

**NOTICE CONCERNING COVERAGE LIMITATIONS AND EXCLUSIONS UNDER
THE NORTH CAROLINA LIFE AND HEALTH INSURANCE
GUARANTY ASSOCIATION ACT**

Residents of this state who purchase life insurance, annuities or health insurance should know that the insurance companies licensed in this state to write these types of insurance are members of the North Carolina Life and Health Insurance Guaranty Association. The purpose of this association is to assure that policyholders will be protected, within limits, in the unlikely event that a member insurer becomes financially unable to meet its obligations. If this should happen, the guaranty association will assess its other member insurance companies for the money to pay the claims of insured persons who live in this state, and in some cases, to keep coverage in force. The valuable extra protection provided by these insurers through the guaranty association is not unlimited, however. And, as noted below, this protection is not a substitute for consumers' care in selecting companies that are well-managed and financially stable.

DISCLAIMER

The North Carolina Life and Health Insurance Guaranty Association may or may not provide coverage for this policy. If coverage is provided, it may be subject to substantial limitations or exclusions, and require continued residency in North Carolina. You should not rely on coverage by the North Carolina Life and Health Insurance Guaranty Association in selecting an insurance company or in selecting an insurance policy.

Coverage is NOT provided for a policy or any portion of it that is not guaranteed by the insurer or for which you have assumed the risk, such as a variable contract sold by prospectus.

Insurance companies or their agents are required by law to give or send you this notice. However, insurance companies and their agents are prohibited by law from using the existence of the guaranty association to induce you to purchase any kind of insurance policy.

The North Carolina Life and Health Insurance Guaranty Association

Post Office Box 10218

Raleigh, North Carolina 27605-0218

North Carolina Department of Insurance, Consumer Division

Post Office Box 26387

Raleigh, North Carolina 27611

The state law that provides for this safety-net is called the North Carolina Life and Health Insurance Guaranty Association Act. Below is a brief summary of this law's coverages, exclusions and limits. This summary does not cover all provisions of the law; nor does it in any way change anyone's rights or obligations under the act or the rights or obligations of the guaranty association.

COVERAGE

Generally, individuals will be protected by the Life and Health Insurance Guaranty Association if they live in this state and hold a life or health insurance contract, or an annuity, or if they are insured under a group insurance contract, issued by a member insurer. The beneficiaries, payees or assignees of insured persons are protected as well, even if they live in another state.

EXCLUSIONS FROM COVERAGE

However, persons holding such policies are **NOT** protected by this Association if:

- they are eligible for protection under the laws of another state (this may occur when the insolvent insurer was incorporated in another state whose guaranty association protects insureds who live outside that state);
- the insurer was not authorized to do business in this state;
- their policy was issued by an HMO, a fraternal benefit society, a mandatory state pooling plan, a mutual assessment company or similar plan in which the policyholder is subject to future assessments, or by an insurance exchange.

The Association also does **NOT** provide coverage for:

- any policy or portion of a policy which is not guaranteed by the insurer or for which the individual has assumed the risk, such as a variable contract sold by prospectus;
- any policy of reinsurance (unless an assumption certificate was issued);
- interest rate yields that exceed the average rate specified in the law;
- dividends;
- experience or other credits given in connection with the administration of a policy by a group contractholder;
- employers' plans to the extent they are self-funded (that is, not insured by an insurance company, even if an insurance company administers them);
- unallocated annuity contracts (which give rights to group contractholders, not individuals), unless they fund a government lottery or a benefit plan of an employer, association or union, except that unallocated annuities issued to employee benefit plans protected by the Federal Pension Benefit Guaranty Corporation are not covered.

LIMITS ON AMOUNT OF COVERAGE

The act also limits the amount the Association is obligated to pay out: The Association cannot pay more than what the insurance company would owe under a policy or contract. Also, for any one individual, the Association will pay a maximum of \$300,000--no matter how many policies and contracts there were with the same company, even if they provided different types of coverages. For any one group holder of an unallocated annuity contract, the association will pay a maximum of \$5,000,000.

**REQUIRED NORTH CAROLINA NOTICE
REGARDING WILLFUL NONPAYMENT OF PREMIUM**

To Our North Carolina Participating Employers:

Under North Carolina General Statute Section 58-50-45, we are required to give you the following notice:

UNDER NORTH CAROLINA GENERAL STATUTE SECTION 58-50-40, NO PERSON, EMPLOYER, PRINCIPAL, AGENT, TRUSTEE, OR THIRD PARTY ADMINISTRATOR, WHO IS RESPONSIBLE FOR THE PAYMENT OF GROUP HEALTH OR LIFE INSURANCE OR GROUP HEALTH PLAN PREMIUMS, SHALL:

(1) CAUSE THE CANCELLATION OR NONRENEWAL OF GROUP HEALTH OR LIFE INSURANCE, HOSPITAL, MEDICAL, OR DENTAL SERVICE CORPORATION PLAN, MULTIPLE EMPLOYER WELFARE ARRANGEMENT, OR GROUP HEALTH PLAN COVERAGES AND THE CONSEQUENTIAL LOSS OF THE COVERAGES OF THE PERSONS INSURED, BY WILLFULLY FAILING TO PAY THOSE PREMIUMS IN ACCORDANCE WITH THE TERMS OF THE INSURANCE OR PLAN CONTRACT, AND

(2) WILLFULLY FAIL TO DELIVER, AT LEAST 45 DAYS BEFORE THE TERMINATION OF THOSE COVERAGES, TO ALL PERSONS COVERED BY THE GROUP POLICY A WRITTEN NOTICE OF THE PERSON'S INTENTION TO STOP PAYMENT OF PREMIUMS. THIS WRITTEN NOTICE MUST ALSO CONTAIN A NOTICE TO ALL PERSONS COVERED BY THE GROUP POLICY OF THEIR RIGHTS TO HEALTH INSURANCE CONVERSION POLICIES UNDER ARTICLE 53 OF CHAPTER 58 OF THE GENERAL STATUTES AND THEIR RIGHTS TO PURCHASE INDIVIDUAL POLICIES UNDER THE FEDERAL HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT AND UNDER ARTICLE 68 OF CHAPTER 58 OF THE GENERAL STATUTES.

VIOLATION OF THIS LAW IS A FELONY. ANY PERSON VIOLATING THIS LAW IS ALSO SUBJECT TO A COURT ORDER REQUIRING THE PERSON TO COMPENSATE PERSONS INSURED FOR EXPENSES OR LOSSES INCURRED AS A RESULT OF THE TERMINATION OF THE INSURANCE.

STANDARD INSURANCE COMPANY

A Stock Life Insurance Company
900 SW Fifth Avenue
Portland, Oregon 97204-1282
(503) 321-7000

People. Not just policies.®

GROUP LONG TERM DISABILITY INSURANCE POLICY

POLICYHOLDER:	Warren Wilson College, Inc.
GROUP POLICY NUMBER:	133575-A
GROUP POLICY EFFECTIVE DATE:	July 1, 2003
GROUP POLICY ANNIVERSARY DATE:	Each future July 1
STATE OF ISSUE:	North Carolina

This group long term disability insurance policy is issued to the Policyholder by Standard Insurance Company (Standard). This policy is a legal contract between the Policyholder and Standard.

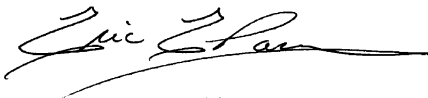
PLEASE READ THE ENTIRE POLICY. IT IS IMPORTANT.

A table of contents can be found on the next page. Defined terms appear with their initial letters capitalized.

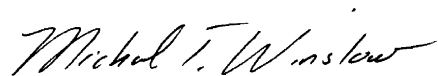
Standard issues this group long term disability insurance policy in consideration of the payment of required premiums.

STANDARD INSURANCE COMPANY

By



President



Secretary

GPTC1002-LTD

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PART 1: GROUP POLICY SCHEDULE

ELIGIBILITY

Employer(s):	Warren Wilson College, Inc.
Eligible Class:	All active full-time Employees

INITIAL PREMIUM RATES FOR ALL INSURED EMPLOYEES

Monthly Income Benefit:	0.594% of covered Monthly Wage Base.
Monthly Annuity Premium Benefit:	0.179% of covered Monthly Wage Base.

PART 2: THE GROUP POLICY

The Group Policy

The Group Policy is the entire contract between Standard and the Policyholder. Standard will provide benefits according to the terms of the Group Policy.

The Group Policy consists of this group long term disability insurance policy issued by Standard to the Policyholder and identified by the Group Policy Number, the Policyholder's attached application, group long term disability insurance certificates with the same Group Policy Number, and any amendments or endorsements to the policy or certificates.

The Policyholder's rights or the rights of any Employee will only be affected by provisions that are part of the Group Policy. Only an executive officer of Standard may: bind Standard by making a promise or a representation; or accept a representation that relates to the Group Policy.

Change of Group Policy

Only an executive officer of Standard may approve a change to the Group Policy or waive any of its provisions. Any change will be endorsed on or added to the Group Policy in writing. Changes may be made without the consent of Employees.

Standard may change the Group Policy in whole or in part if:

- (1) the change in the Group Policy is either requested by the Policyholder or is made to satisfy any legal requirement that applies to the Group Policy; or
- (2) the change affects Standard's administration of the Group Policy and is intended to apply to all similar group insurance policies that are affected by the change. Standard will give the Policyholder written notice of Standard's intent to make this kind of a change at least 31 days in advance of the effective date of the change. Payment of the next premium due under the Group Policy will be the Policyholder's acceptance of the change, unless the Policyholder rejects the change, in writing, prior to its effective date.

Certificates

Standard will issue to the Policyholder group long term disability insurance certificates to be given to each insured Employee. The certificate will set forth the main features of the Group Policy that apply to the Employee.

Incontestability of the Group Policy or Employer Coverage Under the Group Policy

Any statement made by the Policyholder to obtain the Group Policy or made by an Employer to obtain coverage under the Group Policy is a representation and not a warranty.

No misrepresentation by the Policyholder or Employer will be used to deny a claim, or to deny the validity of the Group Policy or the Employer's coverage under the Group Policy unless:

- (1) the Group Policy would not have been issued or the Employer's coverage under the Group Policy would not have been approved if Standard had known the truth; and
- (2) Standard has given the Policyholder or Employer a copy of a written instrument signed by the Policyholder or Employer which contains the misrepresentation.

The validity of the Group Policy or the Employer's coverage under the Group Policy will not be contested after it has been in force for two years, except for nonpayment of premiums or fraudulent misrepresentations.

PART 3: PREMIUM PAYMENT

Payment of Premiums

Premiums are to be paid by the Policyholder at Standard's home office. The first premium is due on the Group Policy Effective Date. Future premiums are due on the first day of each month thereafter. The Policyholder may pay premiums on or before their due dates. Failure to pay a premium when due is a default. Premiums will be paid for all insured Employees but not for an Employee to whom benefits are being paid under the Group Policy.

Standard shall credit to the Policyholder any payment of premiums made in error. A credit shall be given only for the payments made in error during the year in which the error is found and reported to Standard.

Premium Rates

Initial premium rates for all insured Employees are shown in PART 1: GROUP POLICY SCHEDULE. Standard may, as of any premium due date, change the premium rates for this insurance. A change in rates may be made only after Standard has given the Policyholder at least 60 days written notice of the change. The premium rates are guaranteed for 12 months from the Group Policy Effective Date, except when:

- (1) Standard and the Policyholder or the Employer mutually agree to change premium rates or coverage under the Group Policy; or
- (2) a change or clarification in law or governmental regulation affects the risk assumed under the Group Policy; or
- (3) factors material to underwriting the risk Standard assumed under the Group Policy with respect to an Employer, including, but not limited to, the number of persons insured, age, insured earnings for all Employees, gender, or occupational classification, change by 25% or more; or

- (4) the premium contribution arrangement for Employees is changed or varies from that stated in the Group Policy when issued or last renewed.

Any such change in premium rates will reflect only the change in Standard's risks.

Grace Period

The Policyholder will be given 31 days from a premium due date to pay each premium that is due after the first one. Insurance will continue during this period. A premium not paid by the end of this grace period will bring about the automatic termination of the Group Policy at the end of the grace period. If the Group Policy terminates for any cause, the Policyholder will owe all due and unpaid premiums; this includes a pro rata premium for the time the Group Policy was in force during the grace period.

PART 4: LEAVES OF ABSENCE AND OTHER ABSENCE

Leaves of Absence and Other Absence

When an Employee stops Active Work in an Eligible Class, the Policyholder may, for the types of absences described below, continue the insurance of the Employee for not longer than the time limit shown for each type of absence. Insurance will continue and employment will be deemed to continue, solely for the purposes of this provision, if the required premiums are remitted for the Employee and:

- (1) the Employee is either on a sabbatical or on a leave of absence and receives at least one-quarter pay. Insurance may be continued to the end of 24 months, or, if earlier, the end of such leave; or
- (2) the Employee is on a leave of absence approved by the Policyholder's Board of Trustees and receives less than one-quarter pay as long as such leave is for: (1) full-time study for an advanced degree; or (2) work in the field of education or research such as a Fulbright Award, foundation grant, or government project. Insurance may be continued to the end of 24 months, or, if earlier, the end of such leave; or
- (3) the Employee is on a leave of absence for pregnancy. Insurance may be continued to the end of 4 months after the pregnancy ends, or, if earlier, the end of such leave; or
- (4) the Employee is on a family or medical leave approved by the Policyholder. During such leave, insurance may be continued to the end of 6 months or, if later, the period required by applicable state or federal law.

Employment will not be deemed to continue and insurance cannot be continued during a sabbatical or leave of absence unless the sabbatical or the leave for the Employee is set forth in a written document that is dated on or before the leave is to start and shows that the Employee is scheduled to return to Active Work.

For an Employee on leave, the Monthly Wage Base and premiums will be based on the wages payable by the Employer just prior to the start of the leave.

During the absences set forth above, insurance will be continued with premium payment in a manner that precludes individual selection.

PART 5: GENERAL PROVISIONS

Policyholder Information to be Given to Standard

On request, the Policyholder will give to Standard any information that is required to: administer the Group Policy; and determine changes in premium rates. Standard will have the right at any reasonable time to inspect any records in the Policyholder's possession, control, or custody that relate to the Group Policy or the Employees insured under it.

How the Group Policy Can Be Terminated

(A) By the Policyholder

If not in default of any premium payment, the Policyholder may terminate the Group Policy as of any premium due date by giving notice in writing which is received before such date at Standard's home office. If in default, the Group Policy will terminate automatically as set forth under "Grace Period" in PART 3: PREMIUM PAYMENT.

(B) By Standard

Standard may terminate the Group Policy as of any date set forth below by giving notice in writing which is mailed to the Policyholder at least 60 days before this date:

- (1) the Group Policy Anniversary Date; or
- (2) any premium due date, if on a prior premium due date fewer than 10 Employees were insured under the Group Policy.

Assignment of the Group Policy by the Policyholder

The Policyholder may assign the Group Policy. No assignment will bind Standard unless it is in writing and until it is filed at Standard's home office. Standard is not responsible for whether any assignment is valid.

Notice of Suit

The Policyholder or Employer shall promptly give Standard written notice of any lawsuit or other legal proceedings arising under the Group Policy.

Agency and Release

Individuals selected by the Policyholder or by any Employer to secure coverage under the Group Policy or to perform their administrative function under it, represent and act on behalf of the person selecting them, and do not represent or act on behalf of Standard. The Policyholder, Employer and such individuals have no authority to alter, expand, or extend Standard's liability or to waive, modify or compromise any defense or right Standard may have under the Group Policy. The Policyholder and each Employer hereby release, hold harmless and indemnify Standard from any liability arising from or related to any negligence, error, omission, misrepresentation, or dishonesty of any of them or their representatives, agents, or employees.

Effect on Workers' Compensation, State Disability Insurance

The coverage provided under the Group Policy is not a substitute for coverage under a workers' compensation or state disability income benefit law and does not relieve the Employer of any obligation to provide such coverage.

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