to identify your and your family members' out-of-pocket expenses for the upcoming plan year. The HCFSAs worksheet is also available online by visiting ncflex.org and selecting the NCFlex Flexible Benefits site link.

TAX CONSIDERATIONS

Please keep in mind the following tax considerations before participating in the HCFSAs:

- You cannot claim the same expense through the HCFSAs and on your tax return.
- Plan participation may affect your future Social Security retirement benefits. However, for most employees, the immediate tax savings is of greater benefit than the long-term impact on Social Security benefits.
- Participation in the plan will not affect the amount you may contribute to a 401(k), 403(b) or 457 retirement plan.

TAKE ACTION

Remember to sign your FSA claim form. Unsigned claim forms cannot be processed and will delay your reimbursement.

DIRECT DEPOSIT

- ***HCFSAs reimbursements are issued by Direct Deposit. To decline this feature you must check the decline box on the Enrollment Form or submit a Family/Employment Status Change Form.***
- ***If you change banks or switch accounts, please notify your Benefits Representative or department to avoid payment delays.***

HC FSA WORKSHEET

This worksheet will help you calculate how much you may want to deposit in the HC FSA. Just follow these steps:

1. Based on your records for the past few years, fill in your anticipated eligible expenses.
 - If the expense is paid by a health care plan, enter your copayment and any deductible.
 - If the expense is not covered by the health care plan, enter the entire cost.
2. Add up the total annual expenses for you and your family.
3. Divide total annual expenses by 12 to determine your monthly contribution. Enter this amount on your Enrollment Form.

Cost For:	For You	For Your Spouse	For Your Children	
Medical Plan or HMO deductibles	\$ _____	\$ _____	\$ _____	
Medical Plan or HMO copayments	\$ _____	\$ _____	\$ _____	
Doctor or clinic visits	\$ _____	\$ _____	\$ _____	
Birth control pills or devices	\$ _____	\$ _____	\$ _____	
Prescription drug copayments	\$ _____	\$ _____	\$ _____	
Routine physicals/exams	\$ _____	\$ _____	\$ _____	
Over-the-counter drugs/medicines	\$ _____	\$ _____	\$ _____	
Outpatient psychiatric services	\$ _____	\$ _____	\$ _____	
Dental care/orthodontia	\$ _____	\$ _____	\$ _____	
Vision care	\$ _____	\$ _____	\$ _____	
Hearing care	\$ _____	\$ _____	\$ _____	
Health services/supplies	\$ _____	\$ _____	\$ _____	
Convenience Card annual fee* (see pg 36 for details)	\$ _____	\$ _____	\$ _____	
Other eligible expenses	\$ _____	\$ _____	\$ _____	
Total Annual Health Care Expenses:	\$ _____ +	\$ _____ +	\$ _____	= \$ _____

Divide by 12

*Please note you are only charged one annual fee regardless if you participate in one or both of the FSAs.

Your Monthly Election: = \$ _____
(Enter this amount on your Enrollment Form)

TAX CONSIDERATIONS

The spending accounts are based on current tax laws and give you the advantage of those laws. It's helpful to remember some important points about these tax laws and why the program is a good benefit:

- Plan participation may affect your future Social Security retirement benefits. This could happen if your taxable pay, after spending account contributions are taken out, is below the Social Security Taxable Wage Base. For most employees, the immediate tax savings is of far greater benefit than the long-term impact on Social Security benefits.
- Participation in the plan will not affect the amount you may contribute to a 401(k), 403(b) or 457 retirement plan.

For Your HC FSA

- You cannot claim the same expenses through the HC FSA and on your tax return.
- Currently, only health care expenses over 7 1/2 % of your adjusted gross income are deductible for income tax purposes. But with the HC FSA, you can save taxes immediately on the very first dollar not reimbursed by your health care plan or any other plan that may cover you.

Remember, the most you can deposit in your HC FSA in a calendar year is \$4,200 (\$350 per month).

Dependent Day Care Flexible Spending Account

To participate you must enroll each year in this plan

The Dependent Day Care Flexible Spending Account (DDCFSA) is designed to benefit employees with dependent children (including a younger brother or sister) under age 13; or a child, spouse or other dependent of the employee (e.g., a disabled elderly parent) who is physically or mentally incapable of caring for himself or herself and who has the same principal residence as the employee for more than one-half of the year. For care outside the home for your qualifying dependent over age 13, the dependent must spend at least 8 hours per day in your home.

Other than disabled children under age 13, a disabled dependent's gross income must be less than the personal exemption amount under IRC 151(d) (\$3,200 in 2005). However, this income limit may be changed or eliminated by Congress.

Special rules apply for divorced or separated parents with dependent children. Generally, your child must be your dependent for whom you can claim an income tax exemption. In other words, you must have legal custody of your child for over one-half of the year to participate in the DDCFSA.

When joining, you choose to contribute a set amount of money to your account through payroll deduction on a pre-tax basis. When you have an expense that qualifies for reimbursement, just submit a claim with any necessary documentation and you'll receive a tax-free reimbursement. Claims are processed weekly.

With this account you are reimbursed with pre-tax dollars for child care or dependent adult care expenses that allow you to continue to work. If you're married, expenses must be to allow you and your spouse to work or attend school full-time.

You never have to pay taxes on the money you receive from your spending account.

To participate, you must enroll in this plan each year.

HOW TO USE YOUR DEPENDENT DAY CARE FLEXIBLE SPENDING ACCOUNT

You decide in advance how much money you want to put into your account. If you participate in the DDCFSA, your monthly contribution can't be less than \$10 (\$120 per year). If you're single or if you're married and file a joint tax return, your monthly maximum contribution is \$416.66

(\$5,000 a year). If you're married and file a separate tax return, your monthly maximum contribution is \$208.33 (\$2,500 a year). This complies with the limits established by current federal tax regulations.

When filing a claim, attach a receipt with your dependent day care provider's tax identification number or Social Security Number.

Claim reimbursement is based on the date you receive the dependent day care service (not the date you pay the invoice or the date you are billed), which must be within January 1 - December 31 and within your plan effective date. Claims are processed each week. Claims received by 5:00 pm on Thursday of one week are processed by the following Friday (except when affected by a holiday).

Reimbursement is made up to the amount currently in your DDCFSA on the processing date.

When you enroll in the DDCFSA, you will receive a claims kit containing claim forms, a list of eligible expenses and the procedures to follow when filing a claim.

DEPENDENT DAY CARE EXAMPLE

To the right is an example of the tax savings you can get by participating in the DDCFSA. This example is based on 2005 federal and state income tax withholding and Social Security tax rates.

In this example, Chris and Pat are married. They each earn \$34,000 a year (total \$68,000). They have \$5,000 of dependent care expenses during the year for a 5-year old child. When filing federal income taxes, they claim three exemptions and the standard deduction.

EXAMPLES:	With DDCFSA	Without DDCFSA
Gross pay	\$68,000	\$68,000
Pre-tax contribution to DDCFSA	- 5,000	—
Taxable income	63,000	68,000
Federal income tax	- 5,780	- 6,530
NC state income tax	- 2,868	- 3,176
Social Security & Medicare tax	- 4,820	- 5,202
After-tax dependent care expenses	—	- 5,000
Child Care Credit	—	+1,000
Take-home pay	\$49,532	\$49,092

Since Chris can pay dependent day care expenses with pre-tax dollars, Chris and Pat can save \$440 more using the DDCFSA compared to using the Child Care Credit.

ELIGIBLE DEPENDENT DAY CARE EXPENSES

Under tax laws, dependent day care expenses are only eligible if the expenses are necessary so that you and your spouse can work or attend school full-time. If your spouse works part-time, your election may not exceed the lesser of your annual income or your spouse’s annual income.

You can be reimbursed through your DDCFSA for:

- payments to nursery schools, day care centers or individuals who satisfy all state and local laws and regulations;
- payments for before-school care or after-school care beginning with kindergarten and higher grades;
- services of a housekeeper, maid or cook if services were partly for the care of a child under age 13 or a permanently and totally disabled dependent. This includes meals, lodging and payroll taxes of the housekeeper;
- payments to relatives for care of qualifying dependent(s); however, the relative cannot be your tax dependent or your child if under 19 as of the end of the calendar year; and
- payments (in lieu of regular day care) to summer day camp or other summer programs, but not overnight camps.

INELIGIBLE DEPENDENT DAY CARE EXPENSES

Some common ineligible expenses include:

- tuition expenses for education of a qualified dependent beginning with kindergarten and higher grades;
- food, clothing, supplies, activity fees or entertainment expenses for a dependent;
- child support payments;
- services of a gardener or chauffeur;
- transportation to get dependents to or from day care provided outside your home;
- expenses for overnight camps;
- expenses incurred while you and/or your spouse are not working, including vacations or sick leave;
- payments to a housekeeper while you’re home sick;
- payments to a tax dependent or a child of yours under 19 to care for another dependent; or
- pre-payment for services not received while covered.

PLAN CAREFULLY

Carefully consider your contributions to the DDCFSA. ***Under IRS regulations, any expenses incurred by December 31 and not claimed for current year expenses by the next March 31 will be forfeited.***

Therefore, you should estimate carefully and conservatively, only setting aside money you feel certain you will spend out of your own pocket for dependent day care expenses during the plan year. If you terminate employment or coverage during the plan year, you may submit claims for services incurred before your coverage termination date. Services received after your termination date cannot be claimed. Any unused money in your account is forfeited and remains with the State.

USE YOUR DDCFSA WORKSHEET TO YOUR ADVANTAGE

An important part of planning carefully is using the DDCFSA worksheet on page 35 to identify your dependent care out-of-pocket expenses for the upcoming plan year. The DDCFSA worksheet is also available online by visiting ncflex.org and selecting the NCFlex Flexible Benefits site link.

TAKE ACTION

Remember to sign your FSA claim form. Unsigned claim forms cannot be processed and will delay your reimbursement.

DIRECT DEPOSIT

- ***DDCFSA reimbursements are issued by Direct Deposit. To decline this feature you must check the decline box on the Enrollment Form or submit a Family/Employment Status Change Form.***
- ***If you change banks or switch accounts, please notify your Benefits Representative or department to avoid payment delays.***

IMPORTANT NOTE

You may submit claims for expenses within the current plan year and your plan effective dates.

At the end of the plan year, you have until March 31 of the following year to submit expenses for reimbursement from the prior plan year.

IMPORTANT ISSUES

If both you and your spouse can contribute to this plan or to similar plans where he or she works, the maximum family contribution is \$5,000 per calendar year.

Keep in mind your annual election cannot be greater than either your annual income or your spouse's annual income, whichever is lower.

Certain IRS rules also affect the amount you may pay on a pre-tax basis:

- If your spouse is a full-time student or is disabled, your spouse is treated as having income of \$250 a month (\$500 a month if two or more dependents receive dependent day care).

- If you're considered highly paid by the IRS (earning over \$95,000 in the previous plan year and indexed for inflation in future years), your pre-tax dependent day care election may need to be adjusted based on the results of IRS discrimination tests. If you are affected, you'll be notified.
- If you are divorced or legally separated, you must have legal custody of your child for over half the year to participate in the DDCFSA.

TAX CONSIDERATIONS

The spending accounts are based on current tax laws and give you the advantage of those laws. It's helpful to remember some important points about these tax laws and why the program is a good benefit.

- You may prefer to use your dependent day care expenses to claim a Child Care Credit when you file your federal and state income tax returns. The law permits you to use the Child Care Credit or the DDCFSA, but not for the same expense. (Your Child Care Credit is reduced dollar-for-dollar by any amount you claim through the DDCFSA.) The spending account is an alternative way to save taxes for those employees who may prefer not to file for the Child Care Credit or who would receive greater tax savings through the spending account.
- Plan participation may affect your future Social Security retirement benefits. This could happen if your taxable pay, after spending account contributions are taken out, is below the Social Security Taxable Wage Base. For most employees, the immediate tax savings is of far greater benefit than the long-term impact on Social Security benefits. Participation in the plan will not affect the amount you may contribute to a 401(k), 403(b) or 457 retirement plan.

2006 Child Care Credit

Please consider the following when deciding between using the Child Care Credit and the DDCFSA:

- The maximum eligible dependent day care expense under the Child Care Credit is \$3,000 for one child and \$6,000 for two or more children.
- The maximum Child Care Credit percentage is 20%–35% depending on your income.
- The adjusted gross income level at which the Child Care Credit begins to phase out is \$15,000.

Some of you may decide to use both programs. For example, if you have two children, and you have \$7,000 of day care expenses, you could receive tax savings on \$5,000 under the DDCFSA and \$1,000 as a Child Care Credit.

Refer to the DDCFSA vs. Tax Credit chart on page 35 for more information or ask your tax advisor which program or combination of programs offers you the greatest tax savings.

DDCFSA WORKSHEET

An important part of planning carefully is using a worksheet to identify your dependent day care out-of-pocket expenses for the upcoming plan year.

To get an idea of your dependent day care expenses, take a look at your records for the past few years. Using this information, add any new types of expenses you anticipate and complete the following worksheet:

Each Year

Child care (children under age 13)	\$ _____
Dependent adult day care	\$ _____
FICA and other taxes you pay for the above care providers	\$ _____
Costs for "qualified dependent day care center"	\$ _____
Day camp (not overnight camp)	\$ _____
Cost for pre-school (prior to kindergarten)	\$ _____
Convenience Card annual fee* (see pg 36 for details)	\$ _____
Total Annual Expenses: =	\$ _____
	Divide by 12
Your Monthly Election: =	\$ _____

*Please note you are only charged one annual fee regardless if you participate in one or both of the FSAs. (Enter this amount on your Enrollment Form)

REMEMBER

The most you can deposit in the DDCFSA is \$416.66 per month (\$5,000 in a calendar year) if you are single or married and filing jointly. The maximum is \$208.33 per month (\$2,500 a year) if you are married and filing separately. If both you and your spouse can contribute to this plan or to similar plans where he or she works, the maximum family contribution is \$5,000.

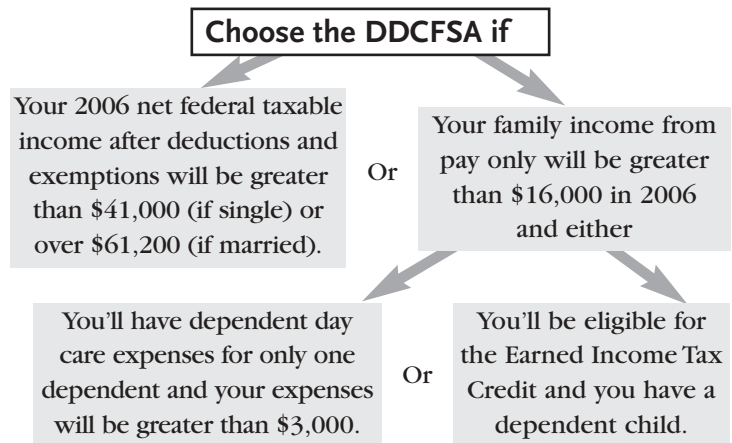
Keep in mind your annual deposits cannot be greater than either your annual income or your spouse's annual income, whichever is lower.

Certain IRS rules also affect the amount you may pay on a pre-tax basis:

- If your spouse is a full-time student or is disabled, your spouse is treated as having income of \$250 a month (\$500 a month if two or more dependents receive dependent day care). If you're in this situation, you may not spend more than \$250 a month per dependent in pre-tax dollars (\$500 a month for more than one dependent).
- If you're considered highly paid by the IRS (earning over \$95,000 in the previous plan year and indexed for inflation in future years), your pre-tax dependent day care election may need to be adjusted based on the results of IRS discrimination tests. If you are affected, you'll be notified.
- If you are divorced or legally separated, you must have legal custody of your child for over half the year to participate in the DDCFSA.

DDCFSA or Tax Credit: What Combination Is Right For You?

Both the DDCFSA and the tax credit are designed to save you money on your dependent care expenses by reducing your taxes. But which is the best option to choose? In general:



Eligibility for Earned Income Tax Credit: Several issues help determine eligibility for this tax credit. Typically, the main issue for eligibility is if your income from pay (minus any pre-tax benefit deductions) is low enough to qualify.

- If you have one dependent child, your 2006 family income from pay only must be less than \$31,980 (\$32,980 if you're married filing jointly) to qualify.
- If you have more than one dependent child, your 2006 family income from pay only must be less than \$36,348 (\$37,348 if you're married filing jointly) to qualify.

Pre-tax contributions you make for health care coverage and flexible spending accounts can help reduce your earned income to the threshold needed to qualify for the earned income tax credit or they can increase the amount of your credit.

The dollar amounts shown above are based on federal and North Carolina tax law and estimated 2006 tax brackets. You may want to consult your tax advisor for further assistance.

NCFlex Convenience Card

NCFlex offers a convenience card feature under the flexible spending accounts. Your participation in the NCFlex Program, utilizing this convenience card, allows you to not only take advantage of tax savings, but to make the most of your money.

HOW THE NCFLEX CONVENIENCE CARD BENEFITS YOU

With the NCFlex Convenience Card, there are fewer up-front or out-of-pocket expenses. You can pay your health care or day care providers directly from this card — it's just like using a credit card. So, you get to keep your cash in your wallet for other expenses like food and gas. You don't have to use that cash for expenses like doctors' office visits, prescriptions or day care fees. Remember, DDCFSA funds must be in your account before the day care expense can be charged on your card.

HOW IT WORKS

Payments you make using the NCFlex Convenience Card are actually using the money in your flexible spending accounts. Your NCFlex Convenience Card *automatically* checks your account for available balances. Any time you incur an eligible expense with a vendor that accepts Visa, simply present your NCFlex Convenience Card as you would with any credit card and the payment will be processed for approval.

For health care expenses — the plan will reimburse up to the amount of your annual election less year-to-date payments.

For dependent care expenses — the plan will reimburse up to the amount in your account. **If your dependent care expense is greater than your DDCFSA account balance, your payment will be declined. For account balance information, contact the FSA Administrator at 1-800-726-3221 (1-866-270-2331 effective 1/01/06) or access your account at ncflex.org.**

It's that easy — simply swipe your NCFlex Convenience Card and sign the receipt. After you pay with your card, you simply need to follow up by faxing or mailing a copy of your provider's receipt to Aon Consulting along with a signed NCFlex Convenience Card claim form. You do not have to submit a receipt when your transaction total is equal to a copayment amount (i.e., \$10, \$15, \$20, \$25, \$30) and your medical, dental or vision provider is an approved vendor under NCFlex. For your protection, this documentation is required to ensure your card is being used for eligible expenses only.

Keep in mind if you enroll in the NCFlex Convenience Card, you can begin using your card on January 1 for your 2006 FSA expenses. If you have any additional 2006 claims to submit after December 31, 2006, you will have to file those claims manually because your card has been reprogrammed for your 2007 elections.

Examples of how you can use your NCFlex Convenience Card:

You...	Then you...
Go to the doctor...	Pay for your copay with your card and sign the receipt. You do not need to submit your receipt to Aon*.
Buy a prescription...	Pay for your copay with your card and sign the receipt. You do not need to submit your receipt to Aon*.
Send your child(ren) to day care...	Pay with your card, sign the receipt and send your receipt to Aon*.

**Medical, dental and vision plan copays are coded in the FSA system in \$5 increments up to \$120. Therefore, you do not have to submit a receipt or documentation for these expenses as long as the provider is an approved vendor. However, if your copay amount doesn't match those coded in the system, you will need to submit a receipt.*

NCFLEX CONVENIENCE CARD ADVANTAGES

Here are some of the perks of using the NCFlex Convenience Card for your FSA transactions:

- Use one card for both your HCFSA and DDCFSA.
- You can order a separate card for your dependent(s) for \$5 per card. (This is a one-time fee, good until the card's expiration date — which is listed on the card.)
- There is no credit check.
- You pay a small annual fee of \$6 — NCFlex pays the other half of the fee. (Please note, your fee will be prorated if you sign up for the card later in the year.)
- There is no PIN to remember — the NCFlex Convenience Card uses your signature as verification. When swiping your NCFlex Convenience Card, choose "credit" and not "debit" to avoid entering a PIN.
- There are no reimbursement delays — you no longer have to wait for your reimbursement to be deposited into your bank account or for a check to be mailed.
- Widely accepted, the NCFlex Convenience Card makes it easier for you to save money and time.

NCFLEX CONVENIENCE CARD EXAMPLES

VISITING THE DOCTOR (COPAY AMOUNTS)

The following scenario illustrates how the NCFlex Convenience Card reimburses you for a typical doctor's office visit.

Ryan's HCFSA Annual Contribution	\$1,000
Doctor's Office Visit Copay Ryan <i>does not</i> have to submit a receipt to Aon Consulting because this copay amount is already coded into the FSA system as an eligible expense.	– \$15
Amount Remaining in Ryan's HCFSA The balance is available for Ryan to use throughout the remainder of the year for eligible health care expenses.	\$985

RECOUPING PAYMENT FOR OVERCHARGES

After leaving the doctor's office, Ryan notices he was overcharged for his lab work — instead of being charged \$53, he was charged \$73. As a result, Ryan will need to:

1. Collect the \$20 he was overcharged for lab work directly from the doctor's office; and
2. Submit a receipt and Explanation of Benefits (EOB) to the FSA administrator since the FSA system would not recognize the expense as a copay.

KEEP IN MIND

For health care expenses, your entire HCFSA annual contribution is available for reimbursement even though this amount has not been deducted from your paycheck.

For day care expenses, you can be reimbursed only up to the amount currently in your account.

IF YOUR NCFLEX CONVENIENCE CARD IS LOST OR STOLEN

To report a lost or stolen card, please contact the Flexible Spending Account Call Center at 1-800-726-3221 (1-866-270-2331 effective 1/01/06). Your card will be blocked immediately. If unidentified charges appear on your card, you will need to complete a fraud form to have the charges investigated. Keep in mind you would not be liable for those charges.

PURCHASING ELIGIBLE EXPENSES (NON-COPAY AMOUNTS)

Kelly purchases cough drops at Wal-Mart. Kelly swipes her NCFlex Convenience Card.

Kelly's HCFSA Annual Contribution	\$800
Over-the-Counter Medicines (Cough drops) Kelly <i>does</i> have to submit an itemized receipt to Aon Consulting to verify the expense was for an OTC medication.	– \$2
Amount Remaining in Kelly's HCFSA The balance is available for Kelly to use throughout the remainder of the year for eligible health care expenses.	\$798

Remember: If you use the Convenience Card to pay for ineligible expenses, you must repay the plan. You will receive a letter requesting the documentation required to process your claim. If you do not submit documentation within 60 days of the transaction date, your card will be turned off automatically.

If you are interested in signing up for the NCFlex Convenience Card, you'll receive a separate Convenience Card Enrollment Form with your FSA Claims Kit or you can download the form from ncflex.org.

IMPORTANT NOTE

If you are purchasing ineligible items at the same time you wish to purchase eligible items, it is suggested to make two separate transactions. For example, if you are purchasing prescriptions as well as several grocery items at the same location, please purchase the ineligible grocery items separately from the eligible prescriptions and charge them on another credit card. This will save you from having to repay the account and fill out additional paperwork.

Continuation Coverage (COBRA)

It is important all covered individuals (employee, spouse and dependent children) read this notice carefully and understand its contents.

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) allows you and/or your dependents to continue your current NCFlex Dental, Vision, Supplemental Medical, Cancer and HCFA coverage for a specific period of time when coverage is lost due to a qualifying event. You must pay the required cost of coverage. The following chart shows the coverage provisions **except that the duration of coverage for the HCFA can only be continued to the end of the plan year.**

Qualifying Event	Qualified Beneficiaries Who May Continue Coverage	Duration of Coverage	Monthly Cost
Your employment ends for any reason other than gross misconduct	you, dependents	up to 18 months	102%
You lose benefit eligibility due to reduction in hours	you, dependents	up to 18 months	102%
During the first 60 days of COBRA coverage, you or your dependent becomes disabled under the Social Security Act	you, dependents	up to 29 months months 1-18 months 19-29	102% 150%
You divorce or legally separate	ex-spouse and/or dependent children	up to 36 months from initial qualifying event	102%
Your dependent children lose eligibility	dependent children	up to 36 months from initial qualifying event	102%
You become covered by Medicare	spouse and/or dependent children	up to 36 months from initial qualifying event	102%
You die	dependents	up to 36 months from initial qualifying event	102%

Note: Under no circumstance may the total amount of continuation coverage exceed 36 months (or to the end of the plan year for the HCFA) from the initial qualifying event date.

ELECTION PROCESS

Under COBRA, you or your covered dependents have the responsibility to inform your Benefits Representative or department within 60 days of a divorce, a legal separation, a child losing dependent status under the plan or upon receiving a written Social Security determination letter stating that a qualified beneficiary was disabled at the time of your termination, reduction in hours or during the first 60 days of your COBRA coverage. If you do not notify your Benefits Representative or department within 60 days of these events and before the original 18-month COBRA period expires, then your rights to continuation coverage will end. Your Benefits Representative or department has the responsibility to notify the NCFlex vendors of the employee's death, termination of employment, reduction in hours or Medicare entitlement.

After receiving notice of a qualifying event, a COBRA notice and election form will be sent to you by the appropriate vendor. If you are interested in continuing your NCFlex coverage, you must return a completed election form (signed and dated) to the appropriate vendor (address listed on the COBRA notice) within 60 days from the later of the date coverage is lost or from the date of the COBRA notification. If you fail to meet this deadline, your COBRA rights will end.

PREMIUM PAYMENTS

There is an initial grace period of 45 days starting with the date you elect continuation coverage to pay any premiums, which are due from the date of the qualifying event to the current month. After the initial 45-day grace period, full premium payments are due on the first day of each month for that month's coverage and must be received no later than 30 days after that due date.

The COBRA payment address and instructions will be included in the COBRA materials you receive from the vendor.

COBRA ENDING DATE

COBRA coverage continues until the earliest of the following:

- your maximum amount of continuation coverage ends (see chart at the beginning of this section);
- the State of North Carolina no longer provides that coverage to any employee under the NCFlex Program;
- your premium for continuation coverage is not paid in full by the due dates listed;
- the qualified beneficiary becomes covered (after the date he or she elects COBRA coverage) under another similar group health plan which does not contain any exclusion or limitation with respect to any pre-existing condition he or she may have; or
- the qualified beneficiary extends coverage for up to 29 months due to disability and there has been a final determination that the individual is no longer disabled.

If you or your covered dependents have any questions about your COBRA rights or have changed addresses or marital status, please contact the appropriate vendor (vendors' addresses and telephone numbers are listed on the back of this guide).

FEDERAL REQUIREMENTS

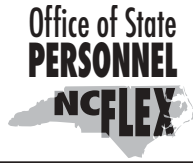
NCFlex and its vendors administer the Dental Plan, Vision Care Plan, Supplemental Medical, Cancer Insurance and HCFSAs in accordance with the HIPAA Privacy requirements. A HIPAA Privacy Notice is provided to participants by the vendors of each plan and is also available on the ncflex.org website.

How To Complete Your 2006 Enrollment Form

- 1** Please read this Enrollment Guide. The NCFlex Enrollment Form is attached to the right. Simply fold the form along the perforated line and tear off.
- 2** Complete “Employee Information” section.
- 3** Complete the “Dental Plan” section. Remember to check either the Low Option or High Option and the appropriate coverage level.
- 4** Complete the “Vision Care Plan” section. Remember to check Plan 1 or Plan 2 and the appropriate coverage level.
- 5** Complete the “Supplemental Medical” section. Remember to check the appropriate coverage level.
- 6** Complete the “Cancer Insurance” section. Remember to check Low Option or High Option and the appropriate coverage level. You may have to submit EOI. Refer to the “*Cancer Insurance*” section of this guide for more information.
- 7** Complete “Dependent Information” section only if electing dependent coverage.
- 8** Complete the “Voluntary Accidental Death & Dismemberment (AD&D) Insurance” section. Insurance amounts are listed under “Monthly Cost and Coverage” within the “*Voluntary Accidental Death & Dismemberment Insurance*” section of this guide. If you are an aviation pilot or crew member, please refer to “Pilot and Crew Member Monthly Rates” for your insurance amounts and monthly cost. Complete the “AD&D Beneficiary” section.
- 9** Complete the “Voluntary Group Term Life Insurance” section. Remember to write in the insurance amount you want and corresponding monthly cost. Complete the “Term Life” Beneficiary section. You may have to submit EOI. Refer to the “*Voluntary Group Life Insurance*” section of this guide for more information.
- 10** Complete the “Flexible Spending Accounts” section. Be sure to enter your **monthly** contribution amount for each FSA.
- 11** Please read the “Employee Authorization” section and sign your name and include the date.
- 12** Make a copy of your NCFlex Enrollment Form as a record of your 2006 benefit elections.
- 13** **IMPORTANT!** Return your completed ORIGINAL NCFlex Enrollment Form to your Benefits Representative or department.

Enrollment Reminders

- You do not have to re-enroll each year in your NCFlex benefits (with the exception of the FSAs) unless you want to make a change.
- Keep in mind a two-year waiting period applies to the Vision Care Plan if you drop vision coverage (see “Cost and Eligibility” under the “*Vision Care Plan*” section for details).
- Remember, certain waiting periods apply to the Dental Plan options. Refer to the “*Dental Plan*” section in this guide for more information.
- EOI may be required for Cancer Insurance and Voluntary Group Term Life Insurance.



NCFlex Enrollment Form

Plan Year 2006

- Den
- Vis
- Sup
- Cancer
- AD&D
- Life
- FSA

Leave Blank

EMPLOYING UNIT MUST COMPLETE

Payroll Unit Number: _____ New Employee: Yes No Date of Hire/Rehire (mo/day/yr): _____

Payroll Freq: Monthly (12 checks per year) Semi-Monthly (24 checks per year) Bi-Weekly (26 checks per year) (check **one**) Bi-Weekly with monthly deductions (26 checks per year) Other Frequency: _____

Effective Date: _____

EMPLOYEE INFORMATION (Please Print) Male Female mm dd yy

Name: (Last) _____ (First) _____ MI _____ Date of Birth: _____

SSN: _____ Daytime Phone: _____ (area code) _____ Agency/Univ/Comm Col: _____

Home Address: _____ City: _____ State: _____ Zip Code: _____

DENTAL PLAN New Change Cancel

Plan Options (check one): LOW OPTION HIGH OPTION

Coverage Levels (check one): Employee Only Employee + One Child Employee + Two or More Children Employee + Spouse Family

VISION CARE PLAN New Change Cancel

Plan Options (check one): Plan 1 Plan 2

Coverage Levels (check one): Employee Only Employee + Family

SUPPLEMENTAL MEDICAL New Change Cancel

Employee Only Employee and spouse

Employee and child(ren) Family

CANCER INSURANCE New Change Cancel Complete EOI Form Online.

Plan Options (check one): LOW OPTION HIGH OPTION

Coverage Levels (check one): Employee Only Employee + Family

DEPENDENT INFORMATION	Gender		Date of Birth	Full-Time Student		Add/Drop	NCFlex Plans Selected				
	M	F		Y	N		Sup. Medical	Dental	Vision	Cancer	
Name (Last, First, MI) Complete only if enrolling in Sup Med/Dental/Vision/Cancer											
Spouse _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child (1) _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child (2) _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child (3) _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child (4) _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Child (5) _____	<input type="checkbox"/>	<input type="checkbox"/>	/ /	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

VOLUNTARY ACCIDENTAL DEATH & DISMEMBERMENT (AD&D) INSURANCE New Change Cancel Complete Beneficiary at Right.

Plan 1 Employee Only Aviation Pilot/Crew Member-Plan 1 Employee Only

Plan 2 Employee & Family Aviation Pilot/Crew Member-Plan 2 Employee & Family

Insurance Amount _____ Monthly Cost \$ _____

AD&D BENEFICIARY	RELATIONSHIP TO EMPLOYEE	% OF BENEFIT
Full Name(s)		
Primary:		
Contingent:		

VOLUNTARY GROUP TERM LIFE INSURANCE New Change Cancel Complete Beneficiary at Right and Submit EOI Form Online.

Insurance Amount _____ Monthly Cost \$ _____

TERM LIFE BENEFICIARY	RELATIONSHIP TO EMPLOYEE	% OF BENEFIT
Full Name(s)		
Primary:		
Contingent:		

FLEXIBLE SPENDING ACCOUNTS (FSAs)* (TO CONTINUE YOUR FSA, YOU MUST RE-ENROLL EVERY YEAR)

Monthly Health Care FSA Contribution: \$ _____
(Monthly minimum \$10; Monthly maximum \$350.00)

Monthly Dependent Day Care FSA Contribution: \$ _____
(Monthly minimum \$10; Monthly maximum \$416.66)

*FSA payments are issued by Direct Deposit to the account your payroll check is deposited.
 Check here to decline Direct Deposit.

EMPLOYEE AUTHORIZATION

I hereby elect coverage under NCFlex as listed above for myself and eligible family dependents. I understand that by participating in NCFlex my Social Security Number will be used for tax identification purposes and my pay will be reduced by the amount of my pre-tax elections. **I understand that, in accordance with IRS regulations, I cannot change or cancel my elections or contributions during the Plan Year unless I have a qualifying status change. I understand that any amounts contributed to the Flexible Spending Accounts which I do not use for expenses incurred during the Plan Year will be forfeited.** I certify that the above information is true and accurate to the best of my knowledge.

Employee Signature: _____ Date: _____

Please make a copy for your records then return completed ORIGINAL form to your Benefits Representative or department.

WHO TO CONTACT

National Pacific Dental

1-800-252-0972

www.nationalpacificdental.com/flex

Mail claims to:

National Pacific Dental

1445 North Loop West, Suite 500

Houston, TX 77008

- High Option and Low Option
- Questions regarding your claims
- Claim forms may be downloaded from the NCFlex website
- Request ID cards

Superior Vision

1-800-507-3800

www.superiorvision.com/new/ncflex.htm

- Vision care providers (see the NCFlex website)

Kanawha

1-877-378-1505 (Press "0")

www.kanawha.com/kic/ncflex_hcplus.asp

Mail claims to:

Kanawha Insurance Company

PO Box 2000

Lancaster, SC 29721-2000

- Supplemental medical coverage questions
- Claim forms may be downloaded from website

American Heritage Life

(Allstate Workplace Division)

1-800-521-3535

www.ahlcorp.com

Mail claims to:

Claims Department

Attn: Group Cancer

Allstate Workplace Division

1776 American Heritage Life Drive

Jacksonville, FL 32224-6688

- Cancer/Specified Disease Insurance questions
- Claim forms may be downloaded from website

UnumProvident

1-800-257-0930

www.unumprovident.com

- Voluntary Accidental Death & Dismemberment Insurance coverage questions

ING

1-877-464-5111

www.ingemployeebenefits-us.com

Mail EOI forms to:

ING Employee Benefits

PO Box 20, Rt. 6960

Minneapolis, MN 55440

- Voluntary Group Term Life Insurance coverage questions

Aon Consulting

1-800-726-3221

1-866-270-2331 (effective 1/01/06)

ncflex.org

Mail claims to:

Flex Administration #00001-80

PO Box 2845

Winston-Salem, NC 27102-2845

Fax claims to:

1-866-887-3212

- Eligible and ineligible HCFSAs and DDCFSAs expenses
- Status of HCFSAs and DDCFSAs claims
- When to expect your NCFlex check
- Claim forms may be downloaded from website

NCFlex Website

ncflex.org



If you are not interested in any of the NCFlex benefits, please help us hold down costs by returning this guide to your Benefits Representative or department or to the Office of State Personnel via interoffice mail at the following routing code:

Flexible Benefits Program
Office of State Personnel
1331 Mail Service Center
Raleigh, North Carolina
27699-1331
Courier 51-01-03