



TheStandard®



# Group Short Term Disability Insurance

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

Protect Your Employees from Loss of Income



STANDARD INSURANCE COMPANY

## Your Proposed Group Insurance Plan

Standard Insurance Company appreciates the opportunity to provide you with a proposal for group Short Term Disability (STD) insurance. This booklet and the STD proposal together outline the basic features of your proposed STD plan. They are not a contract.

Establishing group STD 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 proposal. When used in this booklet, defined terms from the *group policy* will appear italicized. If any discrepancies exist between the *group policy*, the STD 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 on your policy. We will also supply you with certificates of insurance, describing the coverage in detail, for you to deliver to your insured employees.

The proposed premium rate and plan design for your STD coverage are based on the underwriting data received. We will determine final premium rates and plan provisions on the basis of state law, *policyholder* contributions, confirmation of occupations, the actual composition of the group of employees who become insured and our current underwriting rules and practices. This proposal will expire on the date shown in the Employee Benefits Proposal.

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



# Group Short Term Disability Insurance

## An Attractive Option for Your Employee Benefits Package

Short Term Disability (STD) insurance from Standard Insurance Company is designed to provide coverage for *disabilities* resulting from *physical disease, injury, pregnancy* or *mental disorder*. STD insurance offers an attractive option for employers who want to supplement a sick leave or statutory disability benefits program. The proposed *STD benefit amount* and *maximum benefit period* are shown in the Employee Benefits Proposal.

### STD Product Information

#### Definition of Disability

Insured 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 suffer a loss of at least 20 percent in their *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 *disability* begins. However, *own occupation* is not limited to how the employee specifically performs the job for the *employer*. Rather, The Standard may also view how the occupation is generally performed in the national economy. If the *own occupation* involves the rendering of professional services and requires a professional or occupational license in order to work, the *own occupation* is as broad as the scope of the license.

*Material duties* are the essential tasks, functions and operations, skills, abilities, knowledge, training and experience generally required by employers from those engaged in a particular occupation that cannot be reasonably modified or omitted. However, in no event would a requirement to work an average of more than 40 hours per week be considered a *material duty*.



Employees who are *disabled* from their *own occupation* may work in another occupation and continue to qualify for *STD benefits* as long as their *work earnings* do not exceed 80 percent of their *predisability earnings*. *Work earnings* will be used to reduce the *STD benefit* as noted under *Return to Work Incentive*.

#### Coverage for New Disabilities

If a period of *disability* is extended by a new cause while *STD 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*.

#### Plan Options

The Standard offers STD plans that provide both non-occupational and 24-hour coverage. Non-occupational plans provide coverage for *disabilities* occurring off the job as a complement to workers' compensation coverage. 24-hour STD plans provide coverage for *disabilities* occurring on or off the job.

#### Minimum STD Benefit

For STD plans that are integrated with *deductible income*, the minimum *STD benefit* is \$15 per week. The Employee Benefits Proposal will indicate whether this applies to this proposed plan.

## Incentives for 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. When a *disability* occurs, our focus is on returning the employee to work through our claims management process, the services we provide and the policy provisions we offer.

### Reasonable Accommodation Expense Benefit

To help *employers* return employees with *disabilities* to active work whenever they are able, The Standard automatically includes a *Reasonable Accommodation Expense Benefit* in its STD policies. This benefit reimburses an employer for worksite modifications made on behalf of a *disabled* employee, which result in a return to work for the employee. The reimbursable modifications are subject to The Standard's prior approval.

### Return to Work Incentive

Providing incentives for *disabled* employees to return to work at their full potential is critical for any successful *rehabilitation plan*. Automatically included in our STD policies, The Standard's *Return To Work Incentive* provision is designed to provide valuable financial support to *disabled* employees in their efforts to return to work.

The Standard's *STD benefit* is reduced by only the amount of *work earnings* which, when added to the employee's *maximum STD benefit*, exceeds 100 percent of *predisability earnings*. This typically means that employees who return to work 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.

## Return to Work Responsibility

In addition to providing positive financial incentives to return to work, The Standard's STD policy also establishes a clear expectation 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 are expected to accept part-time work in their *own occupation* if they are able to earn at least 20 percent of *predisability earnings*. No *STD benefits* are payable for any period when partially *disabled* employees fail to meet this responsibility.

### Temporary Recovery

The Standard automatically includes a *Temporary Recovery* provision in every STD policy to further encourage employees to return to work. Our policy language is among the most flexible in the industry and 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 during the *maximum benefit period* 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*, depending on the length of the period of temporary recovery.

A new *benefit waiting period* is not required if the periods of recovery during the *maximum benefit period* do not exceed a total of 30 days. In addition:

- Benefits are not payable for the recovery period.
- The recovery period does not count toward the *maximum benefit period*.
- *Predisability earnings* used to determine the *STD benefit* will not change.
- No *STD benefits* will be payable after benefits become payable to the employee under any other disability plan for which the employee became insured during the period of temporary recovery.

Other than the above, the *group policy* is applied as if the *disability* were uninterrupted.



## Additional Cost Options

### Daily Hospital Benefit

With the *Daily Hospital Benefit*, the eligible insured employee will receive *STD benefits* for each day of hospitalization during the *benefit waiting period*.

### First-day Hospital Benefit

If an insured employee is hospitalized during the *benefit waiting period*, the *benefit waiting period* will be satisfied. *STD benefits* will become payable on the date of hospitalization. The *maximum benefit period* will also begin on that date.

## Exclusions from Coverage

The Standard's STD policies do not cover *disabilities* caused or contributed to by:

- War or any act of war
- An intentionally self-inflicted injury, while sane or insane<sup>1</sup>

<sup>1</sup> For Colorado and Missouri residents, "insane" is not applicable.

- A *disability* arising out of or in the course of any employment for wage or profit (applies to non-occupational plans only)
- Committing or attempting to commit an assault or felony, or active participation in a violent disorder or riot
- Loss of a professional or occupational license or certification

## Limitations

No *STD benefit* 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
- Eligible to receive benefits under any workers' compensation or similar law (applies to non-occupational plans only)
- Able to work part-time, but elects not to work (i.e., fails to meet the return to work responsibility)
- Confined for any reason in a penal or correctional institution
- Not participating in good faith in a plan of medical treatment or vocational training or education approved by The Standard, unless the *disability* prevents the employee from participating
- Receiving sick leave pay or other salary continuation from the *employer*, unless a sick leave integration option is chosen

## Preexisting Condition Limitation

The *preexisting condition* limitation typically applies to *STD benefit* amounts of \$2,500 per week or more. If on the date *disability* begins, the employee has not been continuously insured under the *group policy* for the 12 (or optional 24) month limitation period and has not been *actively at work* for at least one full day after that limitation period, the weekly *STD benefit* will be limited to not more than \$2,500 if the *disability* results from a *preexisting condition*.

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

- Which 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.

We grant credit for time served toward satisfying the *preexisting condition* limitation period for eligible employees insured under the *employer's* prior group STD plan that was replaced by The Standard's coverage.

## Deductible Income

The Standard's STD insurance helps replace a portion of income lost as a result of a *disability*. Often employees are eligible for other sources of income. To prevent overinsurance, the *STD benefit* is reduced by *deductible income*, which generally includes the following, although may vary depending on whether the *employer* is a public or private entity:

- *Work earnings*, as described under *Return To Work Incentive*
- Benefits the employee receives or is eligible to receive from workers' compensation, state disability income benefit law, the Jones Act, Maritime Doctrine of Maintenance, Wages or Cure, Longshoremen's and Harbor Worker's Act or any similar acts or laws (applies to 24-hour coverage only)
- Benefits from other insurance (including group insurance for non-professionals) the employee receives or is eligible to receive



- Any disability or retirement benefits received from the *employer's* retirement plan
- Any earnings or compensation included in *predisability earnings* which the employee receives or is eligible to receive while *STD benefits* are payable
- Any amount the employee receives or is eligible to receive under any unemployment compensation law or similar act or law
- Any amount the employee receives or is eligible to receive from or on behalf of a third party
- Any amount received by compromise, settlement or other method, as a result of a claim for any of the above, whether disputed or undisputed

## Exceptions to Deductible Income

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

- Group credit, mortgage disability insurance benefits and accelerated death benefits paid under a life insurance policy
- Any cost of living increase 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*

## 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 and
- 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.

### 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.

### 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 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 STD Proposal.

### When Does Insurance End?

STD 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, or
- The date the employee fails to meet the definition of a *member*; however, STD insurance may be continued during certain periods as defined in the *group policy*, 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 a premium payment 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*.

## Thank You

Thank you for the opportunity to provide this STD insurance proposal from Standard Insurance Company. The Standard is pleased to work with you and your insurance advisor to develop an employee benefits program to meet the specific needs of your organization. If you have any questions about the proposal, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area.

## 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.<sup>1</sup> 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.

For more information about The Standard, contact your insurance advisor or the Employee Benefits Sales and Service Office for your area at 800.633.8575 or visit our Web site at [www.standard.com](http://www.standard.com).

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



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