



Group Long Term Disability Insurance

FOR THE MEMBERS OF THE MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN

Safeguarding Your Employees' Income



Your Proposed Group Insurance Plan

Standard Insurance Company appreciates the opportunity to provide you with a proposal for Group Long Term Disability insurance. This booklet and the Employee Benefits Proposal together outline the basic features of your proposed group Long Term Disability (LTD) insurance plan. These two documents are not a contract.

Establishing group LTD insurance coverage with The Standard requires your completed, signed application for group insurance and our acceptance of it. When we approve your application, we will issue you a *group policy* containing our customary language. It will not duplicate the language of any existing policies you may have.

Your *group policy* with The Standard will contain provisions and defined terms not described in this booklet or your Employee Benefits Proposal. When used in this booklet, terms defined within the policy will appear in italics. If any discrepancies exist between the *group policy*, the Employee Benefits Proposal and this booklet, your *group policy* will control.

Your *group policy* will become effective on the date determined by The Standard, which will be clearly stated in your policy. We will also supply you with certificates of insurance that describe the coverage in detail. These are for you to distribute to your insured employees.

The proposed premium rate and plan design for your LTD coverage are based on the underwriting data we received from you. We will determine final premium rates and plan provisions based on:

- State law
- *Policyholder* contributions
- Confirmation of occupations
- The composition of the group of employees you wish to insure
- Our current underwriting rules and practices

The proposal will expire on the date shown in your Employee Benefits Proposal.

Thank you for considering The Standard for your group LTD insurance needs. Should you have questions or need additional information, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area.



Group Long Term Disability Insurance

A Vital Part of Your Employee Benefits Package

Long Term Disability insurance from The Standard provides a monthly benefit to eligible employees who are partially or totally *disabled* due to a covered *physical disease, injury, pregnancy or mental disorder*. It is key to smart financial planning for both *employers* and employees.

People routinely purchase home, car and life insurance to safeguard themselves against the threat of loss. Yet they may underestimate the importance of insuring a portion of their incomes against the threat of *disability*. The risk of *disability* is greater than most people think. Recent statistics are quite clear:

- 1 in 4 of today's 20 year-olds will become disabled before they retire.
Social Security Administration, Basic Facts, July 26, 2013
- Every 90 seconds someone files for bankruptcy in the wake of a serious illness.
The American Journal of Medicine, Vol 122, No 8, August 2009
- The average group long-term disability claim lasts 34.6 months.
Gen Re, U.S. Group Disability Rate & Risk Management Survey 2012, based on claim closed in 2011

LTD insurance from The Standard replaces a portion of lost income for eligible employees who meet the definition of *disability* under the *group policy*. This allows *disabled* employees to recuperate with fewer worries about making ends meet.



Financial Support for Employees, A Recruitment Tool for Employers

Savings, sick leave, workers' compensation, Social Security, friends and family are some of the sources used to replace income lost due to *disability*. However, the financial impact of long term *disability* often exceeds these limited resources. The Standard's LTD insurance supplements other sources of income and provides incentives and assistance to facilitate a return to work whenever possible.

LTD coverage also helps *employers* by enhancing their benefits package — one of the best ways to attract and retain high-caliber employees. The Standard offers LTD insurance with flexible plan designs and claims-management expertise, all at competitive group rates.

Plan Design Information

LTD Benefit Schedule

LTD benefits replace a specified percentage of a *disabled* employee's *predisability earnings*, as defined in the *group policy*. The percentage is typically 60 percent or 66⅔ percent, subject to *minimum* and *maximum LTD benefit* amounts, but options from 30 percent to 70 percent are available. As part of an income-replacement program, LTD benefits will be reduced by certain other amounts, called *deductible income*, which the employee receives or is eligible to receive. (See the specifics in the Employee Benefits Proposal).

Definition of Predisability Earnings

Most definitions of *predisability earnings* include:

- Salary
- Shift differential pay
- Commissions averaged over the preceding 12-month period or over the period of employment if less than 12 months
- Employee contributions made through a salary reduction agreement with the *employer* to an Internal Revenue Code (IRC) Section 401(k), 403(b), 408(k), 408(p) or 457 deferred compensation arrangement, or an executive non-qualified deferred compensation arrangement
- Amounts contributed to fringe benefits according to salary reduction agreements under IRC Section 125 plans

The definition of *predisability earnings* generally excludes bonuses, overtime or any other extra compensation. However, these items may be included if approved by The Standard. If so, they will be shown in the Employee Benefits Proposal. An *employer's* contributions on the employee's behalf to any deferred compensation arrangement or pension plan are also generally excluded from the definition of *predisability earnings*.

Coverage up to a certain level, the *guarantee issue amount*, is available without submitting *evidence of insurability*. Evidence may be required for higher amounts.

When LTD Benefits Begin

When *LTD benefits* are payable, they begin at the end of the *benefit waiting period*. Benefits are not payable during the *benefit waiting period*. The most common *benefit waiting period* is 90 days of continuous *disability*;



however, the period can range from 30 days to one year depending on the specific needs of the *employer*. See the Employee Benefits Proposal for the *benefit waiting period*.

When LTD Benefits End

LTD benefits end automatically on the date the employee:

- No longer meets the definition of *disability*
- Fails to provide proof of continuing *disability*
- Becomes eligible for benefits under another group LTD plan
- Reaches the end of the *maximum benefit period* for which *LTD benefits* are payable for any one period of continuous *disability*

LTD benefits are not payable after the end of the *maximum benefit period*, even if the employee remains *disabled*.

For employees who become *disabled* after age 60, The Standard offers three age-graded reduction schedules that provide benefits beyond age 65. See the Employee Benefits Proposal for the *maximum benefit period*.

Definitions of Disability

The definition of *disability* determines whether benefits are payable and the extent to which *disabilities* are covered. The Standard's definitions of *disability* are both progressive and balanced to offer flexibility in designing a benefit program to meet each organization's specific needs.

Some employees will meet the applicable definition and also retain the ability to perform some of their work duties full-time or part-time, or be able to work in another occupation. To encourage those who are able to perform some work, The Standard's *disability* definitions provide coverage for individuals who work while *disabled*, as defined by the *group policy*.

Our traditional *disability* plan includes a 24-month *own occupation period* followed by an *any occupation period*.

Material Duties and Indexed Predisability Earnings

The Standard offers comprehensive and distinctive *own occupation* and *any occupation* definitions of *disability*. Most of The Standard's plans include both definitions, but they can be separated and the time periods when they apply may vary to meet the needs of the organization and its employees. For example, our traditional plan includes a 24-month *own occupation period* followed by an *any occupation period*.

Both *own occupation* and *any occupation* definitions refer to *material duties* and *indexed predisability earnings*.

Material duties are the essential tasks, functions, operations, skills, abilities, knowledge, training and experience generally required by *employers* from those engaged in a particular occupation. These essential tasks, functions, etc. cannot be reasonably modified or omitted, and a particular occupation cannot be performed without them. (A requirement to work an average of more than 40 hours per week would never be considered a *material duty*.)

Indexed predisability earnings are based upon *predisability earnings* and the U.S. Consumer Price Index; *indexed predisability earnings* are calculated strictly for purposes of determining *disability*. *Indexed predisability earnings* may apply in determining whether an employee meets the *own occupation* or *any occupation* definition of *disability*.

Own Occupation Disability

During the *benefit waiting period* and for the first 24 months thereafter, employees are *disabled* if, as a result of *physical disease, injury, pregnancy* or *mental disorder*:

- They are unable to perform with reasonable continuity the *material duties* of their *own occupation*, and
- They have suffered a loss of at least 20 percent in their *indexed predisability earnings* when working in their *own occupation*

Own occupation means any employment, business, trade, profession, calling or vocation that involves *material duties* of the same general character as the occupation the employee is regularly performing for the *employer* when the *disability* begins.

Own occupation is not limited to how the employee specifically performs the job for the *employer*. Rather, The Standard may view how the occupation is generally performed in the national economy. If the *own occupation* involves the rendering of professional services and requires a license in order to work, the definition of *own occupation* is as broad as the scope of the license.

While this definition applies, employees who are *disabled* from their *own occupation* may work in another occupation and continue to qualify for *LTD benefits* as long as their *work earnings* do not exceed 80 percent of their *indexed predisability earnings*. *Work earnings* will be used to reduce the *LTD benefits* as noted under "Return to Work Incentive."

Any Occupation Disability

During the *any occupation period*, which spans the remainder of the *maximum benefit period*, employees are *disabled* if, as a result of *physical disease, injury, pregnancy* or *mental disorder*, they are unable to perform with reasonable continuity the *material duties* of *any occupation*.

Any occupation means any occupation or employment that the employee is able to perform, based on their education, training or experience and available at one or more locations in the national economy. In this occupation, the employee could be expected to earn at least 60 percent of *indexed predisability earnings* within 12 months following their return to work, regardless of whether the employee is working in their own or any other occupation.

While this definition applies, *disabled* employees may work and continue to qualify for *LTD benefits* as long as they meet the *any occupation* definition of *disability*. *Work earnings* will reduce the *LTD benefits* as noted under “Return to Work Incentive.”

Optional Definitions of Disability

The Standard understands the specialized training and financial investment required for many professional careers. We offer definitions of *disability* specifically designed for professionals, key management employees and certain *employer* groups.

Own Occupation to Age 65

The Standard offers a definition of *disability* that requires employees to be *disabled* from only their *own occupations*. This definition applies during the *benefit waiting period* and throughout the *maximum benefit period*. Employees who are *disabled* from their *own occupations* may work in another occupation. However, they will no longer meet the definition of *disability* when their *work earnings* exceed 80 percent of *indexed predisability earnings*.

Own Specialty Protection

For physicians and attorneys, The Standard offers two-year, five-year, and to end of *maximum benefit period* own specialty protection. For physicians, *own occupation* is defined as the medical specialty the physician is board-certified to practice. For attorneys, *own occupation* is defined as the one or two legal subject-matter areas or types of legal practice in which the attorney has specialized, provided the attorney has been in practice for at least five years.¹

Certain percentages of the gross professional fee income must have been earned in those specialty areas or types of practice during the 24 months just

¹ Trial attorney or trial practice will not be considered one of the specialty legal subject matter areas or types of legal practice, unless the attorney personally appears and actively participates in legal proceedings on behalf of clients at least four hours per day on an average of at least 50 days per year during the 24 months just before disability begins. Time the attorney spends preparing to actively participate in legal proceedings can be included when calculating up to one-half of the hours-per-day and days-per-year requirement. Legal proceedings include civil or criminal trials, administrative rule-making or contested-case hearings, workers' compensation hearings, arbitration and mediation hearings, and the taking or defending of depositions.

before *disability* began. These percentages are at least 60 percent for physicians and 85 percent for attorneys. During the remainder of the *maximum benefit period*, the employee must meet the usual *own occupation* definition of *disability*. Those who meet this definition of *disability* may work in another occupation. However, they will no longer be considered as *disabled* when their *work earnings* exceed 80 percent of *indexed predisability earnings*.

Returning to Work

Our claims management services have been carefully designed to promote and optimize the return of *disabled* employees to a productive life whenever possible. Our benefits analysts work with vocational experts, nurses and physicians to provide early screening, assess *disability* durations and identify return-to-work opportunities. As a result, *disabled* employees may return to work earlier than anticipated, which may reduce the likelihood of permanent *disability*. We know that the best way to close claims is to help claimants get back on their feet and back on the job. This helps *employers* regain valuable employees and contain *disability* claims costs.

Return to Work Incentive

Providing incentives for *disabled* employees to return to work at their full potential is critical for any successful rehabilitation plan. The Standard's *Return to Work Incentive* is one of the most comprehensive in the employee benefits industry. It is automatically included in every LTD policy to provide valuable financial support to employees in their efforts to return to work.

During the 12 (or optional 24) months immediately after a *disabled* employee first returns to work, the *LTD benefit* is reduced by only the amount of *work earnings* that, when added to the employee's *maximum LTD benefit*, exceeds 100 percent of *indexed predisability earnings*. Following the incentive period, The Standard will deduct one-half of *work earnings* while the employee remains *disabled*. This typically means that employees who return to work will receive more total income than those who do not. *Work earnings* will include amounts they could earn if they worked to their full potential in work that is reasonably available.

Reasonable Accommodation Expense Benefit

To help *employers* return employees with *disabilities* to active work whenever possible, The Standard automatically includes a *Reasonable Accommodation Expense Benefit* in its LTD policies. This reimburses an *employer* up to \$25,000 for worksite modifications made on behalf of a *disabled* employee, when the modifications enable the employee to return to work. Reimbursable modifications are subject to The Standard's prior approval.

Rehabilitation Plan Provision

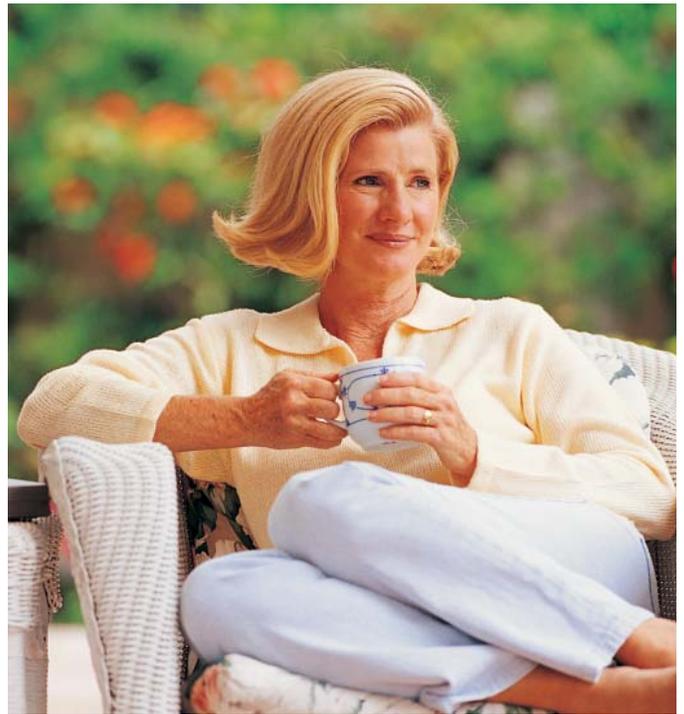
To help employees with *disabilities* prepare to return to active work, The Standard automatically includes a *Rehabilitation Plan Provision* in all LTD policies. Employees may apply to participate in a *rehabilitation plan* at any time. Subject to The Standard's prior approval, a *rehabilitation plan* may include payment by The Standard of some or all of the expenses incurred by employees that are intended to support a return to work, including:

- Training and education
- Family (child and elder) care
- Job search and other job related expenses

Temporary Recovery

The Standard automatically includes a *Temporary Recovery* provision in every LTD policy to further encourage employees to return to work. Our flexible policy language enables us to work with employees to make permanent recoveries out of temporary ones. Employees who recover from a *disability* for a period of time, but later suffer a relapse and become *disabled* again from the same cause or causes, may not have to serve a new *benefit waiting period* if the period of recovery does not exceed 30 days during the *benefit waiting period* or 180 days during the *maximum benefit period*.

In either case, the recovery period does not count toward the *benefit waiting period*, the *maximum benefit period* or the *own occupation period*. *LTD benefits* are not payable during the recovery period. *Predisability*



earnings used to determine the *LTD benefits* will not change. No *LTD benefits* will be payable after benefits become payable under any other disability plan under which the employee became insured during the recovery period. Otherwise, the *group policy* is applied as if the *disability* were uninterrupted.

Return to Work Responsibility

In addition to providing financial incentives to return to work, The Standard's LTD policy also establishes clear expectations for those who are able to return to work. *Disabled* employees who are capable of part-time work have a responsibility to take advantage of available work opportunities. They must accept part-time work in their *own occupation* during the *own occupation period* and in *any occupation* during the any occupation period, if they are able to earn at least 20 percent of *indexed predisability earnings*. *LTD benefits* will not be payable for any period when partially *disabled* employees fail to meet this return to work responsibility.

Cost Containment Features

This section outlines the limitations, exclusions and *deductible income* sources customarily included in all of The Standard's group LTD policies. Some applicable time periods and provisions may be modified at the *employer's* request.

Disabilities Subject to Limited Pay Periods

Payment of *LTD benefits* is limited to 24 (or optional 12) months during the employee's lifetime for *disabilities* caused or contributed to by any one or more of the following, or medical or surgical treatment of one or more of the following:

- Any mental, emotional or psychological disorder regardless of cause (including but not limited to depression, anxiety, stress, bipolar affective disorder, organic brain syndrome, schizophrenia). At the end of the limited pay period, benefits may continue if the employee is continuously confined in a *hospital* solely because of a *mental disorder*.
- The use of alcohol or any drug (including hallucinogens), alcoholism or drug addiction.
- Other *limited conditions* include chronic fatigue conditions (such as chronic fatigue syndrome and post viral syndrome), any allergy or sensitivity to chemicals or the environment (such as sick building syndrome and multiple chemical sensitivity syndrome), chronic pain conditions (such as fibromyalgia, reflex sympathetic dystrophy and myofascial pain), carpal tunnel or repetitive motion syndrome, temporomandibular or craniomandibular joint disorder.²

² This limitation does not apply to neoplastic diseases, neurologic diseases, endocrine diseases, hematologic diseases, asthma, allergy-induced reactive lung disease, tumors, malignancies, vascular malformations, demyelinating diseases or lupus.



As an additional cost-containment option, *employers* may elect to limit payment of *LTD benefits* for *disabilities* caused or contributed to by musculoskeletal or connective tissue disorders such as arthritis, diseases or disorders of the cervical, thoracic, or lumbosacral back and its surrounding soft tissue, and strains or sprains of joints or muscles. This expanded limitation would not apply to rheumatoid or psoriatic arthritis, herniated disks with neurological abnormalities that are documented by electromyogram and computerized tomography or magnetic resonance imaging, scoliosis, radiculopathies that are documented by electromyogram, spondylolisthesis (grade II or higher), myelopathies and myelitis, traumatic spinal cord necrosis, osteoporosis, discitis or Paget's disease.

Limitations

No *LTD benefits* will be paid for any period when the *disabled* employee is:

- Not under the ongoing care of a *physician* in an appropriate specialty as determined by The Standard
- Not participating in good faith in a plan of medical treatment, vocational training or education approved by The Standard, unless the *disability* prevents the employee from participating
- Able to work part-time, but elects not to (i.e., the employee fails to meet his return to work responsibility)
- Confined for any reason in a penal or correctional institution

In addition, payment of *LTD benefits* is limited to 12 months for any period when the employee resides outside the United States or Canada.

Exclusions from Coverage

Disabilities are not covered when caused or contributed to by:

- *War* or any act of *war*
- An intentionally self-inflicted injury, whether the insured employee is sane or insane³
- Loss of professional or occupational license or certification
- Committing or attempting to commit an assault or felony
- Active participation in a violent disorder or riot
- A *preexisting condition* or treatment of a *preexisting condition*, unless, on the date *disability* begins, the employee has been continuously insured under the *group policy* for the entire 12 months for groups with 20 or more lives and 24 months for groups with fewer than 20 lives and has been *actively at work* for at least one full day after the end of that exclusion period

³ For Colorado and Missouri residents, “insane” is not applicable.

A *preexisting condition* is a mental or physical condition whether or not diagnosed or misdiagnosed:

- That was discovered or suspected as a result of any routine or other medical examination at any time during the *preexisting condition* period, or
- For which the employee has (or a reasonably prudent person would have) consulted a physician or other licensed medical professional, received medical treatment, services or advice, undergone diagnostic procedures (including self-administered procedures), or taken prescribed drugs or medications at any time during the *preexisting condition period*

The *preexisting condition period* is the three- or six-month period just before the employee’s insurance becomes effective, as specified in the Employee Benefits Proposal.

The Standard grants credit for time served toward satisfying the *preexisting condition* exclusion period for eligible employees insured under the *employer’s* prior group LTD plan that was replaced by The Standard.

Deductible Income

The Standard’s LTD insurance helps replace part of the income lost as a result of *disability*. Often employees are eligible for other sources of income, such as workers’ compensation or Social Security. To prevent overinsurance, *LTD benefits* are reduced by an employee’s *deductible income*, which generally includes the following, although these may vary depending on if the employer is a public or private entity:

- *Work earnings*, as described under “Return to Work Incentive”
- Sick pay, annual or personal leave pay, severance pay or other salary continuation, including donated amounts (but not vacation pay), which, when added to the *maximum LTD benefit*, exceed 100 percent of *indexed predisability earnings*

- Benefits from the Federal Social Security Act, the Canada Pension Plan, the Quebec Pension Plan, the Railroad Retirement Act or similar plans or acts providing benefits that the employee or the employee's dependents receive or are eligible to receive⁴
- Benefits the employee receives or is eligible to receive from workers' compensation, state disability income benefits law, the Jones Act, Maritime Doctrine of Maintenance, Wages or Cure, Longshoremen's and Harbor Worker's Act or any similar acts or laws
- Benefits from other insurance, including individual insurance for professionals, which the employee receives or is eligible to receive
- Any earnings or compensation included in *predisability earnings* which an employee receives or is eligible to receive while *LTD benefits* are payable
- Any amount an employee receives or is eligible to receive under any unemployment compensation law or similar act or law
- Any amount an employee receives or is eligible to receive from or on behalf of a third party
- Any disability or retirement benefits an employee receives from a private employer's retirement plan
- Any disability or retirement benefits an employee receives or is eligible to receive from a public employer's retirement plan and any lump sum refund, withdrawal or distribution of contributions and earnings received⁵
- Any amount received by compromise, settlement or other method, as a result of a claim for any of the above, disputed or undisputed

4 Employers may choose a plan design that offsets LTD benefits by part or none of the dependent's benefits.

5 If the employee receives a lump sum refund, withdrawal or distribution of contributions and earnings, *LTD benefits* are determined using a lifetime monthly annuity amount with no survivor income. Employee and *employer* contributions are considered as distributed simultaneously throughout the employee's lifetime, regardless of how funds are distributed from the retirement plan.

Exceptions to Deductible Income

The following are generally not considered *deductible income*, although exceptions may vary depending on if the *employer* is a public or private entity:

- Any amounts attributable to the employee's contributions to the *employer's* retirement plan or which the employee could have received upon termination of employment without being *disabled* or retired
- Benefits from a profit-sharing plan, thrift or savings plan, deferred-compensation plan, 401(k), 408(k) or 457 plan, IRA, tax-sheltered annuity under IRC Section 403(b), stock ownership plan or Keogh (HR-10) plan
- Any lump-sum refund, withdrawal or distribution of the employee's contributions and earnings received from the *employer's* retirement plan because the employee is not vested under the plan
- Social Security early-retirement benefits not received by the insured employee
- Group credit, mortgage *disability* insurance benefits and accelerated death benefits paid under a life insurance policy
- Any cost-of-living increases in *deductible income*, other than *work earnings*
- Reimbursement for hospital, medical or surgical expenses
- Reasonable attorney fees incurred in connection with a claim for *deductible income*

Additional LTD Plan Provisions and Services

Employee Assistance Program

An Employee Assistance Program (EAP) is included for groups with 15 to 2,500 covered employees. Groups with more than 2,500 employees can customize their coverage by adding this feature to their LTD policy.

An EAP can help increase productivity by assisting employees with their attempts to balance work and personal life. An EAP can address concerns, such as health, marital, family, financial, alcohol, drug, legal, emotional and other personal issues that may adversely affect employee job performance. The Standard's LTD policies include HorizonCare™ EAP and WorkLife services provided and administered by Horizon Behavioral Services.

A HorizonCare specialist will provide consultation by phone as well as arrange for up to three face-to-face assessments and short-term counseling from a network provider when necessary. The services also include referrals to community resources and educational materials.

Coverage for New Disabilities

If a period of *disability* is extended by a new cause while *LTD benefits* are payable, benefits will continue while the employee remains *disabled*, but not beyond the end of the original *maximum benefit period*. In addition, all policy limitations and exclusions apply to the new cause of *disability*.

Survivors Benefits

If an employee who has been continuously *disabled* for at least 180 days dies while *LTD benefits* are payable, The Standard will pay a *survivors benefit*. The benefit is a lump sum equal to three times the employee's monthly LTD benefit without reduction by deductible income. The *survivors benefit* is intended to meet a portion of a family's financial needs in the event of the employee's death. The benefit is paid to the surviving spouse or unmarried children under age 25. As an option, it may also be paid to the deceased employee's estate. However, The Standard will first use the *survivors benefit* to reduce any overpayment on the employee's claim.



Direct Deposit

The Standard offers Direct Deposit (also known as Electronic Funds Transfer or EFT), a convenient and secure benefit payment option. With direct deposit, employees' *LTD benefit* payments will be automatically deposited into their designated checking or savings account on their payment due date, even if that date falls on a weekend or a holiday.

Social Security Assistance

The Standard offers eligible *disabled* employees up-front assistance with Social Security benefits starting with the initial application. Each of our claims management teams includes a specialist who helps administer our Social Security assistance program and acts as a liaison to our nationwide network of contracted specialists.

Payment of FICA Taxes

The Standard automatically pays the *employer's* portion of FICA (Social Security and Medicare) taxes for all LTD claims. Also, The Standard prepares and mails W-2 forms and reports yearly totals to the IRS and Social Security Administration for all LTD claims. This service saves the *employer* time and helps to expedite tax preparation for the employee.

Automatic Maximum Benefit Increase

The *Automatic Maximum Benefit Increase* feature provides for the *maximum LTD benefit* of the plan to automatically increase by 5 percent annually for five years. This is a convenient way to assure the LTD plan design keeps pace with salary increases without having to amend the *group policy* each year. There is no cost to add this feature to your coverage, but it must be requested – it's not automatically included in coverage plans.

Options Available at Additional Cost Benefits for the Severely Disabled

The Standard offers three enhancements to group LTD coverage to address the needs of severely *disabled* employees:

- *Assisted Living Benefit*, which may increase the income replacement level up to 80 or 100 percent of insured *predisability earnings* (up to a \$5,000 maximum benefit)
- *Housing Assistance Benefit*, which provides an additional 25 percent of *predisability earnings* to pay for rent or mortgage (up to a \$5,000 maximum benefit)
- *Lifetime Security Benefit*, which extends the *maximum benefit period* to the severely disabled employee's lifetime

Employers may choose one of the above or include the *Lifetime Security Benefit* in conjunction with either of the two other options. When one of these options is included, an employee to whom *LTD benefits* are payable may receive the additional benefits if, as a result of *physical disease* or *injury*, the employee:

- Is unable to safely and completely perform two or more activities of daily living⁶ without assistance due to loss of functional capacity, or
- Requires substantial supervision for health or safety due to severe cognitive impairment

The disabling condition must be expected to last 90 days or more and be certified by a *physician* in the appropriate specialty as determined by The Standard. Other provisions and benefits may not be available and certain limitations and exclusions will apply.

⁶ The six activities of daily living are bathing, continence, dressing, eating, toileting and transferring.

Annuity Contribution Benefit

The Annuity Contribution Benefit (ACB) is an optional Group Long Term Disability (LTD) insurance feature designed to bridge the savings gap created when disabled employees may no longer have the financial means or opportunity to fund a retirement plan.

After a claimant has been disabled for 36 months, The Standard will set up and fund an individual annuity in the claimant's name. Each month, a designated percentage of the disabled employee's predisability earnings (PDE), not to exceed \$5,000, will be deposited into the annuity.

Family Care Expenses Adjustment

As another return to work incentive, employers may add the *Family Care Expenses Adjustment* provision as an option to their *group policy*. If selected, the provision applies during the 12 or 24 months immediately after a *disabled* employee first returns to work. While this applies, *work earnings* used to calculate *LTD benefits* may be reduced by a portion of the employee's *family-care expenses*, up to a monthly maximum of \$250 per *family member* or \$500 per family. Certain restrictions apply.

Dependent Education Benefit

The *Dependent Education Benefit* provides a monthly benefit for *disabled* employees who have *children* or a *spouse* who are registered, and in full-time attendance, at an accredited educational institution beyond high school. *Disabled* employees can receive \$150 for each *eligible student*, with a maximum of \$600 per month for all *eligible students*. *Spouses* must be attending an institution for the purpose of obtaining employment or increasing earnings. Other restrictions may apply.

Conversion Provision

The *Conversion of Insurance* provision allows qualified employees to obtain LTD conversion insurance after the termination of employment with the *employer*. To qualify, an employee must meet the eligibility requirements for conversion as outlined in the *group policy*. Employees may maintain the same benefit level, up to a \$4,000 monthly benefit, without submitting *evidence of insurability*. A benefit of up to \$8,000 a month may be available with approved *evidence of insurability*. Conversion is available with most plan designs, although exclusions, limitations and reductions may apply.

Cost of Living Adjustment (COLA) Benefit

The *COLA benefit* helps protect an employee's *LTD benefits* from inflation. The Standard offers *COLA benefit* options calculated according to the current Consumer Price Index. If on April 1 an employee has been *disabled* for the preceding calendar year or years (one or five), the *LTD benefit* will be adjusted with the COLA increase.

Age-graded Maximum Benefit Periods

The Standard offers a variety of *maximum benefit period* schedules for employers to provide *LTD benefits* to employees who work beyond age 65. Typically, the *maximum benefit period* is determined by the employee's age when the *disability* begins. The typical age-graded benefit duration schedule includes a *maximum benefit period* to age 65 for employees who become *disabled* before age 62, with the benefit duration age-graded for employees who become *disabled* on or after age 62. With the Social Security normal retirement age (SSNRA) *maximum benefit period* option, the *maximum benefit period* corresponds to the employee's SSNRA under the federal Social Security Act. Additional options for *maximum benefit periods* beyond age 70 are also available.

Some Commonly Asked Questions

Who is Eligible for Coverage?

Coverage is available to all of an *employer's* active employees who:

- Are citizens or residents of the United States or Canada
- Are actively at work at least 30 hours each week
- Meet the required eligibility waiting period as shown in the Employee Benefits Proposal

Temporary and seasonal employees, full-time members of the armed forces of any country, leased employees and independent contractors are not eligible for coverage. There is no age limit on eligibility for coverage under The Standard's group insurance plans.

When Is Coverage Effective?

Subject to the *active work* requirement, coverage is effective as follows:

- Coverage requiring *evidence of insurability* is not effective until evidence is approved
- For *noncontributory* plans, coverage is effective on the date the employee becomes eligible
- For *contributory* plans, employees must apply in writing for coverage. Coverage is effective on the later of:
 - The date the employee becomes eligible
 - The date the employee applies if the employee submits an application within 31 days of becoming eligible
 - The date required *evidence of insurability* is approved, if the employee applies more than 31 days after becoming eligible

What Is the Active Work Requirement?

Employees who are performing the *material duties* of their *own occupation* at the *employer's* usual place of business meet the active work requirement. Employees who are not capable of active work due to *physical disease, injury, pregnancy* or *mental disorder* on the day before insurance would otherwise become effective will not become insured until the day after completing one full day of *active work* as an eligible employee.

What Level of Employee Participation Is Required?

For *noncontributory* plans, 100 percent of the eligible employees must participate. If a plan is *contributory* (partially or fully funded by employees), a minimum number of eligible employees must participate, as specified in the Employee Benefits Proposal.

When Does Insurance End?

LTD insurance ends automatically on the earliest of the following:

- The date the last period ends for which a premium contribution is received
- The date the *group policy* terminates
- The date employment terminates
- The date the employee fails to meet the definition of a member (however, LTD insurance may be continued under certain conditions, such as during an approved leave of absence scheduled to last no more than 30 days)

When Does the Group Policy Terminate?

An *employer* may terminate a *group policy* by providing The Standard with written notice. The *group policy* will automatically terminate if premium is not received by the end of the *grace period* shown in the Employee Benefits Proposal. The Standard may terminate the *group policy* if the number of employees insured is less than the minimum participation requirement as shown in the Employee Benefits Proposal.

The Standard may also terminate the *group policy* if we determine that the *policyholder* has failed to promptly furnish any necessary information requested by us or has failed to perform any other obligations relating to the *group policy*.

Performance Guarantee

The Standard is committed to providing world-class customer service. We guarantee we will meet the *policyholder's* overall service expectations or we will refund 5 percent of the quarterly expenses charged to the *policyholder's* account (for administration and paying claims) for any quarter in which we do not meet this guarantee.⁷

⁷ The minimum group size for Performance Guarantee for LTD coverage is 1,000 covered employees. No more than one refund per quarter will be paid. Claim decisions are made based on the terms of the plan. The ultimate claim decision, whether to approve or deny, is not covered by this Performance Guarantee. This guarantee is in effect for the initial rate guarantee period shown in the *group policy*. Thereafter, Standard Insurance Company reserves the right to modify the terms or terminate this guarantee at any time at its sole discretion.

Standard Insurance Company

Founded in Portland, Oregon in 1906, The Standard is a nationally recognized provider of employee benefits products and services. The Standard provides insurance to more than 24,800 groups, covering over 8 million employees nationwide.¹ Our first group policy, written in 1951 and still in force today, stands as a testament to our commitment to building long-term relationships.

We always strive to do what's right - for our policyholders and their employees. This dedication has resulted in a national reputation for quality products, superior service and industry expertise.

To learn more about Group LTD insurance from The Standard, contact your insurance advisor or call the Employee Benefits Sales and Service Office for your area at 800.633.8575 or visit us at www.standard.com.

¹ As of June 30, 2013, based on internal data developed by Standard Insurance Company.



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