

# Long-term Disability Insurance Overview

Prepared for the employees of ERH Shared Services, LLC



## Long-term Disability Insurance Coverage – *paid by your employer*

**Eligibility** – Active, full-time employees regularly working a minimum of 30 hours per week

**Monthly Benefit** – This plan pays a benefit of up to 60% of your monthly covered earnings — to a maximum of \$6,000 per month. Your benefit amount will be reduced by any amounts payable to you by any of the sources listed under the “Effects of Other Income Benefits” section.

**Definition of Disability** – Disability means that, solely because of a covered injury or sickness, you are unable to perform the material duties of your regular occupation and you are unable to earn 80% or more of your indexed earnings from working in your regular occupation. After benefits have been payable for 24 months, you are considered disabled if solely due to your injury or sickness, you are unable to perform the material duties of any occupation for which you are (or may reasonably become) qualified by education, training or experience, and you are unable to earn 80% or more of your indexed earnings. We will require proof of earnings and continued disability.

**Covered Earnings** – Covered earnings means your wages or salary including overtime pay and shift differential, but not including bonuses, commissions and other extra compensation. Overtime pay will be averaged for the 12 months just prior to the date disability begins, or the months employed, if less than 12 months.

**Elimination Period** – You must be disabled for 180 before benefits may be payable.

**Benefit Duration** – Once you qualify for benefits under this plan, you continue to receive them until the end of the benefit period shown below, or until you no longer qualify for benefits, whichever occurs first.

Your benefit period begins on the first day after you complete your elimination period. And, should you remain disabled, your benefits continue according to the following schedule, depending on your age at the time you become disabled.

Age at Disability	Age 62 or younger	63	64	65	66	67	68	69+
Duration of Payments (months)	To age 65 or the date the 42 <sup>nd</sup> monthly benefit is payable, if later	36	30	24	21	18	15	12

Forty-two percent of Americans live paycheck-to-paycheck.

CareerBuilder, 2011 Survey

60 percent of Americans do not have a “rainy day” fund to cover three months of unanticipated financial emergencies.

FINRA Foundation State-by-state Financial Capability Survey, 2011

## Termination of Disability Benefits

Your benefits will terminate on the earliest of any of the following dates: the date the insurance company determines you are no longer disabled; the date you earn from any occupation more than the percentage of indexed earnings as defined in your definition of disability; the date the maximum benefit period ends; the date you cease to get appropriate care; the date you die; the date you refuse to participate without good cause in all required phases of the rehabilitation plan; the date you fail to cooperate with us in the administration of the claim. Benefits may be resumed if you begin to cooperate in the rehabilitation plan within 30 days of the date benefits terminated.

**Cost** – The cost of this insurance program is paid by your employer.

**Effects of Other Income Benefits** – The disability benefit provided by this plan is a total benefit; that is, it will be reduced by any disability benefits payable on behalf of you or your dependents, or a qualified third party on behalf of you or your dependents, whether or not you are actually receiving them.

Other income sources that may reduce your benefits under this plan include:

- Any Social Security disability or retirement benefits you or any third party receive (or are assumed to receive) on your own behalf; or which your dependents receive (or are assumed to receive) because of your entitlement to such benefits.
- Benefits payable by a Canadian and/or Quebec provincial pension plan.
- Amounts payable under the Railroad Retirement Act.
- Amounts payable under local, state, provincial or federal government disability or retirement plan or law as it pertains to the employer.
- Employer-paid portion of company retirement plan benefits.
- Amounts payable by company sponsored sick leave or salary continuation plan.
- Amounts payable by any franchise or group insurance or similar plan.
- Benefits payable under work-loss provisions of any mandatory “no fault” auto insurance.
- Any amounts paid on account of loss of earnings or earning capacity through settlement, judgment, arbitration or otherwise, where a third party may be liable, regardless of whether liability is determined.
- Amounts payable under any workers’ compensation (including temporary or permanent disability benefits), occupational disease, and unemployment compensation. This includes damages, compromises or settlements paid in place of such benefits, whether or not liability is admitted.

Income sources that **WILL NOT** reduce your benefits under this plan are:

- Benefits paid by personal, individual disability income policies.
- Individual deferred compensation agreements.
- Employee savings plans, including thrift plans, stock options or stock bonuses.
- Individual retirement funds, such as IRA or 401(k) plans.
- Profit-sharing, investment or other retirement or savings plans maintained in addition to an employer-sponsored pension plan.

## Additional Plan Details

### Earnings While Disabled

During the first 24 months that benefits are payable, benefits will be reduced if benefits plus income from employment exceeds 100% of pre-disability covered earnings. After that, benefits will be reduced by 50% of earnings from employment.

### Pre-existing Conditions

Benefits are not payable for medical conditions for

which you incurred expenses, took prescription drugs, received medical treatment, care or services (including diagnostic measures,) or for which a reasonable person would have consulted a physician during the 6 months just prior to the most recent effective date of insurance.

Benefits are not payable for any disability resulting from a pre-existing condition unless the disability

occurs after you have been insured under this plan for at least 12 months after your most recent effective date of insurance.

#### **Limited Benefit Period**

Disabilities caused by or contributed to by any one or more of the following conditions are subject to a lifetime limit of 24 months: Anxiety-disorders, delusional (paranoid) or depressive disorders, eating disorders, mental illness, somatoform disorders (including psychosomatic illnesses).

Benefits are payable during periods of hospital confinement for these conditions for hospitalizations lasting more than 14 consecutive days that occur before the 24-month lifetime limit is exhausted. Once the 24-month benefits are exhausted, the plan pays no further benefits.

Disabilities caused by or contributed to by any one or more of the following conditions are subject to a lifetime limit of 24 months: Alcoholism, drug addiction or abuse.

Benefits are payable during periods of hospital confinement for these conditions for hospitalizations lasting more than 14 consecutive days that occur before the 24-month lifetime limit is exhausted. Once the 24-month benefits are exhausted, the plan pays no further benefits.

#### **Exclusions**

This plan does not pay benefits for a disability which results, directly or indirectly, from any of the following: Suicide, attempted suicide, or whenever you injure yourself on purpose; war or any act of war, whether or not declared; active participation in a riot; commission of a felony; the revocation, restriction or non-renewal of your license, permit or certification necessary for you to perform the duties of your occupation, unless solely due to injury or sickness otherwise covered by the policy.

In addition, we will not pay disability benefits for any period of disability during which you are

incarcerated in a penal or corrections institution for any reason.

#### **Plan Termination**

Coverage terminates if the group policy is terminated, if you cease to be in active service, if you are no longer a member of an eligible class of employees, the day after the last date for which premium has been paid by you or the employer, or the date you become eligible for a plan of benefits intended to replace this coverage.

If you are disabled and receiving benefits under this plan, your benefits and coverage will continue until the expiration of your benefit period, or until you no longer qualify for benefits under the plan, whichever comes first.

#### **When Coverage Takes Effect**

Your coverage takes effect on the later of the program's effective date, the date you become eligible, the date we receive your completed enrollment form, or the date you authorize any necessary payroll deductions.

If you have to submit evidence of good health, your coverage takes effect on the date we agree, in writing, to cover you.

If you're not actively at work on the date your coverage would otherwise take effect, you'll be covered on the date you return to work.

#### **Family Survivor Benefit**

If you die while receiving disability benefits, we will pay a survivor benefit based on 100% of the total of your last month's benefit plus the amount of any disability earnings by which this benefit had been reduced for that month. This plan pays a single lump sum equal to 3 months of benefits. We pay this benefit directly to your lawful spouse, or to your children in equal shares, if there is no lawful spouse. If you have no lawful spouse or children, we pay this benefit to your estate.

This information is a brief description of the important features of the plan. It is not a contract. Terms and conditions of insurance are set forth in Group Policy No. LK964487. Please refer to your Certificate of Insurance or Summary Plan Description for more detailed information. Coverage is underwritten by Life Insurance Company of North America, a

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