

## Your group long term disability benefits

<b>Voluntary Long Term Disability for ALL MEMBERS</b>	
<b>Eligible Employees</b>	All active, full-time employees (except part-time, seasonal, temporary or contract employees) who are residing in the United States, and are U.S. citizens or legally working in the United States, and who work at least 30 hours per week. An employee is considered to be residing in the United States if his or her main home or permanent address is in the United States or if the employee is in the United States for six months or more during any 12 month period.
<b>Employer Contributions</b>	Contributory – employer pays 0%
<b>Employee Participation</b>	Greater of 20% participation or five insured lives
<b>Integrated STD/LTD</b>	We integrate LTD and STD into a coordinated package with streamlined claims administration and processing and smooth transition from STD to LTD without payment gaps or benefit overlaps.

### BENEFIT QUALIFICATION

<b>Or Definition of Disability</b>	Zero day residual disability
<b>Own Occupation Period</b>	2 year(s)
<b>Income Loss Requirement</b>	Own occupation – 80% Any occupation – Unable to earn more than 80%
<b>Elimination Period</b>	90 days

### BENEFITS PAYABLE

<b>Benefit Percentage</b>	60% of predisability earnings
<b>Definition of Earnings</b>	Base wage
<b>Maximum Monthly Benefit</b>	\$6,000
<b>Minimum Monthly Benefit</b>	The greater of 10% of the primary monthly benefit or \$100
<b>Work Incentive Benefit</b>	12 months
<b>Coordination of Benefits</b>	Direct integration
<b>Social Security Integration</b>	Primary and family
<b>Benefit Duration</b>	Reducing Benefit Duration (To age 65)

### REHABILITATION BENEFITS

<b>Reasonable Accommodation Benefit</b>	\$2,000
---	---------

### LIMITATIONS

<b>Preexisting Conditions</b>	6 months prior / 12 months treatment free / 24 months insured
<b>Mental Health Conditions</b>	24 month benefit limit
<b>Drug and Alcohol Abuse Conditions</b>	24 month benefit limit
<b>Special Conditions</b>	Payable the same as any other disability

### RE-ENROLLMENT OF COVERAGE

<b>Re-Enrollment Of Coverage</b>	If you have LTD coverage in place today where employees contribute toward the cost of insurance and Principal has agreed to a re-enrollment of coverage, employees may be required to submit proof of good health depending on the method of re-enrollment. Please see your local sales representative for details.
----------------------------------	---

### ADDITIONAL FEATURES

- Coverage for both work-related and non work-related disabilities
- Survivor benefit – 3 months net

- Proof of good health required if on the date the member becomes eligible for coverage there are fewer than five members insured.

#### **Our Services**

- Professional claim services
- Complete rehabilitation services
- eService capabilities
- Telephonic employee assistance services provided by Magellan Health Services

#### **Claim Processing**

Principal Life makes claim administration easy and convenient for employers and employees by offering an online disability insurance claim form. Once the form is complete, employers and employees submit the information directly over a secure, confidential Web site, expediting the claim review process. They can choose to use the online form or a printable version that can be faxed or mailed.

The policy does not provide state mandated disability benefits in CA, NY, NJ, RI or HI.

#### **BENEFIT QUALIFICATION – ALL MEMBERS**

**Elimination Period.** The period of time a member must be disabled before benefits begin to accrue. Benefits begin after employees are disabled for 90 days. The elimination period may be satisfied with days of total or partial disability. A member who is in the process of satisfying the elimination period may recover from the disability for a period of time and then again become disabled from the same or different cause. A recovery will not require the member to start a new elimination period as long as the elimination period is satisfied by the required number of days of disability during a period that is twice as long as the elimination period. The periods of disability will be combined to satisfy the elimination period.

**Or Definition of Disability.** Employees qualify as disabled during the elimination period and own occupation period if, because of sickness, injury or pregnancy, they cannot perform the majority of the substantial and material duties of their own occupation, or they are performing the duties of their own occupation on a modified basis or performing any other occupation and are unable to earn more than 80% of his or her predisability earnings.

After completing the own occupation period, employees qualify as disabled if, because of sickness, injury or pregnancy, they cannot perform the majority of the substantial and material duties of any occupation for which they are or may become qualified based on their education, training or experience, or they are performing the substantial and material duties of their own occupation or any other occupation on a modified basis and are unable to earn more than 80% income loss.

**Own Occupation.** The occupation the member is routinely performing when disability begins. Own occupation does not mean the specific tasks or job the member is performing for the policyholder or at a specific location.

**Own Occupation Period.** The own occupation period is the period of time employees must be unable to perform the duties of their own occupation. The own occupation period is the first 2 years of the benefit payment period.

**Substantial and Material Duties.** The essential tasks generally required by employers from those engaged in a particular occupation that cannot be modified or omitted.

**Modified Basis.** Employees are considered to be working on a modified basis if they are working on a part-time basis or they are able to perform some, but not all, of the substantial and material duties of the occupation on a full-time basis.

#### **BENEFITS PAYABLE**

**Disability Benefits When Not Working.** For employees not working during the benefit payment period, the monthly benefit payable equals their primary monthly benefit less income from other sources.

**Disability Benefits When Working.** For employees working during the benefit payment period, the monthly benefit payable for the 12 month work incentive period is the lesser of (1) 100% of indexed predisability earnings, less income from other sources, less current earnings or (2) their primary monthly benefit, less income from other sources. Thereafter,

the monthly benefit equals their primary monthly benefit, less income from other sources, multiplied by their income loss percentage.

The monthly benefit payable will not be less than the minimum monthly benefit which equals the greater of 10% of the primary monthly benefit or \$100.

**Primary Monthly Benefit.** The primary monthly benefit equals 60% of employees' predisability earnings, up to the maximum monthly benefit of \$6,000.

**Predisability Earnings.** Predisability earnings are employees' monthly earnings prior to disability. For employees, monthly earnings are based on their basic wage, which includes earnings under a qualified deferred compensation plan and voluntary earnings reduction under a Section 125 plan or Health Savings Account. Employees' basic wage does not include commissions, bonuses, overtime pay, tips, differential pay and housing or car allowances.

For owners, monthly earnings are based on their share of gross revenue or income earned, in addition to any salary, benefits or other compensation payable to the owner and any contributions to a pension or profit sharing plan made on the owner's behalf. Owners' earnings are reduced by an owner's share of the customary unreimbursed business expenses. Owners' monthly earnings do not include any type of unearned income.

**Indexed Predisability Earnings.** On March 1 of each year, employees' predisability earnings will be adjusted according to the average rate of increase in the Consumer Price Index (CPI) for the preceding year, up to a maximum of 10% annually.

**Income from Other Sources.** We coordinate disability benefits with income disabled employees receive from other sources. These include all retirement or disability benefits that employees and their dependents receive or could have received, from Social Security or other government agencies; salary continuance; personal time off or sick pay; Workers' Compensation benefits; income from state disability plans; payments from policies that provide coverage for time away from work, if paid in part by or deducted from payroll by the policyholder; income from other group disability insurance policies; disability or retirement benefits paid by pension plans sponsored by the policyholder; income received from no-fault auto laws; renewal commissions received from the policyholder; severance pay; and all payments for the month that the member receives under state unemployment laws.

Other income sources do not include individual disability insurance; profit sharing plans; thrift savings plans; nonqualified deferred compensation plans; 401(k) plans; individual retirement accounts (IRAs); stock ownership plans; Keogh (HR-10) plans; any cost of living increases paid in connection with other sources of income; Social Security or pension plan payments that were being received prior to the current disability; and any income the member receives for services rendered prior to the member's date of disability.

Any income the Member receives for services rendered prior to the Member's date of Disability will not be considered Other Income Sources.

**Benefit Duration.** For employees who become disabled before age 62, disability benefits are payable until the later of the date they reach age 65 or 42 months after the benefit payment period begins. For employees who become disabled at or after age 62, disability benefits are payable until the date the benefit payment period reaches the number of months shown below.

<u>Age disability occurs</u>	<u>Length of benefit payment period</u>
Age 62	42 months
Age 63	36 months
Age 64	30 months
Age 65	24 months
Age 66	21 months
Age 67	18 months
Age 68	15 months
Age 69 and over	12 months

Disability benefits end when employees recover, cease to be under the regular and appropriate care of a physician, fail to provide any required proof of disability, fail to submit to a required medical examination, fail to report income from other

sources or any other required earnings information, fail to pursue Social Security disability benefits or Workers' Compensation benefits, or die.

**Recurring Disability.** Disabled employees who recover and return to work for six months or less during the benefit duration are not required to complete a new elimination period if they become disabled again due to the same or related cause.

**Monthly Payment Limit.** Benefits paid are reduced if total income exceeds 100% of predisability earnings. Total income includes:

- The employee's normal benefit payable
- Additional benefits payable under the policy
- Return to work earnings
- Other Income Sources defined in the policy
- PTO, sick pay, and salary continuance payments (if these income sources are not considered Other Income Sources)

### REHABILITATION SERVICES AND BENEFITS

**Rehabilitation Services.** While disabled, employees may qualify to participate in a rehabilitation plan. Our rehabilitation staff works with disabled employees, their physicians and you to create individualized rehabilitation plans that assist employees in returning to work. Rehabilitation assistance may include coordination of medical services, vocational and employment assessment, adaptive equipment purchases, business or financial planning, retraining for a new occupation and education expenses. For employees who have not yet become disabled, but have a condition that could lead to eventual disability, preventive rehabilitation services may be offered.

**Reasonable Accommodation Benefit.** This benefit helps cover the cost of modifying the worksite to allow disabled employees to return to work. With approval, we pay up to \$2,000 for actual expenses incurred to modify worksites to help disabled employees return to work.

### ADDITIONAL BENEFITS

**Survivor Benefit.** A survivor benefit is paid to the survivor(s) of employees who die while receiving disability benefits. This benefit is equal to three times the benefit payable and is paid out in one lump sum.

### LIMITATIONS

The proposed policy contains restrictions and limitations. Before making a purchase decision, review the following limitations and resolve any questions. The following limitations and restrictions are applied as required by state law or as otherwise described in the group policy.

**Limitations.** No benefits will be paid to employees with disabilities resulting from: willful self injury while sane or insane / war or an act of war / participation in an assault or felony / a new or continuing disability that begins after an employee's benefit payment period has ended, but the employee has not returned to active work.

**Treatment of Mental Health Conditions and Drug and Alcohol Abuse Conditions.** A disability is considered due to alcohol, drug or chemical abuse, dependency or addiction or a mental health condition if the disability is caused by one of these condition(s) and not by other disabling conditions.

The following maximum benefit payment periods apply: mental health conditions: 24 months / alcohol, drug or chemical abuse conditions: 24 months. The benefit payment period listed above is a lifetime maximum for all periods of disability. All disabilities from conditions with the same maximum benefit payment period contribute toward one lifetime maximum. However, if at the end of the benefit duration, an employee is confined in a hospital or any other type of facility providing treatment for any of these conditions, the benefit payment period may be extended to include the time period an employee remains confined for treatment.

**Preexisting Conditions.** A preexisting condition is a sickness or injury, including all related conditions and complications, or pregnancy for which employees received medical treatment, consultation, care or service; or were prescribed or took prescription medications in the six months prior to their effective date under the policy. Benefits are not paid for disabilities resulting from preexisting conditions unless, when employees become disabled, they have been actively at work for one full day after completing the earlier of 12 consecutive months of coverage under the policy in which they

received no treatment, including prescription medication, for the disabling condition or 24 consecutive months of coverage under the policy.

Preexisting conditions exclusions also apply for benefit increases due to amendments or changes in earnings of 25% or greater.

***Replacement of a Prior Program.*** This policy is replacing coverage under a prior program. If employees are not actively at work on the day coverage would become effective or if employees are disabled due to a preexisting condition, they may still qualify for benefits if they had LTD coverage under a prior program or they are not receiving any benefits under the prior program but would have been entitled to these benefits if the prior program remained in force and no provision other than the actively at work or preexisting conditions provisions would otherwise prohibit benefits from being paid under our policy. Any benefit payable is the lesser of the benefits under our policy or the benefits that would have been paid under the prior program, had it remained in force.