

KELSEY NATIONAL CORPORATION GENERAL AGENT'S AGREEMENT

This General Agents Agreement is made and entered into this ____ day of _____, 20____, by and between Kelsey National Corporation (KNC), a California corporation, and _____ hereinafter referred to as "General Agent"). KNC provides ministerial services for and sells insurance to the National Group Trust (hereinafter referred to as the "Trust"), and assists the Trust in establishing memberships for eligible employers which wish to participate in the Trust.

In consideration of the mutual covenant, agreements and representations set forth herein below, General Agent and KNC hereby agree as follows:

1. License Requirements

(a) General Agent represents and warrants that he is licensed and otherwise has the legal right to sell and service insurance issued through the Trust, to receive commissions pursuant thereto and to perform all other acts authorized by KNC pursuant to this agreement.

(b) General Agent agrees to maintain any licenses and other requirements set forth in subparagraph (a) above for the duration of this Agreement, such maintenance to be the sole responsibility and burden of General Agent, and to ascertain that persons selling or servicing insurance for the Trust through General Agent are also properly licensed.

2. Authorization and KNC's Obligations

(a) KNC hereby authorizes General Agent to act on behalf of KNC as a general agent regarding selling and servicing insurance policies issued through the Trust and administered by KNC, and as a solicitor of memberships for eligible employers which may wish to participate in the Trust and purchase said insurance policies.

(b) KNC shall furnish to General Agent certain advertising or descriptive material and other supplies necessary for the enrollment of employers in the insurance programs offered by and through the Trust.

(c) KNC shall report to General Agent all insurance business produced through General Agent's efforts which has been accepted or declined, and provide monthly statements of commissions due thereon.

3. Operation of General Agent

General Agent shall:

(a) Hold in trust all gross premiums and/or policy fees received or collected by General Agent on behalf of the Trust and remit such funds immediately to the Trust, together with a full and detailed accounting thereof;

(b) Receive and verify the accuracy of applications for insurance and memberships in the Trust and forward the same to KNC;

(c) Comply strictly with (i) all rules and regulations of the Trust now or hereafter in effect, (ii) any direction or instruction by KNC to the General Agent within the terms of the Agreement, and (iii) all insurance laws and regulations of the state(s) in which General Agent operates or otherwise does business;

(d) Furnish any advertising or descriptive material and other supplies provided by the Trust or by KNC to Agents/ Producers as needed, and return any remaining supplies to the Trust or KNC, as the case may be, upon demand; and

(e) Promote the business of KNC with respect to policies sold through the Trust to Agents/Brokers and otherwise aid in the care and conservation of the Trust and KNC's administration of insurance policies therein.

(f) Provide KNC with a Certificate of Professional Errors and Omissions Insurance evidencing coverage of at least one million dollars and giving KNC 30 day notice of cancellation or non-renewal.

4. No Liabilities, Waivers or Rebates

General Agent shall have no authority to and shall not:

(a) Enter into any agreement or contract or incur any debt, expense or liability of any kind whatsoever in the name of or on behalf of KNC, the Trust or any of the Trust's underwriting companies;

(b) Waive, alter or modify any provision of the insurance policies or agreements issued by or on behalf of KNC, the Trust or any of the Trust's underwriting companies;

(c) Pay or offer to pay, directly or indirectly, as an inducement to any person to obtain insurance through the Trust, any rebate of premium or of General Agent's overriding commissions thereon, or engage in any activity prohibited by Division 1, Part 2 of the California Insurance Code or similar statutes and regulations of any other states prohibiting unlawful rebates, profits and commissions, or allow or offer any other type of inducement unless specifically authorized to do so by the terms of the policy or by written agreement with-KNC; or

(d) Represent, prior to the termination of this Agreement as provided herein, any other entity offering group insurance which is similar to that offered through the Trust and designed to cover employers similar to the size of employers for which the insurance offered through the Trust is designed.

5. Compensation

(a) During the term of this Agreement, General Agent shall receive compensation for his services hereunder at the rate set forth in the compensation schedule attached hereto as Exhibit A (hereinafter referred to as "General Agent's Schedule of Compensation") which, subject to such modification and/or supplementation as provided for under subsection (c) herein below, shall be applied to the amount of gross premiums due and paid during the first and any renewal years on insurance business which is (i) produced by Agents/Brokers who have executed a Producer's Agreement with KNC acting on behalf of the Trust and who have been recognized by KNC as acting through General Agent, and (ii) accepted by the insurance company.

(b) In the event KNC terminates this Agreement and this termination is not due to General Agent's fraud or dishonesty or failure to satisfy the requirements of Section I hereof (License Requirements), KNC shall continue to pay to General Agent the commissions set forth in subsection (a) hereinabove as long as the aggregate commission amount payable exceeds \$120.00 annually.

(c) Subject to requirements set forth in subsections (a) and (b) hereinabove, the KNC shall pay to General Agent additional overriding commissions on new insurance products (at a rate to be determined by KNC) sold to existing and new subgroups through Agents/Brokers, when such additional products become available.

6. Inability of Agents/Brokers to Perform

In the event that an Agent/Broker is no longer licensed or otherwise able to receive commissions upon insurance business obtained by such Agent/Broker, General Agent shall thereupon be assigned the right to receive commissions on, and be delegated the requirement to service, such insurance business for which General Agent is receiving compensation under Section 5 hereof. With the written consent of KNC, General Agent may assign such rights and delegate such duties to a new Agent/Broker.

7. Termination

This Agreement, together with all riders, exhibits, incorporations by reference and supplements hereto, shall terminate as follows:

- (a) Thirty (30) days following deposit with the United States mail of a written notice of termination, addressed to the last known address of the other party and with postage thereon fully prepaid, by the party desiring to so terminate;
- (b) Immediately, if any act of fraud or dishonesty is perpetrated by either party upon the other, and in the event of General Agent's fraud or dishonesty causing such termination, all of General Agent's rights under this Agreement shall cease and any unpaid commissions which General Agent has then earned may be retained by KNC or the Trust and treated as an off-~~et~~ against the amount of any damages sustained by KNC or the Trust as a result of General Agent's fraud or dishonesty; or
- (c) Immediately, upon any failure of General Agent to satisfy the requirements of Section I of this Agreement (License Requirements).

8. Reservation of Rights

- (a) This Agreement is subject to the right of KNC, the Trust or an insurance company to (i) decline acceptance of any application deemed not acceptable by such party, as it shall determine in its sole discretion, and (ii) amend or rescind any certificates and all other rights of an insurance company under the terms of any issued policies.
- (b) KNC, on behalf of the Trust, reserves the right to discontinue or withdraw any plan of insurance.
- (c) KNC shall have the sole authority to determine any dispute between General Agents as to the affiliation of an Agent/Broker with a particular General Agent.

9. Exclusivity

This Agreement shall not create any exclusive rights with respect to insurance plans or other products offered by KNC through the Trust, whether territorial or otherwise.

10. Dispute Resolution

Any controversy, dispute, or claim arising out of, in connection with, or in relation to the interpretation, performance, or breach of this agreement shall be resolved, at the request of either party, by reference to an Arbitrator selected by mutual agreement. If the parties cannot agree upon an Arbitrator, one shall be appointed by the Presiding Judge in the county of Los Angeles, California.

Each party shall bear one-half (1/2) of the cost of appointing the Arbitrator and of paying the Arbitrator's fees. The procedure whereby the evidence is considered (oral and/or written) relating to the controversy or dispute shall be as agreed to by the parties and, in the absence of such agreement, shall be as determined by the Arbitrator.

11. Waiver of Part of Agreement

Failure of KNC and/or the Trust to insist upon strict compliance with any conditions or covenants of this Agreement or rules of the Trust shall not be construed as a waiver of any such conditions, covenants or rules, which shall continue to remain in full force and effect.

12. Complete Agreement

This Agreement constitutes the final, complete and exclusive agreement between the parties hereto, and no prior or contemporaneous oral representation shall be construed as to supplement, modify or explain this Agreement, nor shall this Agreement be hereafter modified except by written instrument executed on behalf of the Trust.

13. Headings

Headings and subheadings in this Agreement are inserted for convenience only and are not to be considered in the construction of the provisions hereof.

14. Interpretation

Singular nouns may include the plural and plural nouns may include the singular where appropriate in this Agreement. The masculine gender may mean the feminine and/or neuter gender where appropriate.

IN WITNESS WHEREOF, the parties hereto have executed this General Agent's Agreement on the date first above written.

KELSEY NATIONAL CORPORATION

GENERAL AGENT

By X _____

X _____
(Signature of General Agent)

X _____
(Type or print General Agent's name as it appears on license)

Address of General Agent as it appears on license

_____ Street

_____ City State Zip-Code

_____ Telephone Number

_____ License No.

_____ Social Security or Tax Identification Number

Exhibit A

General Agents Commissions Paid 1st year Renewal

Product	Carrier	Name of Product	Size	General Agent	Producer	
Dental	USLife / American General	Ultimate Advantage	2 to 50	2.50%	10%	
		Traditional Dental	2 to 24	2.25%	9%	
		Traditional Dental	25 to 50	1%	8%	
		Voluntary Dental	10+	5%	20%	
	Security Life / NGT	AdvanceDent	3 +	5%	10%	
		Choice Plus DHMO	3+	8%	10%	
	Life	USLife / American General	Indemity/PPO	1 to 24	5%	10%
			Indemity/PPO	25 to 50	4%	8%
			Indemity/PPO	50 to 100	3%	7%
			Indemity/PPO	101 to 200	2%	5%
Indemity/PPO			201 to 500	2%	4%	
Indemity/PPO			501+	1%	3%	
Disability	USLife / American General	Ultimate Advantage	2 to 50	5%	20%	
		Quality Series	10 +	1.50%	15%	
		Voluntary LTD	2+	5%	20%	
		Voluntary STD	2+	5%	20%	