



The Standard[®]
Positively different.

Group Long Term Disability Insurance

Safeguarding Your Employees' Income



STANDARD INSURANCE COMPANY

Your Proposed Group Insurance Plan

Standard Insurance Company appreciates the opportunity to provide you with a proposal for group Long Term Disability (LTD) insurance. This booklet and the Employee Benefits Proposal together outline the basic features of your proposed LTD plan. They 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, defined terms will appear italicized. 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 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 LTD 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. 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 desire any additional information, please contact your insurance advisor or the Employee Benefits Sales and Service Office for your area.



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Group Long Term Disability Insurance

A Vital Part of Your Employee Benefits Package

Long Term Disability (LTD) insurance from Standard Insurance Company 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 the *employer* and the *employee*.

Employees most likely purchase home, automobile and life insurance to safeguard themselves against the threat of loss. Yet they may not understand the importance of insuring a portion of their incomes against the threat of *disability*. The risk of *disability* is greater than most people might think. Recent statistics have shown:

- Disabilities affect about one-fifth of Americans (over 49 million people).
U.S. Census Bureau, *Disability Status: 2000*, March 2003
- Over 21 million Americans have a condition limiting basic physical activities, such as walking, climbing stairs, reaching, lifting or carrying.
U.S. Census Bureau, *Disability Status: 2000*, March 2003
- At age 35, one has a 50/50 chance of being unable to work more than three months due to a disability before turning 65.
Society of Actuaries, *Money Magazine*, April 2000
- On the average, about 2,329 disabling injuries occur every hour during the year.
National Safety Council, *Injury Facts*, 2003 edition

LTD insurance with The Standard provides benefits to replace a portion of lost income for eligible employees who meet the definition of *disability* under the *group policy*. It can make a big difference for employees during a time of need.



Financial Support for Employees, A Recruitment Tool for Employers

Savings, sick leave, workers' compensation, Social Security, friends and family are some of the options for replacing income. However, the financial impact of long term *disability* often exceeds these limited resources. The Standard's LTD insurance helps in two ways, by:

- Supplementing other sources of income
- Providing incentives and assistance to facilitate a return to work whenever possible

Employers benefit as well. LTD coverage can be a valuable benefit to help 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 Information

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 66% percent, subject to *minimum* and *maximum LTD benefit* amounts. Options from 40 percent to 70 percent are also available. As part of an income replacement program, the *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.

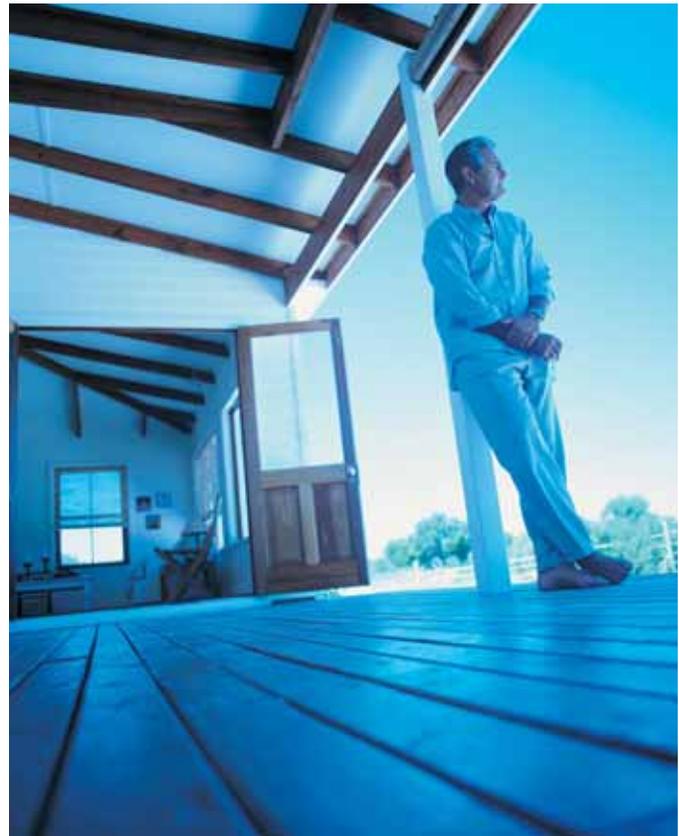
Definition of Predisability Earnings

The proposed plan's definition of earnings is central in determining what income will be insured. 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, nonqualified 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, subject to approval 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 in 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. The Employee Benefits Proposal shows the *guarantee issue amount*.



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:

- Ceases to be disabled
- 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, whether from one or more causes

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. If the proposed plan design has a shorter *maximum benefit period*, such as two or five years, the *maximum benefit period* is adjusted accordingly for older employees. See the Employee Benefits Proposal for the plan's *maximum benefit period*.

Definitions of Disability

The Standard offers a variety of options for the definition of *disability*. Our basic plan includes a 24-month *own occupation period* followed by an *any occupation period*.

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, perform all of their duties part-time or 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*.

How Disability is Defined

The Standard offers comprehensive and distinctive *own occupation* and *any occupation* definitions of *disability*. Most plans include both definitions, but they can be separated and the time periods when they apply may vary in order to meet the needs of the organization and its employees.

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, 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*.

Indexed predisability earnings are based upon *predisability earnings* and the U.S. Consumer Price Index, which is 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, 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 *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 *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.

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 which the employee is able to perform, whether due to education, training or experience, which is available at one or more locations in the national

economy, and in which the employee could be expected to earn at least 60 percent of *indexed predisability earnings* within 12 months following return to work, regardless of whether the employee is working in that 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 recognizes and understands the specialized training and the 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 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*.

24-month Own Specialty Protection

For physicians and attorneys, The Standard offers a 24-month own specialty protection during the *own occupation period*. For physicians, *own occupation* is defined as the medical specialty in which 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

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.

At least 60 percent of the gross professional fee income must have been earned in those specialty areas or types of practice during the 24 months just before *disability* began. 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*.

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.

The Standard has built a highly knowledgeable claims management team. 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, and *employers* regain their valuable employees and help contain *disability* claims costs.

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 LTD policies. This reimburses an employer up to \$25,000 for worksite modifications made on behalf of a *disabled* employee, when the modifications result in a return to work for the employee. The reimbursable modifications are subject to The Standard's prior approval.

Rehabilitation Plan Provision

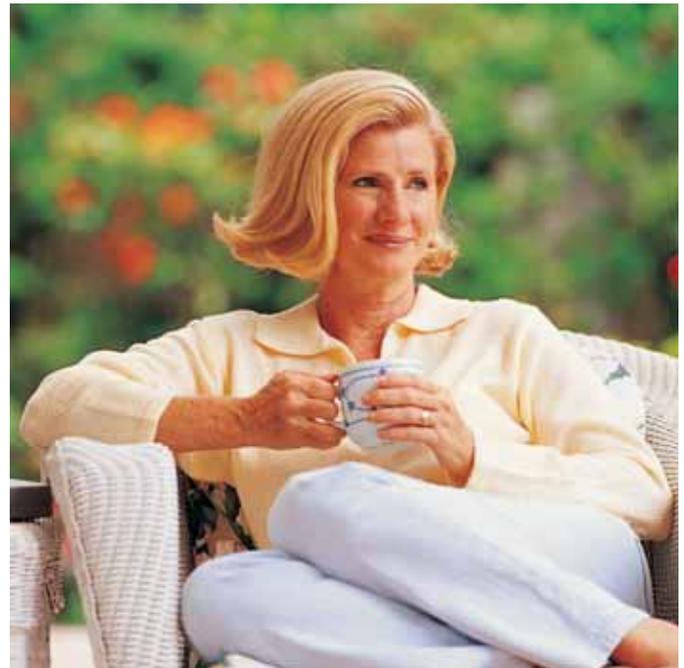
To help employees with *disabilities* prepare to return to active work, The Standard automatically includes a *Rehabilitation Plan Provision* in all LTD policies. Employees may apply to participate in a *rehabilitation plan* at anytime. Subject to The Standard's prior approval, a *rehabilitation plan* 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 care
- Job search and other job related expenses

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 12 (or optional 24) months, 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.



Return to Work Responsibility

In addition to providing positive financial incentives to return to work, The Standard's LTD 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 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.

Temporary Recovery

The Standard automatically includes a *Temporary Recovery* provision in every LTD 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, 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.



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. The Employee Benefits Proposal shows the cost containment features for the proposed plan.

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 (such as 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*; however, *hospital* does not include a rest home, nursing home, convalescent home, home for the aged or a facility primarily affording custodial, educational or rehabilitative care
- The use of alcohol, any drug (including hallucinogens), alcoholism or drug addiction
- 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 disorder²

² This limitation does not apply to tumors, malignancies, vascular malformations, neurologic or demyelinating disorders such as multiple sclerosis and Lou Gehrig's disease, endocrine disorders such as diabetes and thyroid disorders, blood disorders, asthma, allergy-induced reactive lung disease or lupus.

A new *benefit waiting period* is *not* required if the temporary recovery occurs during:

- The *benefit waiting period* and the period of recovery does not exceed 30 days
- The *maximum benefit period* and the period of recovery does not exceed 180 days

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 for 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.

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 strains, sprains, diseases or disorders of the neck or back, joints or muscles. This expanded limitation would not apply to scoliosis, traumatic spinal cord injuries, rheumatoid or psoriatic arthritis, diseases or inflammations of the spinal cord, overlapping vertebrae (grade II or higher), herniated discs with neurological abnormalities documented by EMG, CAT scan or MRI, radiculopathies documented by EMG, 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 or 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., fails to meet the 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, while the insured employee is sane or insane³
- Loss of professional or occupational license or certification
- Committing or attempting to commit an assault or felony

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

- 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 24 (or optional 12) month exclusion period and has been *actively at work* for at least one full day after the end of that exclusion period

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.

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 *deductible income*, which generally includes the following, although these may vary depending on whether 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, whether disputed or undisputed

⁴ Employers may choose a plan design that offsets the LTD benefit by part or none of the dependents 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 as *deductible income*, although exceptions vary depending whether 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's 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 personal concerns, such as health, marital, family, financial, alcohol, drug, legal and emotional issues or other personal matters which may adversely affect employee job performance. The Standard's LTD policies include HorizonCareLink EAP and WorkLife services, which are provided and administered by Horizon Behavioral Services.

A HorizonCareLink 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 benefits* 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.

The Standard SecureCardSM

The Standard SecureCardSM benefit payment option provides *disabled* employees with immediate access to their *LTD benefit* payments. Similar to a debit card, it allows cardholders to transfer funds to bank accounts via phone, obtain cash from ATMs and make debit purchases at stores or online. When they select this option, *disabled* employees will appreciate the easier, faster access to funds provided by The Standard SecureCard benefit payment option.

Social Security Assistance

The Standard offers eligible *disabled* employees with up-front assistance for 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.

Additional Cost Options

Automatic Maximum Benefit Increases

The *Automatic Maximum Benefit Increases* feature provides for the *maximum LTD benefit* of the plan to automatically increase by five 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.

Benefits for the Severely Disabled

Committed to providing quality products and services to address the needs of severely *disabled* employees, The Standard offers three enhancements to group LTD coverage:

- 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.



Child Care Expense Adjustment

As another return to work incentive, employers may add the *Child Care Expense Adjustment* provision as an option to their *group policy*. If selected, the provision applies during the 12 (or optional 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 child care costs, up to a monthly maximum of \$250 per child or \$500 per family. Certain restrictions 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 consider in order to provide LTD benefits to employees who work beyond age 65. Typically, the maximum benefit period is determined by the employee's age when disability begins. The standard 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.

Transitional Duty Package

The Transitional Duty Package is designed to assist *employers* in developing and communicating their commitment to return employees to a productive life in the event of a *disability*. Policies with the optional Transitional Duty Package may qualify for discounted LTD pricing. In addition, employers may realize continuous savings from greater productivity and reductions in expenses otherwise due to employee replacement and training.

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.

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, and
 - 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, or
- The date the employee fails to meet the definition of a member; however, LTD 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 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*.

Thank You

Thank you for the opportunity to provide you with this group LTD 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 local area.

Standard Insurance Company

Standard Insurance Company is a subsidiary of StanCorp Financial Group, Inc., a Fortune 1000 company. The Standard is a leading national provider of employee benefits products and services, and offers group disability, life and dental insurance and retirement plans.

Founded in Portland, Oregon, in 1906, we wrote our first group insurance policy in 1951. This plan remains in force today as a testament to our commitment to building long-term relationships. We have also earned a solid reputation for quality products, expert resources, innovation and strong financial performance. The Standard is dedicated to meeting the insurance needs of each policyholder and providing superior customer service at every opportunity.

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.



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Standard Insurance Company
1100 SW Sixth Avenue
Portland OR 97204

www.standard.com

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