

# Group Long Term Disability Proposal

**Prepared for**  
**Big Bay De Noc Schools**

Presented by SET Employee Benefits  
July 1, 2013

“A” rated, providing flexible, affordable  
benefits solutions for over a century.



# About this Proposal

This proposal outlines some of the features and benefits that we offer in our policy, but it is not a policy. The actual group insurance policy will contain additional provisions not fully described in this document. If there are any discrepancies between the proposal and the group insurance policy, the policy will govern. The provisions are explained in basic terms and may be subject to some state restrictions.

We based the premium rate and plan design quotations on the underwriting data you gave us. Final premium rates, rate guarantee and plan provisions may change if:

- The terms of the proposal change;
- There is a change in the factors bearing on the risk to be assumed;
- Any information provided to us in connection with the underwriting of the proposal was incorrect; or
- There is a change in the law or regulation affecting the insurance coverage.

For further details of any of the coverages, including exclusions, any reductions or limitations, and the terms under which the policy may be continued in force or discontinued, contact your sales office.

This proposal is valid only if presented by a licensed insurance agent or broker who is appointed with RSL. It is valid until the date shown, unless we replace or withdraw it.

# Plan Description & Cost Summary

Prepared For Big Bay De Noc Schools

Date: July 1, 2013

Proposal Expiration Date: September 29, 2013

## Eligibility

Class 1\* Each Active Full-Time Administrator or Teacher working 20 hours or more per week.

Class 2\* Each Active Full-Time Support Staff working 20 hours or more per week.

\*Except any person working on a temporary or seasonal basis.

## Plan Descriptions

	Class 1	Class 2
Benefit Percentage:	66.67%	66.67%
Monthly Maximum:	\$5,000.00	\$5,000.00
Elimination Period:	the greater of accrued sick leave or 90 days	the greater of accrued sick leave or 90 days
Benefit Duration:	ADEA-B-AGE	ADEA-B-AGE
Social Security Integration:	Full Family	Full Family
Minimum Benefit:	\$100	\$100
Family Leave:	Yes	Yes
Mental & Nervous Limitation:	Full Coverage	Full Coverage
Drug & Alcohol Limitation:	Full Coverage	Full Coverage
Survivor Benefit:	3 Months	3 Months
Managed Rehab Option:	Included	Included
Work Incentive Benefit:	12 Months	12 Months
Child Care:	to age 14/\$250	to age 14/\$250
Worksite Mod Benefit:	100% up to \$2,000	100% up to \$2,000
Own Occupation Coverage:	24 Months	24 Months
Residual Disability:	Yes	Yes
Partial Disability:	Yes	Yes
Specific Indemnity:	Yes	Yes
Extended Disability:	Yes	Yes
Travel Assistance:	Yes	Yes
Cobra Benefit:	\$1,200 / 29 months	\$1,200 / 29 months

## Participation and Contribution

	Class 1	Class 2
Employer Contribution:	100%	100%
Employee Participation:	100%	100%

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## Plan 1 (Cont.)

### Total Plan Cost Summary

Eligible Employees	Total Monthly Insurable Payroll	Premium Rate per \$100	Monthly Premium	Rate Guarantee
17	\$56,370.82	\$0.45	\$253.67	24 Months
12	\$25,937.97	\$1.95	\$505.79	24 Months

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**Covered Monthly Earnings** This is the amount of an employee's salary used to calculate the monthly benefit. Covered monthly earnings usually exclude bonuses, overtime and commissions earned by an employee. If commissions are to be included in the definition, the amount is averaged over a specified time period, usually 36 months. RSL can tailor a pre-determined monthly salary amount to be insured.

**Elimination Period** The elimination period is the period of consecutive days of total disability for which no benefit is payable. It begins on the first day of total disability and extends for the number of days specified on the proposal summary page. Premiums must be paid during the elimination period, but they will be waived once benefits begin.

**Benefit Duration /Maximum Benefit Period** We pay LTD benefits for a total disability due to an accident or sickness event. The maximum benefit period may range from 2 years to age 70. Our standard maximum benefit duration lasts up to a person's normal retirement age as defined by Social Security. The LTD duration schedules comply with the Age Discrimination and Employment Act (ADEA). ADEA requires that either the level of benefits or the cost of the benefit be the same for older employees as for younger workers. The following benefit schedule(s) have been quoted for your plan(s).

**Extended ADEA-B**

LTD benefits usually last until normal retirement age as defined by Social Security. Prior to 1983, this was age 65. Then amendments were added to the United States Social Security Act to link normal retirement age to a person's date of birth.

Therefore, we offer the following schedule:

Benefits will last the longer of (A) or (B) as stated below:

(A)

Age at Disability	Duration
Prior to age 62	to age 65
Age 62	42 months
Age 63	36 months
Age 64	30 months
Age 65	24 months
Age 66	20 months
Age 67	18 months
Age 68	15 months
Age 69 and over	12 months

(B) Normal Retirement Age as defined by the 1983 amendments to the United States Social Security Act and determined by your year of birth:

Year of Birth	Normal Retirement Age
1937 or before	65 years
1938	65 years and 2 months
1939	65 years and 4 months
1940	65 years and 6 months
1941	65 years and 8 months
1942	65 years and 10 months
1943 - 1954	66 years
1955	66 years and 2 months

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1956	66 years and 4 months
1957	66 years and 6 months
1958	66 years and 8 months
1959	66 years and 10 months
1960 and after	67 Years

If the plan provides for a shorter maximum benefit period (two-year, five-year, etc.), the maximum benefit period will be adjusted accordingly for older employees.

We can design a schedule to fit your needs, but it is your responsibility as the Employer to comply with ADEA.

## Extended Disability

RSL will pay an Extended Disability Benefit to an Insured if he/she:

- 1) meets all the requirements of Total Disability of the Policy
  - 2) is receiving a Total Disability Benefit under the Policy that will be exhausted because the Maximum Duration of Benefits has ended
- and
- 3) is unable to function without another person's Direct Assistance or verbal direction due to:
    - a) an inability to perform at least two Activities of Daily Living as defined; or
    - b) Cognitive Impairment as defined, and
    - c) is either:
      - i) confined as an Inpatient in a Skilled Nursing Home, Rehabilitation Facility or Rehabilitative Hospital, or
      - ii) receiving Home Health Care or Hospice Care,
- and
- iii) makes a Written Request for the benefit within thirty (30) days after the Maximum Duration of Benefits has ended.

The Extended Disability Benefit is an amount equal to 85% of the Monthly Benefit (after offsets with Other Income Benefits) which was payable prior to the Insured qualifying for the Extended Disability Benefit. It pays up to \$5,000 per month for up to sixty (60) months from the date that the Maximum Duration of Benefits has ended.

"Activities of Daily Living" (ADL) are:

- 1) Bathing - washing in the tub or shower or by sponge bath from a basin without Direct Assistance
- 2) Dressing - changing clothes without Direct Assistance, including fastening and unfastening any medically necessary braces or artificial limbs
- 3) Eating/Feeding - eating without Direct Assistance, once food has been prepared and made available
- 4) Transferring - moving in and out of a chair or bed without Direct Assistance, except with the aid of equipment (including support and other mechanical devices)
- 5) Toileting - getting to and from and on and off the toilet, maintaining a reasonable level of personal

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hygiene and adjusting clothing without Direct Assistance.

“Cognitive Impairment” means confusion or disorientation due to organic changes in the brain resulting in a deterioration or loss in intellectual capacity. It must be confirmed by cognitive or other tests that we find satisfactory.

Direct Assistance means the Insured requires continuous help or oversight to be able to perform the Activity of Daily Living (ADL).

This benefit is not available in all states or provisions may vary from state to state. For specific details, please contact your sales representative.

## **Benefit Integration**

Other sources of income an Insured receives or is eligible to receive will reduce the Group LTD benefits paid by RSL. We do this so that an Insured does not receive more money while disabled than while working.

Other sources of income that will reduce benefits include:

- Disability income benefits the Insured is eligible to receive under any group insurance plan(s),
- Disability income benefits the Insured is eligible to receive under any governmental retirement system, except benefits payable under a federal government employee pension benefit,
- Disability income benefits the Insured is eligible to receive under workers’ compensation laws, occupational disease law, and any compulsory benefit law,
- Wages or other compensation an Insured is entitled to receive from you, excluding the amount allowable while engaged in Rehabilitative Employment,
- Commissions or monies an Insured is entitled to receive from you, including vested renewal commissions but excluding commissions or monies that an Insured earned prior to being disabled which are paid after the disability has begun,
- That part of a disability or retirement benefit paid for by you that the Insured is eligible to receive under a group retirement plan, and
- Disability or retirement benefits under the United States Social Security Act, the Canadian pension plans, federal or provincial plans or any similar law for which an employee and his/her dependents are eligible to receive.

Income that will not reduce benefits include:

- a) Distributions from profit sharing, thrift, or stock ownership plans,
- b) Deferred compensation plans,
- c) Individual disability policies,
- d) Payments which reduce the face value of any life insurance policy,
- e) AD&D benefits,
- f) No-fault auto disability payments,
- g) Federal government/ military pension,
- h) State, county, or municipal pensions
- i) Retirement benefits paid for by the employee,

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- j) Proceeds from a 401(k) plan.
- k) Tax sheltered annuities (TSA)
- l) Individual Retirement Accounts (IRA).

Please note that the sources of income with which we may integrate may vary by state. For more details, contact your sales representative.

## **Definitions of Disability**

Our definition of disability is divided into two time periods. The first time period is called the own occupation period and the second time period is called the any occupation period. Please refer to the proposal summary page for the specific details of this proposal.

The "own occupation" period can range from two years or to age 65 depending on the benefit duration schedule elected.

The "any occupation" period lasts for the remainder of the disability, from the end of the "own occupation" period up to the maximum benefit duration period.

During both the "own occupation" and "any occupation" periods, an insured employee may be considered disabled if he/she is partially and/or residually disabled.

### **Own Occupation Definition**

During the elimination period and the own occupation period, an Insured must be disabled from his/her regular occupation. An insured is considered disabled from his/her own occupation if unable, as the result of sickness or injury, to perform the material duties of his/her regular occupation.

### **Any Occupation Definition**

During the any occupation period, the insured is required to be disabled from any occupation. An insured is disabled from any occupation if unable, as the result of sickness or injury, to perform the material duties of any occupation for which he/she is reasonably fit by education, training and experience.

### **Residual Disability**

RSL does not require that an Insured be totally disabled through the elimination period. We allow someone to work part-time and still be eligible for LTD benefits at the end of the elimination period. Once the LTD benefit is payable, the Insured is considered partially disabled.

### **Partial Disability**

If an employee is disabled as a result of an injury or sickness, we will consider him/her partially disabled if he/she is capable of performing the material duties of his/her occupation on a part-time basis or some of the material duties on a full-time basis.

Definitions may vary by state. For more details, contact your sales representative.

## **Worksite Modification Benefit**

This is a benefit payable to you, the employer. If you make the necessary modifications to the disabled person's worksite and the person does return to work, either part-time or full-time, RSL will reimburse you. We will pay 100% of the actual and reasonable expenses paid for the modification to a maximum of \$2,000.

This benefit may not be available in all states or may vary from state to state.

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### Work Incentive/Child Care Benefit

Upon satisfying the Elimination Period, during the period of time reflected on the Summary page, RSL will deduct only the amount of earnings which, when added to the employee's LTD benefit, exceeds 100% of the employee's covered monthly earnings. After such time, if applicable, we will offset the LTD benefit by 50% of the Rehabilitative Employment earnings.

The Child Care Expense Benefit is a feature of the Work Incentive Benefit. If there are dependent children under the age of 14, then we will add up to \$250 per month to the Insured's covered monthly earnings when calculating the benefit amount during the work incentive benefit period.

Please check the summary page to determine if the provision is part of our quote. These benefits may not be available in all states or may vary from state to state.

### Temporary Recovery during the Elimination Period (Interruption Period)

Temporary recovery does not necessarily mean that the insured must begin the elimination period all over again if the disability resumes. If an insured returns to full-time work for less than 30 days during the Elimination Period, the disability will be considered continuous.

### Managed Rehabilitation Employment Benefit

RSL encourages disabled employees to return to work either on a part-time or full-time basis. Vocational rehabilitation services help an employee gain the skills to go back to work doing any occupation.

The managed rehabilitation benefit encourages an employee to return to work in any gainful occupation including his/her occupation on a part-time basis, for which the employee's training, education or experience will reasonably allow.

We will continue to pay the Monthly Benefit less an amount equal to 50% of the earnings received through Rehabilitative Employment. If rehabilitation is refused, we may reduce or stop the LTD benefit depending on the circumstances. (Reduction or termination of benefits may be prohibited in some states.)

### Family Leave Act (FMLA)

The Family and Medical Leave Act of 1993 (FMLA) mandates that employers maintain an employee's group health coverage (medical expense and health flexible spending account) during an allowed period of family or medical leave as if the employee had been continuously employed during that time. FMLA applies to firms of more than fifty (50) workers.

While the FMLA does not require the continuation of Group LTD coverage, we make it available as an option to you. For the employee, this provides assurance that benefits will continue in case of major life events as described below. For you, it demonstrates to the employee that you are providing additional protection beyond the federal mandate.

We provide FMLA Extension at no charge under the Group LTD insurance contract, and all of the eligibility requirements apply.

You must continue to pay premium for the employee on leave. All policy provisions apply during the leave period. All leave requests must be in writing. We will need a copy of each approved leave at time of claim.

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### Specific Indemnity Benefit

This provision allows an employee to receive a guaranteed minimum number of benefit payments if he/she suffers any one of the following losses from an accident resulting in an injury:

Loss	Monthly Benefit Payments
Both hands	46
Both feet	46
Entire sight in both eyes	46
Hearing in both ears	46
Speech	46
One hand and one foot	46
One hand and entire sight in one eye	46
One foot and entire sight in one eye	46
One arm	35
One leg	35
One hand	23
One foot	23
Entire sight in one eye	15
Hearing in one ear	15

### Survivor Benefit

The benefit is an amount equal to three (3) or six (6) times the insured's net monthly benefit before death. It is payable in a lump sum amount or a monthly benefit to a spouse or to unmarried children under age 25, upon the death of the insured provided the insured had been receiving a Monthly Benefit and was disabled for at least 180 consecutive days.

This benefit may vary from state to state.

### Transfer of Insurance Coverage

If an employee was covered under a group LTD plan prior to the inception of your RSL plan, and is an eligible employee on the effective date of this policy:

- he/she will be insured under our plan, provided that he/she is actively at work and meets all of the eligibility requirements;
- any time used to satisfy the Pre-Existing Conditions limitation of the prior group plan will be credited towards the satisfaction of the Pre-Existing conditions limitation of your RSL policy;
- any time used to satisfy the service waiting period of the prior group plan would be credited towards the satisfaction of the service waiting period under the RSL policy.

### COBRA Benefit

With the COBRA benefit, RSL will pay an additional monthly benefit, if:

- The Insured meets all the requirements of 'total disability' of the policy; and
- He/She is receiving a monthly benefit from us due to such 'total disability'; and
- The Insured is enrolled in a medical plan sponsored by you; and
- As a result of the Insured's 'total disability', COBRA continuation of medical coverage has been elected by the Insured and is in effect.

This additional benefit is payable for the lesser of:

- (1) the number of months shown on summary page of this proposal; or
- (2) the length of time the Insured is covered under COBRA continuation of medical coverage.

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The benefit is paid to the employer to continue payment of the Insured's medical coverage premium.

This benefit is not subject to offsets with Other Income Benefits.

You must provide proof, satisfactory to us that:

- (1) the Insured has elected to purchase COBRA continuation of medical coverage through you for himself (and any dependents) before the first payment under this benefit is paid; and
- (2) such COBRA continuation of medical coverage remains in effect for the Insured (and any dependents) before each subsequent payment is made.

In the event this benefit is payable while the Work Incentive Benefit is in effect, the monthly benefit, the COBRA benefit and earnings from Rehabilitative Employment may not exceed 100% of the Insured's Covered Monthly Earnings. If 100% of the Insured's Covered Monthly Earnings is exceeded, this benefit will be reduced by such excess amount.

Not available in all states.

The plan proposed contains the features and benefits requested by you. The following value added features are included in your proposed plan:

## **Travel Assistance**

Travel assistance services provide travel and medical assistance services for employees of our Policyholders while traveling on a trip in a foreign country or 100 miles or more from home.

Whether the travel is for business or pleasure your covered employees as well as their spouse and unmarried children under the age of 20 (under age 26 for full time students) are covered.

All travel assistance services are available 24 hours a day through a multilingual staff who are prepared to act quickly and efficiently to serve your employees.

Travel assistance services are provided through On Call International, LLC (On Call) and are not part of the insurance policy being proposed by Reliance Standard Life. On Call is not affiliated with us. We are not responsible for the content of the program or services provided or not provided by On Call. RSL has the right to discontinue offering these services at any time.

For full details about the travel assistance program including all services, limitations and exclusions, please contact your Regional Group Sales Representative.

# Limitations

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**Mental/Nervous Limitation** We typically provide LTD benefits for insureds who are disabled due to a mental/nervous condition as a standard part of our policy. Benefits in these cases are paid for a limited period. If the Insured is in a hospital or institution at the end of the benefit period, he/she will receive a benefit until the release date or until he/she reaches the maximum benefit duration. The duration period does not have to be consecutive.

Disabilities related to a mental or nervous condition can also be fully covered or excluded. Please refer to the summary page for the provision that has been quoted for you.

This provision varies from state to state.

**Drug/Alcohol Limitation** RSL standardly offers limited benefits for insureds who are disabled due to drug addiction or alcoholism when he/she is an active participant in a substance abuse rehabilitation program approved by us. The benefit is typically paid for one or two years. However, benefits can also be fully covered or excluded. Please refer to the summary page for the provision that has been quoted for you.

This provision varies from state to state.

**Other Exclusions** The LTD policy does not cover any disabilities caused by:

- intentionally self-inflicted injury,
- act of war,
- commission of a felony, or
- an injury or sickness that occurs while the Insured is confined in any penal or correctional institution.

Exclusions and Limitations may vary from state to state

# Appendix

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## DISABILITY MANAGEMENT CONCEPTS

At RSL, our goals are to control your disability costs, both indirect and direct, and to help disabled employees become more confident and productive members of society. We focus on four concepts to accomplish our goals.

- Early Intervention** Traditional thinking on controlling disability costs is reactive and “after the fact”. We change that orientation by thinking in terms of how to prevent a disability before it happens. We may offer an optional employee assistance program (EAP) to help employees and families with problems that could affect their health. These problems range from depression, drug abuse to financial difficulties, or any other problem that is producing some form of stress.
- Integration** When disability occurs, we view it as a singular event, so we provide you with a single point of contact to integrate our services and address the wide ranging income protection needs of your employees. This integration may include combining short term and long term disability, workers’ compensation, family leave and even statutory coverage. The absence may be reviewed and managed by one disability team.
- Cost Containment** RSL offers many resources to help your employees return to work as quickly and easily as possible. We know that the sooner a disabled person reaches the point of complete or partial recovery, the sooner that individual can resume a productive life. And ultimately, this lowers the cost of the Disability Program to you.
- These resources include:
1. *Vocational Rehabilitation Assessment* - This is performed and managed by our in-house staff, in conjunction with a field vocational rehabilitation counselor.
  2. *Social Security Assistance Program* - Our in-house service staff will assist your employees by providing the expertise necessary to guide them through filing for social security awards.
  3. *Job Search Assistance* - Our vocational counselors take extra steps to help an employee find work that does not require relocation or a change in lifestyle.
  4. *Educational Expenses* - In situations where getting back to work starts by going back to school, our rehabilitation program may help with educational expenses for training in a new occupation.
- FICA Match** This program eliminates most of your tax reporting responsibilities for LTD benefit recipients. We will pay the employer’s portion of the Social Security and Medicare taxes on long term disability benefits. We will also prepare the year-end W-2 forms. This value-added service is provided free.
- Management Information Reporting** We offer a comprehensive annual renewal presentation package for larger clients that includes claim listings, experience reports and cost projections.
- Our goal is to ensure that you are satisfied with the job RSL is doing to manage your disability claims.

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**Benefit Illustrations** Group LTD plans are designed to replace a level of income selected by the employer. A typical plan provides 60% or 66 2/3% income replacement, coordinated with other income benefits. Common benefits we may coordinate with include workers' compensation, Social Security and work-earnings while disabled.

How an LTD benefit is determined with our Work Incentive benefit:

#### Claims Facts

Pre-Disability Earnings:	\$5,000
LTD Benefit %:	60%
Gross Monthly LTD Benefit:	$\$5,000 \times .60 = \$3,000$
Return to Work Earnings:	\$2,500

If an LTD claimant returns to work during the first 12 months of disability, the return to work earnings plus the gross monthly LTD benefit cannot exceed 100% of pre-disability salary. So, in this example you would add  $\$3,000 + \$2,500$  to get  $\$5,500$ .  $\$5,500$  is greater than  $\$5,000$  by 500. The gross LTD benefit is reduced by  $\$500$  to  $\$2,500$ , making the total  $\$5,000$ , or the same as the pre-disability earnings.

After the first 12 months, the employee would receive the following benefit:

Gross LTD Benefit:	$\$3,000 (\$5,000 \times 60\%)$
Less 50% of Part-time Earnings	$-\$1,250 (\$2,500 \times 50\%)$
Net Monthly LTD Benefit:	$\$1,750$
Total Income from all Sources:	$\$4,250 (\$1,750 + \$2,500)$