

# 2012 Pilot Long Term Disability Plan

Established October 1, 2012

Amended and Restated as of January 1, 2017



## Table of Contents

AMERICAN AIRLINES, INC. 2012 PILOT LONG TERM DISABILITY PLAN .....	1
I. PURPOSE .....	1
II. EFFECTIVE DATE OF PLAN.....	1
III. DEFINITIONS .....	1
A. 2004 LTD Plan .....	1
B. Active Pilot Employee .....	1
C. Agreement(s).....	2
D. Appeals Materials.....	2
E. Association .....	2
F. Association Leave .....	2
G. Authorized Leave of Absence .....	2
H. Average Monthly Compensation .....	2
I. Beneficiaries.....	3
J. Board of Directors or Board .....	3
K. Claim Administrator .....	3
L. Code .....	4
M. Company.....	4
N. Compensation.....	4
O. Disability or Disabled .....	4
P. Elimination Period .....	5
Q. Employee.....	5
R. Employer .....	5
S. ERISA.....	5
T. Fifteen (15) Month Eligibility Period .....	5
U. Furlough .....	5
V. Hour of Service.....	5
W. Inactive Pilot.....	5
X. Independent Clinical Review.....	5
Y. Pilot Employee.....	6
Z. Plan .....	6
AA. Plan Administrator .....	6
BB. Plan Sponsor .....	6
CC. Program .....	6
DD. Related Employer .....	6
EE. Record .....	6

FF.	Retirement Benefit.....	6
GG.	Service.....	6
HH.	Social Security Disability Benefits or SSDB.....	7
II.	Subsequent Chemical Dependency Disability.....	7
IV.	ELIGIBILITY AND TERMINATION OF PLAN PARTICIPATION .....	7
A.	Eligibility for Plan Coverage .....	7
B.	Termination of Coverage.....	7
V.	DISABILITY BENEFIT ELIGIBILITY .....	8
A.	When a Pilot Employee’s Disability Will Be Considered To Have Existed .....	8
B.	When a Pilot Employee’s Disability Will Cease to Exist .....	8
C.	Verification of a Pilot Employee ’s Disability .....	8
D.	Independent Clinical Source .....	8
E.	Chemically Dependent or Mental or Nervous Disorder Disabilities.....	8
VI.	DETERMINING THE DISABILITY BENEFIT AMOUNT.....	11
A.	Benefit Amount.....	11
B.	Benefit Offsets.....	11
C.	When Disability Benefits Begin .....	12
D.	Duration of Benefit Payments .....	12
E.	Right To Recover Overpayments.....	12
F.	Recurring Disability Provisions .....	12
G.	When Disability Benefits End or Are Suspended .....	13
H.	Disability Payment Deductions .....	13
I.	Payment of Proceeds for a Deceased Pilot Employee.....	14
VII.	COMPANY ADMINISTRATIVE PROVISIONS.....	14
A.	Employer Action .....	14
B.	Indemnification .....	14
C.	Administrator and Named Fiduciary.....	14
D.	Plan Administrator Powers.....	15
E.	Operation of Plan Administrator.....	15
F.	Indemnification .....	16
G.	Action Taken in Good Faith.....	16
H.	Copies of Plan Documents.....	16
I.	Liability Insurance.....	17
VIII.	PILOT EMPLOYEE ADMINISTRATIVE PROVISIONS .....	17
A.	Personal Data to Administrator .....	17
B.	Address for Notification .....	17

C.	Inalienability of Benefits.....	17
D.	Information Available.....	18
IX.	CLAIMS PROCEDURES.....	18
A.	Authorized Representative.....	18
B.	Claims Filing Procedure.....	19
C.	Notice of Initial Denial of Disability Claims .....	20
D.	First Level Appeal.....	20
E.	Notice of Determination at First Level Appeal .....	21
F.	Second Level Appeal .....	22
G.	Notice of Determination at Second Level Appeal .....	23
H.	Voluntary Appeal Right to Independent Clinical Review .....	24
I.	General Administration – Finality of Decisions .....	25
X.	FIDUCIARY DUTIES .....	26
A.	General Fiduciary Standards .....	26
B.	Liability Among Co-Fiduciaries.....	26
C.	Amendment and Termination of the Plan .....	27
D.	Procedure for Amendment .....	27
E.	Merger with Other Plans .....	28
F.	Execution of Receipts and Releases.....	28
G.	Rights of Pilot Employees .....	28
H.	Payment of Expenses .....	28
I.	Obligations of the Company.....	28
J.	Headings.....	28
K.	Pilot Claims.....	28
XI.	GENERAL INFORMATION ABOUT THE PLAN.....	28
XII.	PLAN INFORMATION .....	31
XIII.	ABOUT THIS DOCUMENT .....	32

**AMERICAN AIRLINES, INC.**  
**2012 PILOT LONG TERM DISABILITY PLAN**

**I. PURPOSE**

Income protection during periods of Disability is a fundamentally important concern for pilots.

This 2012 Pilot Long Term Disability Plan (“Plan”) is intended to provide income protection for any Pilot Employee who incurs a Disability on or after October 1, 2012. The Plan is provided, administered and funded entirely by the Company subject to Agreements between the Association and the Company.

Pilot Employees must follow the procedures and meet the requirements of the Plan, as contained in this document, to obtain Disability benefits. Questions about the Plan should be directed to your local crew base Flight Administrator.

Throughout this document any reference to gender-specific terms (such as “he” or “him”) shall apply to both genders.

This document constitutes the complete and official Plan document and Summary Plan Description. It is intended to give you an understandable description of the benefits provided by this Plan, how to apply for benefits and your rights under the Plan.

**II. EFFECTIVE DATE OF PLAN**

The provisions of this Plan shall be effective for any Pilot Employee who incurs a Disability on or after October 1, 2012. A Pilot Employee who incurred a Disability prior to October 1, 2012 is not covered under the terms of this Plan and should refer to the 2004 LTD Plan or the disability retirement features of the Program to determine benefit entitlements, if any.

This restatement, dated January 1, 2017, is effective as of January 1, 2017.

**III. DEFINITIONS**

For purposes of this Plan, the following definitions shall apply, unless the context clearly indicates otherwise. These defined terms are capitalized throughout this document to indicate their special meaning within the context of the Plan:

A. 2004 LTD Plan

“2004 LTD Plan” means the American Airlines, Inc. Pilot Long Term Disability Plan effective February 1, 2004.

B. Active Pilot Employee

“Active Pilot Employee” means a Pilot Employee who performs or is eligible to perform duties as a pilot for the Company. An Active Pilot Employee will include a Pilot Employee who is receiving Compensation from an Employer or the Association for periods during an Authorized Leave of Absence.

C. Agreement(s)

“Agreements” mean(s) a “bona fide” collective bargaining agreement or agreements (within the meaning of section 7701(a)(46) of the Code) between the Association and the Company.

D. Appeals Materials

“Appeals Materials” means written comments, documents, records, and other information, relevant to a benefit claim that an applicant submits (a ) in connection with a first level appeal, to the Claim Administrator in accordance with the procedures set forth in Article IX, Section D, or (b) in connection with a second level appeal, to the Plan Administrator in accordance with the procedures set forth in Article IX, Section F.

E. Association

“Association” means the Allied Pilots Association or such successor organization as may be designated as the bargaining representative for the Pilot Employees.

F. Association Leave

“Association Leave” means a Pilot Employee’s leave of absence approved by the Employer for Association business.

G. Authorized Leave of Absence

“Authorized Leave of Absence” means any absence authorized by an Employer, including, but not limited to, an Association Leave or a leave of absence that is listed in Supplement F-1, paragraph 8 of the Agreements. An Authorized Leave of Absence shall be granted by an Employer for mandatory service in the Armed Forces of the United States, jury duty, or to comply with the Family and Medical Leave Act of 1993 or Uniformed Services Employment and Reemployment Rights Act of 1994. An Authorized Leave of Absence may be granted by an Employer for sickness, accident, vacation, Disability, or for other reasons under rules established by the Employer and uniformly applied to all individuals similarly situated.

Except as provided in Supplement F-1, paragraph 1 of the Agreements, if the Pilot Employee does not return to active Service with the Employer on or before the termination of his Authorized Leave of Absence, he will be deemed to have terminated Service as of the earlier of:

- (1) date on which his leave of absence is terminated;
- (2) The first anniversary of the last date on which he performed at least one (1) Hour of Service as a Pilot Employee; or
- (3) The date on which he resigned or was discharged.

H. Average Monthly Compensation

“Average Monthly Compensation” means the highest of:

- (1) Average monthly Compensation for the 12 consecutive months immediately before the pilot uses all paid sick leave and vacation time accrued as a Pilot Employee, excluding the final partial month of paid sick leave and/or vacation time, or
- (2) Average monthly Compensation for the highest paid year of the previous five consecutive calendar years immediately before the pilot's paid sick leave and vacation time end.

For example, a Pilot Employee becomes disabled on January 20, 2013 and receives paid sick and vacation time through March 15, 2013. The Pilot Employee's Average Monthly Compensation would be the greater of:

- Average Monthly Compensation paid for March 1, 2012 through February 28, 2013 (the pay for March 2013 is excluded), or
- Average Monthly Compensation received in the highest paid calendar year from 2008 through 2012.

In determining Average Monthly Compensation for the 12 consecutive month period specified above, the period and applicable wages due to: 1) an emergency leave of absence generated by the strike of another organized group which causes the Employer to suspend operations, 2) an Authorized Leave of Absence at the Employer's request to avoid the Furlough of other Pilot Employees and 3) an Authorized Leave of Absence on account of Disability regardless of whether a Disability benefit is paid or unpaid either from this Plan or the Program, which would normally fall within such 12-month period shall be excluded. Average Monthly Compensation shall be computed on such reduced 12-month period.

For example, assume a Pilot Employee had a 2-month approved unpaid sick leave of absence that fell within this 12-month period and that he earned \$90,000 for the 10 months that he worked. His Average Monthly Compensation would be \$9,000 (\$90,000/10 months).

I. Beneficiaries

"Beneficiaries" means any person designated by a Pilot Employee who is or may become eligible to receive outstanding payments under the Plan following the death of such Pilot Employee.

J. Board of Directors or Board

"Board of Directors" or "Board" means the Board of Directors of the Company, or any committee appointed by the Board of Directors and serving at the pleasure of such Board of Directors which is given authority to exercise some or all of the powers of such Board of Directors with respect to the Plan.

K. Claim Administrator

"Claim Administrator" means the third party claim administrator appointed according to the relevant terms of the Agreement. Such third party Claim Administrator shall serve as

the “named fiduciary” as forth in Article VII, Section C. paragraph 2.

L. Code

“Code” means the Internal Revenue Code of 1986, as amended, and any regulations or rulings thereunder.

M. Company

“Company” means American Airlines, Inc., a Delaware corporation.

N. Compensation

“Compensation” means, for any Pilot Employee for any period, the total gross remuneration, including base pay, flying pay, minimum pay and pay for periods of vacation and sick leaves, variable compensation as provided under the Agreement between the Company and the Association (effective February 26, 1991), and compensation paid by the Association to a Pilot Employee, but excluding expense allowances and reimbursement for expenses, actually paid to such Pilot Employee for such period by the Employer or, for the period of an Association Leave, such expenses paid or reimbursed by the Association and any Disability benefit payments under this Plan. A Pilot Employee’s Compensation shall not include, unless otherwise expressly stated in the Plan, any amount paid to the Pilot Employee with respect to Service performed by the Pilot Employee other than as a Pilot Employee.

O. Disability or Disabled

“Disability” or “Disabled” means an illness or injury, verified through a qualified medical authority in accordance with Article V of the Plan, which prevents a Pilot Employee from continuing to act as an Active Pilot Employee in the Service of the Employer, other than:

- (1) Fear of flying syndrome, unless there is a preeminent psychiatric diagnosis; or
- (2) Any illness or injury which was intentionally self-inflicted or an attempted suicide; or
- (3) Any illness or injury which was contracted, suffered or incurred while the Pilot Employee was engaged in a criminal activity; or
- (4) Any illness or injury which was the result of war or any act of war, whether war is declared or not; or
- (5) Any illness or injury which arose during the period of an unpaid leave of absence (other than an Association Leave) or Furlough while such Pilot Employee was absent from employment with the Employer; provided, however, that if a Pilot Employee had a Disability prior to beginning a Furlough and the Pilot Employee would have been recalled absent an illness or injury that would be considered a Disability, the Pilot Employee is deemed to have a Disability (if the illness or injury would otherwise qualify as such) from the date that the Pilot Employee would have been recalled.



P. Elimination Period

“Elimination Period” means the period between the Pilot Employee’s date of Disability and the date Disability benefit payments commence under the Plan. The benefits shall commence ninety (90) days after the onset of the Disability or related Disability or on the expiration of paid sick leave and/or vacation, whichever occurs later; provided that there has been and continues to be qualified medical care consistent with the nature of the illness or injury.

Q. Employee

“Employee” means any person on the payroll of the Company or a Related Employer whose wages from the Employer are subject to withholding for purposes of Federal income taxes. In addition, the term “Employee” shall mean any leased employee (within the meaning of section 414(n)(2) of the Code) that section 414(n)(2) of the Code requires the Employer to treat as an employee.

R. Employer

“Employer” means the Company and any Related Employer that duly joins in the Plan with the approval of the Company and the Association.

S. ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any regulations or rulings thereunder.

T. Fifteen (15) Month Eligibility Period

“Fifteen (15) Month Eligibility Period” means the fifteen (15) month period immediately following the date an Active Pilot Employee is diagnosed as having a subsequent chemical dependency after exhausting his lifetime maximum of twenty four (24) months of payments for chemical dependency.

U. Furlough

“Furlough” means the removal of a Pilot Employee from active duty as a pilot with the Employer due to a reduction in work force, or the period during which such Pilot Employee is not in the active employment as a pilot of the Employer due to such reduction in work force.

V. Hour of Service

“Hour of Service” shall be determined as in the same manner as determined under the Program.

W. Inactive Pilot

“Inactive Pilot” means a pilot that is not an Active Pilot Employee.

X. Independent Clinical Review

“Independent Clinical Review” means the voluntary level of appeal that, if elected by a Pilot Employee, constitutes binding determination by an independent clinical source under the claims procedures in Article IX, Section H.

Y. Pilot Employee

“Pilot Employee” means an Employee on the Pilot System Seniority List of the Company for such period or periods that he is on such list. Pilot Employee will include an individual permitted to participate in the Plan as provided under the Agreements.

Z. Plan

“Plan” means the American Airlines, Inc. 2012 Pilot Long Term Disability Plan, as set forth herein and modified from time to time.

AA. Plan Administrator

“Plan Administrator” means the Company or its authorized delegate.

BB. Plan Sponsor

“Plan Sponsor” means the Company.

CC. Program

“Program” means the American Airlines, Inc. Pilot Retirement Benefit Program.

DD. Related Employer

“Related Employer” means any business entity that is, along with the Company:

- (1) A member of a controlled group of corporations (as defined in section 414(b) of the Code);
- (2) A member of a group of trades or businesses (whether or not incorporated) that are under common control (within the meaning of section 414(c) of the Code); or
- (3) A member of an affiliated service group (within the meaning of section 414(m) of the Code).

EE. Record

“Record” means all documents, records, and other information relevant to a Pilot Employee’s claim for Plan benefits and relevant to a Pilot Employee’s appeal from a denial of benefits, as such materials exist at any level of the claims process.

FF. Retirement Benefit

“Retirement Benefit” shall mean a retirement benefit as defined in the Program.

GG. Service

“Service” means employment (whether or not as an Employee) with the Company or a Related Employer. Service will begin on the date an Employee first performs one (1) Hour of Service for the Company or a Related Employer.

HH. Social Security Disability Benefits or SSDB

“Social Security Disability Benefits” or “SSDB” means disability benefit(s), both individual and family, payable by the United States Social Security Administration due to a Pilot Employee’s disability.

II. Subsequent Chemical Dependency Disability

“Subsequent Chemical Dependency Disability” means a new chemical dependency disability that is either unrelated to a previous chemical dependency Disability, or a relapse of a previous chemical dependency Disability, provided such diagnosis is determined to be a Disability under the Plan.

## **IV. ELIGIBILITY AND TERMINATION OF PLAN PARTICIPATION**

A. Eligibility for Plan Coverage

Active Pilot Employees on the U.S. payroll of an Employer shall become eligible for coverage on and after October 1, 2012. Pilot Employees hired on and after October 1, 2012 become eligible for coverage on their first day of Service. Pilot Employees who are not Active Pilot Employees on October 1, 2012 (who are, for example, (1) receiving Disability benefits under the Program or the 2004 LTD Plan, (2) on an Authorized Leave of Absence, (3) on Furlough, and (4) other similar situations) will automatically become eligible for coverage on their first day of Service upon their return to active duty with the Employer.

B. Termination of Coverage

Plan Coverage ends on the earlier of the following events:

- (1) Termination of employment, except that Disability benefits will continue beyond termination of employment in accordance with Article V of this Plan;
- (2) Commencement of a Retirement Benefit;
- (3) The date the Pilot Employee attains the age at which he is no longer eligible to be a Pilot Employee under federal law;
- (4) Becoming ineligible for the coverage due to a change in job classification; or
- (5) Death.

Notwithstanding the above, a Pilot Employee diagnosed as chemically dependent or suffering from a mental or nervous disorder shall be subject to the benefit limitation in Article V, Section E. This Article shall not be construed as overriding the limitation in Article V, Section E.

## V. DISABILITY BENEFIT ELIGIBILITY

Disability benefits replace a portion of a Pilot Employee's Compensation when unable to work as a result of a Disability. The existence of a Pilot Employee's Disability and eligibility for a Disability benefit shall be determined in accordance with the following provisions:

### A. When a Pilot Employee's Disability Will Be Considered To Have Existed

A Pilot Employee's Disability will be considered to have existed (and to continue to exist) only if the Pilot Employee has received and continues to receive qualified medical care consistent with the nature of the illness or injury that gives rise to such Disability.

### B. When a Pilot Employee's Disability Will Cease to Exist

A Pilot Employee's Disability will be considered to cease to exist if (1) health is restored so as not to prevent the Pilot Employee from acting as an Active Pilot Employee in the service of the Company, (2) verification of such Disability can no longer be established or (3) the Pilot Employee is not seeking appropriate care and treatment for the condition that gave rise to the Disability.

### C. Verification of a Pilot Employee's Disability

Verification of a Pilot Employee's Disability shall be established by the Claim Administrator and such Claim Administrator will be mutually agreed upon by the Company and Association. Initial claims and first level appeals will be determined by the Claim Administrator under the claims procedures in Article IX. Any Disability may be subject to re-verification by the Company and/or Claim Administrator, when appropriate, but in no event more than once in any ninety (90) day period. Any claim arising from a denial of benefits upon re-verification shall be subject to the claims procedures in Article IX, including the administration of a second level appeal by the Plan Administrator.

### D. Independent Clinical Source

If a Pilot Employee receives an adverse benefit determination from the Plan, the Pilot Employee has the right to appeal under the procedures set forth in Article IX.

### E. Chemically Dependent or Mental or Nervous Disorder Disabilities

The following shall **apply** to a Pilot Employee diagnosed as chemically dependent or as suffering from a mental or nervous disorder on or after the Effective Date:

- (1) The Pilot Employee shall be entitled to a cumulative lifetime maximum of up to twenty four (24) months of payments from the point in time the Pilot Employee is diagnosed as chemically dependent or as suffering from a mental or nervous disorder, or until the Pilot Employee experiences an event described in Article IV, Section B or Article VI, Section G (whichever is earlier). A chemical dependency and/or mental or nervous disorder under the 2004 LTD Plan and/or the Program will count toward the twenty-four (24) month lifetime maximum. Pilots who are Disabled for other reasons, in addition to a chemical dependency and/or a mental or nervous disorder, shall continue to receive the benefits provided by this Plan without regard to the limitations of this Article V, Section (E).

- (2) The twenty four (24) month lifetime maximum payments shall be a combination of accrued sick time and Disability benefits from this Plan, the 2004 LTD Plan and the Program.
- (3) The twenty four (24) months of payments, while cumulative, are not necessarily consecutive, and may be broken for periods if the Pilot Employee returns to active status or does not apply for Disability benefits.
- (4) Any accrued vacation pay shall not be counted in the twenty four (24) months of payments.
- (5) A Pilot Employee who is determined to be Disabled due to a chemical dependency and who subsequently is diagnosed with a non-chemical dependency Disability prior to such Pilot Employee's exhaustion of his twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits shall be eligible to apply for benefits under the Plan for such subsequent non-chemical dependency disability regardless of whether such non- chemical dependency Disability is related or unrelated to the Pilot Employee's chemical dependency Disability. Disability benefits shall only be paid if such subsequent non-chemical dependency Disability meets the requirements of this Article V, Section E (5) and is determined to qualify the Pilot Employee as Disabled under the Plan.
- (6) A Pilot Employee who is Disabled under this Plan as the result of a chemical dependency Disability and who has not cleared to return to duty as an Active Pilot Employee prior to exhausting the twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits will be eligible to apply for Disability benefits under the Plan for a subsequent non-chemical dependency Disability that arises within the nine (9) consecutive month period which begins on the day after the date that the Pilot Employee exhausted the twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits (for a total of no more than thirty-three (33) months from the date of the initial chemical dependency diagnosis), regardless of whether the non-chemical Disability is related or unrelated to the Pilot Employee's chemical dependency Disability. In the event of a subsequent non-chemical dependency Disability, if:
  - (a) the subsequent non-chemical dependency Disability occurs within thirty (30) days after the date on which the Pilot Employee exhausts the twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits, the Pilot Employee shall not be required to complete a new Elimination Period for the subsequent non-chemical dependency Disability;
  - (b) the subsequent non-chemical dependency Disability occurs between thirty- one (31) days and nine (9) months after the date on which the Pilot Employee exhausts the twenty four (24) month lifetime maximum payment limit for a chemical dependency Disability, the Pilot Employee shall be required to complete a new Elimination Period; or
  - (c) the subsequent non-chemical dependency Disability occurs more than

nine (9) months after the date on which the Pilot Employee exhausts the twenty four (24) month lifetime maximum payment limit for chemical dependency Disability, the Pilot Employee will not be eligible for Disability benefits under this Plan unless such Pilot Employee subsequently becomes an Active Pilot Employee and then becomes Disabled.

- (7) A Pilot Employee who exhausts his twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits and later becomes an Active Pilot Employee and continues to work as an Active Pilot Employee for a period of time and then suffers a Subsequent Chemical Dependency Disability shall be placed on sick leave, if such Pilot Employee has any accrued sick leave, until such sick leave is exhausted and then on an unpaid sick leave of absence. During the Fifteen (15) Month Eligibility Period, such Pilot Employee shall be eligible to apply for Disability benefits under this Plan for a non-chemical dependency Disability without regard to whether the non-chemical dependency Disability is related or unrelated to the Pilot Employee's chemical dependency Disability. Such eligibility to apply for non-chemical dependency Disability benefits under this Plan ceases upon expiration of the Fifteen (15) Month Eligibility Period, or, if earlier, on the date the Pilot Employee clears to return to duty. The Company shall have the right to monitor the Pilot Employee's progress toward recovery during the Fifteen (15) Month Eligibility Period. Any Disability benefits for a Pilot Employee's qualifying non-chemical dependency Disability that occurs during the Fifteen (15) Month Eligibility Period shall commence after the Pilot Employee completes the Elimination Period. If such Pilot Employee has accrued sick time and/or accrued vacation time when he relapses and is diagnosed with a Subsequent Chemical Dependency Disability, such Pilot Employee's sick time and vacation days shall be paid until exhausted and such payments shall run concurrently with the Fifteen (15) Month Eligibility Period.
- (8) A Pilot Employee who has used only a portion of his twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits and later clears to return to duty as an Active Pilot Employee and continues as an Active Pilot Employee for a period of time and then relapses and is diagnosed with a Subsequent Chemical Dependency Disability shall be eligible to apply for Disability benefits and if determined to be Disabled, to receive any remaining unused portion of the twenty four (24) month lifetime maximum payment limit for chemical dependency Disability benefits is exhausted as follows:
- (a) If such Subsequent Chemical Dependency Disability occurs within thirty (30) days after the Pilot Employee was cleared to return to duty, no new Elimination Period shall apply to the Subsequent Chemical Dependency Disability.
  - (b) If such Subsequent Chemical Dependency Disability occurs thirty-one (31) days or more following his return to duty, then a new Elimination Period shall apply to any Subsequent Chemical Dependency Disability.
  - (c) A Pilot Employee described in this Article V, Section E (8) who incurs a

subsequent non-chemical dependency Disability shall be treated under Article V, Sections E (4), (5), (6), and (7) as applicable.

## **VI. DETERMINING THE DISABILITY BENEFIT AMOUNT**

### **A. Benefit Amount**

The monthly Disability benefit payable is sixty percent (60%) of the Pilot Employee's Average Monthly Compensation, up to a maximum benefit of \$8,000 per month.

### **B. Benefit Offsets**

The monthly Disability benefit payable shall be offset by the following sources of income:

- (1) Social Security Disability Benefits (both individual and family benefits), if due to the Pilot Employee's disability;
- (2) Workers' Compensation, if due to the Pilot Employee's disability;
- (3) State Disability benefits, if due to the Pilot Employee's disability; and
- (4) Other income earned more than forty-eight (48) months after the effective commencement date of Disability benefits under the Plan.

Because the amount of Disability benefits is influenced by Social Security Disability Benefits ("SSDB"), a Disabled Pilot Employee must apply for SSDB as soon as possible. Within six months after the Disability claim is approved, the Disabled Pilot Employee must provide evidence to the Plan Administrator or the Claim Administrator that an application for SSDB has been filed or that the Disabled Pilot Employee's application has been denied. This does not apply if the Disabled Pilot Employee's disability is the result of pregnancy or is expected to last less than one year. Otherwise, SSDB benefits for the Disabled Pilot Employee will be estimated and his/her LTD Plan benefits will be reduced by the estimated amount. The estimated offset shall continue until the Disabled Pilot Employee provides either: (1) verification from the

Social Security Administration of the amount of the SSDB, or (2) proof that the Social Security Administration has been denied his SSDB claim. If the initial application is denied, the Disabled Pilot Employee must file for reconsideration and/or appeal to the Social Security Administration. Once the actual SSDB offset amount has been applied, the Disabled Pilot Employee's benefit amount shall not be offset by future cost of living increases in the SSDB.

For example, consider the following two pilots who are eligible for Disability benefits under the Plan. Captain A has an Average Monthly Compensation of

\$15,000 and First Officer B has an Average Monthly Compensation of \$12,000. The calculation of monthly Disability benefits is as follows:

	<b>Captain A</b>	<b>First Officer B</b>
Average Monthly Compensation	\$15,000	\$12,000
60% of Average Monthly Compensation	\$9,000	\$7,200
Maximum Monthly Benefit	\$8,000	\$8,000
Monthly Plan Benefit	\$8,000	\$7,200
SSDB, if applicable	- \$3,757	- \$3,772
Monthly Amount Paid	\$4,243	\$3,428

Disability benefits paid by this Plan are taxable income and are considered W-2 earnings.

**C. When Disability Benefits Begin**

Disability benefit payments begin on the first day after the Disabled Pilot Employee has completed the Elimination Period.

The first check the Disabled Pilot Employee receives will be retroactive to the first day after the Elimination Period is completed. Subsequent Disability payments are made on the same pay schedule as a line Pilot Employee's regular paycheck (currently the 25<sup>th</sup> day of the month for the previous month).

**D. Duration of Benefit Payments**

Disability benefits under the Plan shall be paid for up to twenty-four (24) months for disability from the occupation of an airline pilot due to a medical condition or treatment from that condition, with the exception of diagnoses of chemical dependency or a mental or nervous disorder which is subject to the limitations set forth in Article V, Section E. After receiving twenty-four months of Disability benefit payments under the Plan, the Pilot Employee will continue to be considered Disabled if the Pilot Employee is unable to earn more than 80% of the Pilot Employee's pre-Disability Compensation earned at the Company in the twelve (12) months prior to the Pilot Employee's date of Disability. E.

**E. Right To Recover Overpayments**

If an overpayment occurs (e.g., due to mid-month advances, late removals or return-to-work paperwork), the Pilot Employee will be required to reimburse the amount of the overpayment. Unless other arrangements are made, the amount overpaid may be recouped either from the Disability payment or the regular pay, as applicable.

**F. Recurring Disability Provisions**

In the event a Disabled Pilot Employee resumes duties as an Active Pilot Employee, but returns to Disability status due to the same cause within ninety (90) days of the date the Pilot Employee commenced flight crewmember training, the Disability will be treated as the same Disability. The Pilot Employee will not have to satisfy a new Elimination Period



and shall resume Disability status immediately under the Plan following the last paid day as an Active Pilot Employee. If the Pilot Employee was receiving Disability benefits from the Plan immediately prior to resuming duties as an Active Pilot Employee, monthly Disability payments shall resume. The amount of the monthly Disability benefit will be the same as the Disabled Pilot Employee received prior to returning to work.

If the Pilot Employee returns to Disability status after having resumed duties as an Active Pilot Employee for ninety (90) days or more or if the Disability is not due to the same cause, the Disability will be treated as a new Disability and a new Elimination Period will apply. In this case, Disability benefits will be paid from this Plan and not under the Disability provisions of the 2004 LTD Plan or the Program. The amount of the Disability benefit will be determined under this Article VI of this Plan.

G. When Disability Benefits End or Are Suspended

Disability benefits end on the earlier of:

- (1) The date the Disability ceases;
- (2) The payment of the maximum number of payments as stated in Article V;
- (3) The commencement of a Retirement Benefit;
- (4) The date the Pilot Employee attains the age at which he is no longer eligible to be a Pilot Employee under federal law;
- (5) Death.

Notwithstanding the above, a Pilot Employee diagnosed as chemically dependent or as suffering from a mental or nervous disorder shall be subject to the benefit limitation in Article V, Section E. This Article shall not be construed as overriding the limitation in Article V, Section E.

Disability benefits will be suspended during the following situations:

- (1) Periods of Furlough, or
- (2) In the event the Pilot Employee works for the Company in a capacity other than as a pilot, his Disability benefits shall not be paid while he is employed in such capacity.

H. Disability Payment Deductions

The following deductions will be taken from the Pilot Employee's Disability payment in the same way as they are taken from an Active Pilot Employee's paycheck, as appropriate:

Medical, Dental and Vision coverage Health

Care Reimbursement Accounts Dependent Day

Care Reimbursement Accounts Life Insurance

Voluntary Personal Accident Insurance

Long Term Care

Non-revenue service charges

PC Purchase Plan

Federal (in accordance with the Code) and State income tax withholding

Should other health and welfare benefits become available to, and be elected by the Pilot Employee, applicable deductions will be taken from the Pilot Employee's Disability payment, in the same manner as described above. The Disabled Pilot Employee must use the same forms and procedures established by the Company for Active Pilot Employees for starting, changing or stopping payroll deductions from Disability benefit payments.

I. Payment of Proceeds for a Deceased Pilot Employee

In the event that a Pilot Employee has been approved for or is receiving initial or ongoing payment of Disability benefits under this Plan, and such Pilot Employee dies prior to the distribution of these benefit payments, such benefits shall be paid to the appropriate beneficiary or other recipient in accordance with the terms of this Plan.

## VII. COMPANY ADMINISTRATIVE PROVISIONS

A. Employer Action

Any action required of an Employer shall be evidenced by resolution of its board of directors or other governing body or by a person authorized to act by board resolution or by any person who is authorized to act by a written instrument executed by any person to whom authority has been delegated by the Board.

B. Indemnification

Each Employer by adoption of this Plan agrees to indemnify and save harmless the Board of Directors and the Company or its delegate, and each of them, from and against any and all loss resulting from liability to which the Board of Directors the Company or its delegate may be subjected by reason of any act or conduct (except willful or reckless misconduct) in their official capacities in the administration of this Plan, including all expenses reasonably incurred in their defense.

In the event that the Employer fails to provide such defense, such liability shall be paid from the Company provided that the indemnification provisions shall not relieve the Board of Directors from any liability they may have under ERISA for breach of a fiduciary duty.

C. Administrator and Named Fiduciary

- (1) The Company, as Plan Administrator, shall be the administrator of the Plan as well as the "named fiduciary" of the Plan with the sole and exclusive authority to

control and manage the operation and claim administration of the Plan; provided however, that the Company shall not be the “named fiduciary” with respect to the administration and verification of initial claims and first level appeals under Article IX.

- (2) The Claim Administrator shall be the sole and exclusive “named fiduciary” with sole and exclusive authority to control and manage the operation and claim administration of the Plan with respect to with respect to the administration and verification of initial claims and first level appeals under Article IX. In making these decisions and determinations, the Claim Administrator has absolute discretion and authority to interpret relevant Plan provisions and to make factual determinations.
- (3) The Plan Administrator may delegate other tasks as it deems appropriate.

D. Plan Administrator Powers

The Plan Administrator shall possess authority to control and manage the operation and administration of the Plan, except for those areas over which the Claim Administrator is the named fiduciary, as provided herein. The Plan Administrator shall have the following powers and duties:

- (1) To determine all questions concerning the rights of Pilot Employees under the Plan, which decisions shall be final and binding upon the Employer, unless arbitrary and capricious;
- (2) To exercise discretionary authority to determine eligibility for benefits and to continue the terms of the Plan;
- (3) To amend the Plan as deemed necessary or appropriate by the Pension Benefits Administration Committee to comply with applicable laws, the Agreements and to further the objectives of the Plan;
- (4) To adopt such rules, forms and procedures as may be necessary for the administration of the Plan in accordance with their terms and the terms of any applicable law;
- (5) To review and render decisions respecting a claim for (or denial of a claim for) a benefit under the Plan in accordance with the claims procedure described in Article IX of this Plan.
- (6) To comply with the reporting and disclosure requirements under ERISA, and in connection therewith, to prepare and distribute to Pilot Employees and submit to governmental agencies, Plan descriptions, reports, and other materials or summaries; and
- (7) To exercise any and all functions of the Plan Administrator of the Plan. .

E. Operation of Plan Administrator

The senior most member of the People Department of the Company and his or her

delegates shall act on behalf of the Company to perform the duties and carry out the responsibilities of the Plan Administrator. The senior most member of the People Department of the Company is authorized to sign documents required by the Department of Labor, Internal Revenue Service, or other governmental agencies on behalf of the Plan Administrator and reserves the right to delegate such authority.

F. Indemnification

The Company shall indemnify each employee who acts on behalf of the Plan Administrator as well as any other directors, officers or employees of the Company who are designated to carry out any responsibilities of the Company in connection with the Plan against all liabilities and expenses, including attorneys' fees, actually and reasonably incurred by him in connection with any threatened, pending or completed legal action or judicial or administrative proceeding to which he may be a party, or may be threatened to be made a party, by reason of such membership or other designation, except with regard to any matters as to which he shall be adjudged in such action or proceeding to be liable for breach of fiduciary duty under ERISA or gross negligence or willful misconduct in connection therewith.

Any director, officer or employee of the Company may act in more than one fiduciary capacity under the Plan and the Plan Administrator may employ one or more persons to render advice to any director, officer or employee of the Company with respect to such individual's responsibilities under the Plan.

G. Action Taken in Good Faith

To the extent permitted by ERISA, the Company and its directors, officers and employees shall be entitled to rely upon all tables, valuations, certificates and reports and opinions furnished by an actuary or by any accountant or insurance company that the Plan Administrator has retained. In addition, such parties shall be entitled to rely upon information furnished by a Pilot Employee, the Company or the legal counsel for the Company. The Company and its directors, officers and employees shall be fully protected with respect to any action taken or suffered by them in good faith and in the absence of gross negligence or willful misconduct in reliance upon any such tables, valuations, certificates, reports or other advice of any such actuary, accountant, insurance company or upon any such information furnished by a Pilot Employee, the Company or legal counsel for the Company.

In carrying out its responsibilities under the Plan, the Plan Administrator shall have discretionary authority to determine eligibility for and entitlement to Plan benefits and to construe the terms of the Plan, except for in those matters for which the Claim Administrator serves as the named fiduciary, as outlined in Article VII, Section C. Any interpretation or determination made by the Plan Administrator, and where applicable, the Claim Administrator pursuant to such discretionary authority shall be given full force and effect, unless it can be shown that the interpretation or determination was arbitrary and capricious.

H. Copies of Plan Documents

In accordance with ERISA, the Company will distribute copies of this Plan and Summary Plan Description and any other documents and records which a Pilot Employee is

entitled by law. Such documents shall be open to inspection by the Pilot Employee or his/her duly authorized representatives at the office of the Plan Administrator (or, where applicable, at the office of the Association) at any reasonable business hour. A Pilot Employee or his duly authorized representative(s) may also obtain copies of such documents by writing the Plan Administrator. The Plan Administrator may require a Pilot Employee to pay a reasonable copying charge to obtain copies of documents for which such changes are allowed by law.

I. Liability Insurance

The Company may purchase insurance to cover potential liability of anyone who serves in a fiduciary capacity with regard to the Plan.

## VIII. PILOT EMPLOYEE ADMINISTRATIVE PROVISIONS

A. Personal Data to Administrator

Each Pilot Employee shall furnish to the Plan Administrator and/or Claim Administrator such evidence, data, or information as the Plan Administrator and/or Claim Administrator considers necessary for the purpose of administering the Plan. The provisions of this Plan are effective for the benefit of each Pilot Employee, or Inactive Pilot upon the condition precedent that each Pilot Employee will promptly furnish full, true, and complete evidence, data, and information when requested to do so by the Plan Administrator and/or Claim Administrator, as applicable, provided the Plan Administrator and/or Claim Administrator, as applicable, shall advise each Pilot Employee of the effect of his failure to comply with its request.

Administrator, provided the Administrator shall advise each Pilot Employee of the effect of his failure to comply with its request.

B. Address for Notification

Each Pilot Employee shall file with the Plan Administrator, in writing, his mailing address, and each subsequent change of such mailing address. Any payment or distribution made hereunder, and any communication addressed to a Pilot Employee, at the last address filed with the Plan Administrator, or if no such address has been filed, then at the last address shown on the records of the Employer, shall be deemed to have been delivered to the Pilot Employee on the date that such distribution or communication is deposited in the United States Mail, first class postage prepaid, to be forwarded to such address.

C. Inalienability of Benefits

No benefit payment under the Plan, and no right or claim thereto, shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any attempt to do so shall be void and have no effect. Likewise, nor shall any benefit payment under the Plan, or right or claim thereto, be in any way subject to the debts, contracts, liabilities, engagements or torts of any individual or institution entitled to or possessing such right or claim. If any Pilot Employee is adjudicated bankrupt or if any attempt is made to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such benefit or claim or right thereto, except as specifically

provided in the Plan, then the Company shall not honor any such attempt and any such benefit or any remaining portion thereof shall be paid or held, after such adjudication or attempt, as follows:

- (1) If such benefit is in pay status, the Plan Administrator may at its discretion terminate its payment and direct that payment of the benefit or the remaining portion thereof be made exclusively to or for the benefit of such Pilot Employee, as the case may be, or to the Pilot Employees' dependents, and in such form as the Plan Administrator may direct; and
- (2) If such benefit is not in pay status, whether or not the Pilot Employee with respect to whom such benefit is payable continues to be employed by the Employer, the Plan Administrator shall direct that such benefit be held exclusively for payment to such Pilot Employee, or to the Pilot Employees' dependents, at the Pilot Employee's commencement of an Disability benefit.
- (3) If any court of competent jurisdiction shall order the Plan Administrator to do anything inconsistent with this Section and the Plan Administrator thereafter notifies the Pilot Employee of this order, then, unless and until the order is set aside, the following provisions shall apply: (a) the Plan Administrator may refrain from doing anything that would prevent later obeying the order; and (b) thirty (30) days after giving such notice the Plan Administrator may obey the order to the extent that doing so would not violate ERISA or the Code.
- (4) If any Pilot Employee's benefit is garnished or attached by order of any court of competent jurisdiction, the Plan Administrator may bring an action for a declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefit to be paid by the Plan. During the pendency of such action, any benefit that becomes payable shall be paid into the court as it becomes payable, to be distributed by the court to the recipient it deems proper at the close of such action.

#### D. Information Available

Any Pilot Employee may examine copies of the Plan's latest annual report, and any other instrument under which the Plan was established or is operated, or other information that the Plan Administrator is required to make available under section 104(b)(2) of the ERISA. The Plan Administrator will maintain such items for examination during reasonable business hours in its respective offices, or in such other place or places as it may designate from time to time in order to comply with the regulations issued under the Act. Upon the written request of a Pilot Employee, the Plan Administrator shall furnish him with a copy of such items. The Plan Administrator may make a reasonable charge to the person requesting the copy so furnished, to the extent allowed by law.

## **IX. CLAIMS PROCEDURES**

### A. Authorized Representative

A Pilot Employee's representative may act on behalf of a claimant in pursuing a claim for benefits or appeal of an adverse benefit determination only after the Pilot Employee submits to the Claim Administrator a signed written authorization identifying the

representative by name.

**B. Claims Filing Procedure**

- (1) Verification of a Pilot Employee's Disability shall be determined under the claims procedures in this Article IX. Pilot disabilities may be subject to re-verification by the Company and/or the Claim Administrator, when appropriate, but in no event more than once in any 90 day period.
- (2) Any claim relating to a Disability benefit under the Plan shall be submitted in writing by the Pilot Employee or his authorized representative with all applicable medical information to Flight Administration who will forward the information to the Claim Administrator for determination and subsequent payment. Claim forms can be obtained from Flight Administration. All claims must be filed within one (1) year after the Pilot Employee's date of Disability in order to be eligible for benefits.
- (3) After the Claim Administrator receives the forms, the Pilot Employee's claim will be processed. Sometimes the Claim Administrator may request additional information. The Claim Administrator will notify the Pilot Employee of the decision regarding the Disability claim. The Claim Administrator will provide notifications directly to the Pilot Employee, and to the Company for payment of Disability benefits. The Company will provide payments directly through payroll or to the Pilot Employee based on the last known address.

If the Claim Administrator determines that any applicant described in Section B(2) is not entitled to receive all or a part of the Disability benefit claimed (including an adverse determination as to the continuation of Disability benefits once commenced), the Claim Administrator will mail or deliver written notice to such applicant of its determination as described in this Article IX, Section B and C, including the specific reasons for the denial with appropriate references to pertinent Plan provisions, a description of any additional material or information necessary for the applicant to perfect the applicant's claim, and an explanation of why such material or information is necessary, a description of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the applicant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination.

- (4) Such notice shall be provided by the Claim Administrator within forty-five (45) days of receipt of the claim by Flight Administration. This forty-five (45) day period may be extended an additional thirty (30) days if necessary, provided the Claim Administrator gives notice to the applicant during the initial forty-five (45) day period. If, prior to the end of the first thirty (30) day extension period, the Claim Administrator determines that a decision cannot be rendered due to matters beyond the control of the Plan, the period for making the determination may be extended up to an additional thirty (30) days. In such event, the Claim Administrator shall notify the applicant, prior to the expiration of the first thirty (30) day extension period, of the circumstances requiring the additional extension and the date by which the Administrator expects to render a decision.
- (5) For purposes of this Article IX, the period of time for a benefit determination begins when a claim is filed in accordance with the reasonable procedures of

the Plan, without regard to whether all the information necessary to make a benefit determination accompanies the filing. In the event the period of time is extended pursuant to paragraph (4) above, due to an applicant's failure to submit information necessary to decide a claim, the period for making the benefit determination is tolled from the date the Claim Administrator sends the notice to the applicant until the date the applicant responds to the request for information.

C. Notice of Initial Denial of Disability Claims

If the Pilot Employee's initial claim is wholly or partly denied, the Claim Administrator must provide, within the time frames set forth in Section B(4) above, a written denial notice that sets forth:

- (1) the specific reasons for the denial,
- (2) the specific Plan provisions on which the denial is based,
- (3) a description of any additional material or information necessary for the Pilot Employee to perfect his claim and an explanation of why such material or information is necessary,
- (4) a description of the Plan's first and second level appeal procedures for seeking review of denied or partially denied claims (including the time limits applicable to such procedures), and a statement of the right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination if the claim is denied on review under the Plan's appeal procedures at both the first and second levels of appeal and, if applicable, any voluntary Independent Clinical Review elected by the Pilot Employee, and
- (5) any internal Plan rule, guideline, protocol, or other similar criterion relied upon in making the determination (or state that such information is available free of charge upon request).

D. First Level Appeal

The Pilot Employee may appeal as a first level appeal to the Claim Administrator. This Section describes the appeal process under this Plan. Whenever the Pilot Employee can take an action under this process, his authorized representative can take such action on his behalf.

- (1) If a Pilot Employee or authorized representative receives a notice of decision on his claim for benefits that is adverse (including an adverse determination as to the continuation of Disability benefits once commenced), in whole or in part, that he wants reviewed under the Plan's appeal procedures, he must request a first level appeal by making such request in writing to the Claim Administrator at the address provided on page 29. A Pilot Employee must file the written request for review within 180 days of receiving the notice of adverse decision on his claim. Any request for review filed with the Claim Administrator after this 180-day period will be null and void



- (2) The Pilot Employee will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim. Relevant information includes: anything that was relied on in making the benefit determination; anything submitted, considered or generated in the course of making the determination, without regard to whether the information was relied upon in making the determination; information that demonstrates compliance with required administrative processes and safeguards; and information regarding any statement of policy or guidance about the denied treatment option, without regard to whether the statement was relied upon in making the benefit determination.
- (3) As part of this review, the Pilot Employee may submit Appeals Materials. Only the Appeal Materials filed with the Claim Administrator within the 180-day appeal period will be considered. There will be no exception to this rule.
- (4) After receiving the Pilot Employee's request, the Claim Administrator will review the Pilot Employee's claim promptly. No deference will be given to the initial adverse benefit determination, nor will the individual reviewing the claim and making the determination include the person who made the initial adverse determination or any person who is a subordinate of that individual in the review process. The review will take into account all comments, documents, records, and other information submitted by the Pilot Employee relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.
- (5) If the adverse decision on the initial claim (including an adverse determination as to the continuation of Disability benefits once commenced) was based, in whole or in part, on a medical judgment, the Claim Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgment. Such health care professional must not have been involved in the initial adverse decision, nor be the subordinate of the professional involved in the initial adverse decision. In the event of an adverse benefit decision and at the applicant's request, the Claim Administrator shall disclose the identity of any medical or vocational experts whose advice the Claim Administrator obtained in connection with the applicant's claim, regardless of whether such advice was relied upon in making the adverse decision.
- (6) The Claim Administrator shall provide the Pilot Employee with a notice of benefit determination upon review of first level appeal within forty-five (45) days after it receives the Pilot Employee's first level appeal request, unless it determines that special circumstances (such as the need to hold a hearing) require an extension of time for processing the Pilot Employee's claim. In order for the time to be extended, the written notice of the extension must be furnished to the Pilot Employee prior to the termination of the initial forty-five (45) day period. The notice must tell the Pilot Employee the nature of the special circumstances and the date by which the Claim Administrator expects to render the determination on review.

E. Notice of Determination at First Level Appeal

The Claim Administrator shall provide a written notice of determination upon review at the first level appeal within the time frames set forth in Article IX, Section D. above. If the Pilot Employee's first level appeal is wholly or partly denied, the notice from the Claim Administrator must set forth:

- (1) the specific reasons for the denial,
- (2) the specific Plan provisions on which the determination is based,
- (3) a statement that the applicant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim,
- (4) a statement describing second level appeal procedures of the Plan (including the time limits applicable to such procedures), the right to elect a voluntary Independent Clinical Review following compliance and exhaustion of such claims procedures (including the time limits applicable to such election), and a statement of the applicant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination if the claim is denied on review under the Plan's appeal procedures at both the first and second levels of appeal and, if applicable, any voluntary Independent Clinical Review elected by the Pilot Employee,
- (5) any internal Plan rule, guideline, protocol, or other similar criterion relied upon in making the determination (or state that such information is available free of charge upon request), and
- (6) if the denial was based on a scientific or clinical exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Pilot Employee's circumstances (or state that such explanation is available free of charge upon request).

F. Second Level Appeal

- (1) If a Pilot Employee or authorized representative receives a notice of determination on his first level appeal that is adverse, in whole or in part, that he wants further reviewed under the Plan's appeal procedures, he must request a second level appeal in writing to the Plan Administrator by mailing such request to the Plan Administrator's address provided on page 31. A Pilot Employee must file the written request for review within 180 days of receiving the notice of adverse determination on his first level appeal. Any request for review filed with Plan Administrator after this 180-day period will be null and void and the decision on the first level appeal shall be considered final. Second level appeal determinations shall be made by the Plan Administrator subject to the provisions of paragraph (5) below.
- (2) The Pilot Employee will be provided, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claim. Relevant information includes with respect to the determination at the initial claim level and with respect to the determination at the first appeal level: anything that was relied on in making the benefit

determination; anything submitted, considered or generated in the course of making the determination, without regard to whether the information was relied upon in making the determination; and information that demonstrates compliance with required administrative processes and safeguards.

- (3) As part of this review, the Pilot Employee may submit Appeals Materials for the second level appeal. Only the Appeal Materials filed with the Plan Administrator prior to the 180-day appeal period will be considered. There will be no exception to this rule.
- (4) After receiving the Pilot Employee's request, the Plan Administrator will review the Pilot Employee's claim promptly. No deference in the second level appeal review process will be given to the initial adverse benefit decision or the first level appeal determination. The individual reviewing the claim and making the second level appeal determination must not include the person who made the initial claim decision or the first level appeal determination, nor any person who is a subordinate of those individuals. The second level appeal review will take into account all comments, documents, records, and other information submitted by the Pilot Employee relating to the claim, without regard to whether such information was submitted or considered in the initial benefit decision or the first level appeal determination.
- (5) If the adverse determination on the initial claim and/or the first level appeal (including an adverse determination as to the continuation of disability once commenced) was based, in whole or in part, on a medical judgment, the Plan Administrator shall consult with a health care professional who has appropriate training and experience in the field of medicine involved in the medical judgement. Such health care professional must not have been involved in the initial adverse decision or the first level appeal determination nor be the subordinate of a professional involved in either of those determinations. In the event of an adverse benefit determination and at the applicant's request, the Plan Administrator shall disclose the identity of any medical or vocational experts whose advice the Plan Administrator obtained in connection with the applicant's claim, regardless of whether such advice was relied upon in making the adverse determination.
- (6) The Plan Administrator shall provide the Pilot Employee with a notice of benefit determination upon review of second level appeal within forty-five (45) days after it receives the Pilot Employee's second level appeal request, unless it determines that special circumstances require an extension of time for processing the Pilot Employee's claim. In order for the time to be extended, the written notice of the extension must be furnished to the Pilot Employee prior to the termination of the initial forty-five (45) day period. The notice must tell the Pilot Employee the nature of the special circumstances and the date by which the Plan Administrator expects to render the determination on review.

G. Notice of Determination at Second Level Appeal

The Plan Administrator shall provide a written notice of determination upon review at the second level appeal within the time frames set forth in Article IX, Section F. above. If the Pilot Employee's second level appeal is wholly or partly denied, the notice from the

Claim Administrator must set forth:

- (1) the specific reasons for the denial,
- (2) the specific Plan provisions on which the determination is based,
- (3) a statement that the applicant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, the all documents, records, and other information relevant to the claim,)
- (4) a statement describing the applicant's right to elect an Independent Clinical Review where a determination arises from a medical judgment and to obtain information about the Independent Clinical Review procedures, and of the applicant's right to bring an action under section 502(a) of ERISA;
- (5) any internal Plan rule, guideline, protocol, or other similar criterion relied upon in making the determination (or state that such information is available free of charge upon request), and
- (6) if the denial was based on a scientific or clinical exclusion or limit, an explanation of the scientific or clinical judgment for the determination, applying the terms of the Plan to the Pilot Employee's circumstances (or state that such explanation is available free of charge upon request).

H. Voluntary Appeal Right to Independent Clinical Review

- (1) If a Pilot Employee receives a notice of determination on his second level appeal that is adverse, in whole or in part, arising from a medical judgment (for example, the clinical validity of a claim of the existence of a disability or the continuation of the illness or injury which gave rise to such disability), such Pilot Employee may elect to receive a binding determination by an independent clinical source. Such election must be made in writing to the Plan Administrator by mailing such request to the Plan Administrator's address provided on page 48. A Pilot Employee must file the written request for review within 180 days of receiving the notice of adverse determination on his second level appeal. Any request for review filed with Plan Administrator after this 180-day period will be null and void and the decision on the second level appeal shall be considered final.
- (2) In the event a Pilot Employee elects an Independent Clinical Review:
  - (i) the cost involved in such proceeding shall be equally shared by the Association and the Company and no fees or costs shall be imposed on the claimant as part of this voluntary level of appeal.
  - (ii) the independent clinical source shall be mutually determined by the Company and the Association and: (a) shall be a health care professional with appropriate training and experience in the field of medicine involved in the medical judgment; (b) shall not have been consulted about the adverse benefit determination that is the subject of the appeal; and (c) shall not be a subordinate of any such individual who

- was consulted in connection with the adverse benefit determination;
- (iii) the Association's consent to the selection of an independent clinical source shall not be unreasonably withheld;
  - (iv) the decision of the independent clinical source shall be final and binding upon the Company, the Association, the Pilot Employee and his Beneficiaries;
  - (v) the Plan waives any right to assert that a claimant has failed to exhaust administrative remedies because the claimant did not elect to submit a benefit dispute to any such voluntary level of appeal provided by the Plan;
  - (vi) the Plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that any such voluntary appeal is pending; and
  - (vii) the Plan agrees to provide to a claimant, upon request, sufficient information relating to the voluntary level of appeal to enable the claimant to make an informed judgment about whether to submit a benefit dispute to the voluntary level of appeal.

This Section H supersedes all letters and prior agreements related to the selection of an independent clinical source or independent clinical reviewer of the Plan.

I. General Administration – Finality of Decisions

- (1) Except as otherwise expressly provided under this Article IX, the Claim Administrator has the express authority to interpret any provisions of this Plan and to determine, at its sole discretion, the meaning and application of any such provision as to each Pilot Employee, in accordance with the facts and circumstances of each particular claim for purposes of determinations made under Sections A, B, C, D and E hereof. Any decision or action of the Claim Administrator, within its scope of authority, shall be final and binding on all persons claiming a right to benefits under the Plan.
- (2) Except as otherwise expressly provided under this Article IX, the Plan Administrator has the express authority to interpret any provisions of this Plan and to determine, at its sole discretion, the meaning and application of any such provision as to each Pilot Employee, in accordance with the facts and circumstances of each particular claim for purposes of determinations made under Sections F, G, and H hereof. Any decision or action of the Plan Administrator, within its scope of authority, shall be final and binding on all persons claiming a right to benefits under the Plan.
- (3) No benefit shall be payable under the Plan, unless the Claim Administrator or the Plan Administrator, as applicable determines in its sole discretion, in accordance with the procedures set forth in Article IX (subject to Article IX, Section H), that such benefit is payable under the terms of the Plan.

- (4) Effect of Certain Determinations under Other Agreements. In administering the Plan, the Plan Administrator and/or Claim Administrator shall be bound by any determination pursuant to the Agreements, as applicable. The Plan Administrator and/or Claim Administrator shall not administer the Plan in any manner inconsistent with a final determination under such Agreements. Notwithstanding any other provision of this Plan, neither the interpretation of the Plan nor its administration shall as such be within the jurisdiction of such Agreements.

Disability payments will generally be made through the payroll process. However, if the Plan Administrator has any reasonable doubt that Disability payments are being received by the person entitled thereto, it shall, by registered mail addressed to the person concerned, at his address last known to the Plan Administrator, notify such person that all Disability payments that have not yet been made shall be henceforth withheld until the Pilot Employee provides the Plan Administrator and/or Claim Administrator with evidence of entitlement to such benefit and, if applicable, his proper mailing address.

## **X. FIDUCIARY DUTIES**

### **A. General Fiduciary Standards**

A fiduciary shall discharge his duties with respect to the Plan solely in the interest of the Pilot Employees and:

- (1) For the exclusive purpose of providing benefits to Pilot Employees and defraying reasonable expenses of administering the Plan;
- (2) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; and
- (3) In accordance with the documents and instruments governing the Plan, insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

### **B. Liability Among Co-Fiduciaries**

- (1) Except for any liability which a fiduciary may have under ERISA, a fiduciary shall not be liable for the breach of a fiduciary duty or responsibility by another fiduciary of the Plan except in the following circumstances where:
  - (i) The fiduciary participates knowingly in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is breach;
  - (ii) The fiduciary's failure to comply with the general fiduciary standards in the administration of the fiduciary's specific responsibilities that give rise to its status as a fiduciary has enabled such other fiduciary to commit a breach; or

- (iii) The fiduciary has knowledge of a breach by such other fiduciary and does not undertake reasonable efforts under the circumstances to remedy the breach.
- (2) Liability Where Allocation Is in Effect. To the extent that fiduciary responsibilities are specifically allocated either by a fiduciary or pursuant to the express terms hereof to any person or persons, then such fiduciary shall not be liable for any act or omission of such person in carrying out such responsibility except to the extent that the fiduciary violated this Section: (a) with respect to such allocation or designation, (b) with respect to the establishment or implementation of the procedure for making such an allocation or designation, (c) in continuing the allocation or designation, or (d) if the fiduciary would otherwise be liable in accordance with this Section.
- (3) No Responsibility for Employer Action. The Plan Administrator shall have no obligation or responsibility with respect to any action required by the Plan to be taken by an Employer, or any Pilot Employee.
- (4) No Duty to Inquire. The Plan Administrator shall have no obligation to inquire into or be responsible for any action or failure to act on the part of the others.
- (5) Successor Fiduciary. No fiduciary shall be liable with respect to any breach of fiduciary duty if such breach was committed before becoming a fiduciary or after ceasing to be a fiduciary.
- (6) Standard of Review. In carrying out their respective responsibilities under the Plan, the Plan Administrator and other Plan fiduciaries shall have discretionary authority to interpret the terms of the Plan and to determine eligibility for and entitlement to Plan benefits in accordance with the terms of the Plan. Any interpretation or determination made pursuant to such discretionary authority shall be given full force and effect under the Plan, unless it can be shown that the interpretation or determination was arbitrary and capricious.

C. Amendment and Termination of the Plan

Subject to the provisions of Supplement F(4) of the Agreements, the Company expects to continue the Plan indefinitely but necessarily reserves the right to amend the Plan, in whole or in part, at any time or from time to time, and to suspend or terminate the Plan, in whole or in part, at any time, by action of the Board of Directors or by any delegate appointed with such authority. The Company specifically reserves the unilateral right to amend the Plan for the purpose of complying with applicable laws and regulations.

D. Procedure for Amendment

Any amendment which is required to be made to the Plan by ERISA, or by any regulations or interpretations issued by the Department of Labor or the Internal Revenue Service with respect to the requirements of ERISA, shall be made by action of the senior most member of the People Department of the Company or his or her delegate, subject to the Agreements. All other amendments to the Plan may be made by action of the Board of Directors, or by the senior most member of the People Department of the Company or by such person or persons, the Board of Directors may designate, to exercise

the authority of the Company to amend the Plan, subject to the Agreements.

E. Merger with Other Plans

The Plan shall not be merged or consolidated with other plans.

F. Execution of Receipts and Releases

Any payment to any Pilot Employee, or to his legal representative, in accordance with the provisions of the Plan, shall to the extent thereof be in full satisfaction of all claims hereunder against the Plan. The Plan Administrator may require such Pilot Employee or legal representative as a condition precedent to such payment, to execute a receipt and release therefor in such form as it shall determine.

G. Rights of Pilot Employees

Nothing contained in the Plan shall be construed as creating a contract of employment between the Employer and any Pilot Employee, as granting any rights to any Pilot Employee to be continued as such or which would otherwise affect his or her employment in any status with the Employer or as limiting the right of the Employer to discharge any Pilot Employee whether with or without cause.

H. Payment of Expenses

All expenses incident to the administration, termination, and protection of the Plan, including but not limited to legal, actuarial, and accounting fees, which are administrative expenses properly allocable with respect to the Plan as determined by the Plan Administrator, in its sole and absolute discretion, shall be paid by the Employer.

I. Obligations of the Company

The obligations of the Company under the Plan shall be limited to those obligations specifically assumed by it under the terms hereof, together with such additional obligations, if any, as may be imposed upon the Company by applicable law.

J. Headings

The titles and headings are included for convenience of reference only and are not to be considered in construing the provisions hereof.

K. Pilot Claims

With respect to individual pilot disability matters, the Company cannot resolve individual benefit eligibility issues outside of the Plan's claim and appeal processes as provided herein.

## **XI. GENERAL INFORMATION ABOUT THE PLAN**

### **YOUR RIGHTS UNDER ERISA**



This section contains statements of your rights under the Employee Retirement Income Security Act (ERISA) of 1974, as amended from time to time. This legal notice follows the format provided by federal regulations and summarizes your rights under the law.

As a participant in the American Airlines, Inc. Pilot Long Term Disability Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all plan participants shall be entitled to:

### **Receive Information About Your Plan and Benefits**

Examine, without charge, at the Plan Administrator's office and at the Association's office, all documents governing the plan, including collective bargaining agreements, and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

Obtain, upon written request to the Plan Administrator at the address shown on page 31, copies of documents governing the operation of the plan, including collective bargaining agreements, and copies of the latest annual report (Form 5500 Series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.

Receive a summary of the plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate your Plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries. No one, including your employer, your union, or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a disability benefit or exercising your rights under ERISA.

### **Enforce Your Rights**

If your claim for a disability benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of plan documents or the latest annual report from the plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If it should happen that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

## **Assistance With Your Questions**

If you have any questions about this Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

For general information contact:

### **Team Member Service Center**

P.O. Box 619616

DFW Airport. TX 75261-9616

(800) 647-2000

For information about your claims, contact your local Flight Administration office.

## XII. PLAN INFORMATION

**PLAN NAME:** American Airlines, Inc. 2012 Pilot Long Term Disability Plan (also known as the “2012 Pilot LTD Plan”)

**PLAN NUMBER:** 516

**TYPE OF PLAN:** Long Term Disability

**EFFECTIVE DATE:** October 1, 2012

**PLAN ADMINISTRATOR:** American Airlines, Inc.

Mailing address:

Pilot Long Term Disability Plan

Mail Drop 4100-HDQ

P. O. Box 619616

DFW Airport, Texas 75261-9616

800-555-2372 (extension 5)

Fax: 817-931-7540

**CLAIM ADMINISTRATOR:** Harvey Watt, Inc.

Mailing address:

Harvey Watt & Company

P.O. Box 20787

Atlanta, GA 30320

678-701-6306

**PLAN SPONSOR:** American Airlines, Inc.

**EMPLOYER ID NUMBER:** 13-1502798

**AGENT FOR SERVICE**

**OF LEGAL PROCESS:** Vice President Benefits

American Airlines, Inc.

Mailing address:

P. O. Box 619616

Mail Drop #5126, HDQ1  
DFW Airport, Texas 75261-9616

Street address:

4333 Amon Carter Blvd  
Mail Drop #5126, HDQ1  
Fort Worth, TX 76155

Claim Administrator

Harvey Watt & Company  
P.O. Box 20787  
Atlanta, GA 30320

**FUNDING ARRANGEMENT:** Self-Funded, Benefits are paid by the Company from Company funds

**PLAN YEAR:** January 1 through December 31

**MAINTENANCE OF PLAN:** This Plan is established and maintained pursuant to Agreements between the Company and the Association.

### **XIII. ABOUT THIS DOCUMENT**

This document, along with any amendments adopted by the Company, is the official Plan document and Summary Plan Description (SPD) for the Plan.

The Company reserves the right to alter, amend, modify, or terminate the Plan, any program described in this document, or any part thereof at its discretion, subject to any Agreements between the Company and the Association. Changes will not affect claims for services or supplies received before the change.

Only the Company is authorized to change this Plan as described in this document. From time to time, you may receive updated information concerning Plan changes. Neither this guide nor updated materials are contracts or assurances of compensation, continued employment, or benefits of any kind.

In the event of a conflict between the provisions of this document and the provisions contained in the Agreements, the Agreements shall govern in all cases with respect to employees covered by such Agreements.