

Buy-up Short Term Disability Insurance

Answers to employee questions about coverage
from Standard Insurance Company



About This Booklet

This booklet is designed to answer some common questions about the Buy-up Short Term Disability (STD) insurance policy offered by your *employer* to eligible employees. It is not intended to provide a detailed description of the coverage.

Please note that defined terms from the *group policy* are italicized in this booklet.

If the *group policy* becomes effective and you become insured, you will receive a *certificate* containing a detailed description of the insurance coverage including the definitions, exclusions, limitations, restrictions and terminating events. The controlling provisions will be found in the *group policy*. Neither this booklet nor the *certificate* modifies the *group policy* or the insurance coverage in any way.

Your *employer* has provided you with this booklet and the Coverage Highlights to help you understand how the Buy-up STD plan applies to eligible employees. Refer to the Coverage Highlights for additional details of the Buy-up STD plan sponsored by your *employer*.

Buy-up Short Term Disability Insurance

Chances are you already purchase home, auto and life insurance to protect yourself against the threat of loss. And you probably have health insurance to guard against costly medical bills. So, what steps have you taken to help shield yourself, your lifestyle and those who count on you from an unexpected loss of income? Would you be able to meet your financial obligations if you became *disabled* and unable to work?

Short Term Disability (STD) insurance from Standard Insurance Company is designed to pay a benefit in the event you cannot work because of a covered illness, injury or pregnancy. This benefit replaces a portion of your weekly income, helping you to meet your financial commitments in a time of need.

Your *employer* provides eligible employees with STD coverage under a Base STD plan to help protect a certain level of income. Since every employee's needs are different, your *employer* also provides eligible employees with the opportunity to apply for coverage under a Buy-up STD plan from The Standard.

The advantages of the Buy-up STD coverage

Choice – You decide which STD plan meets your specific needs. The Coverage Highlights provide you with details of each option.

Flexibility – If your needs change, you may request to enroll in the other available plan. Increases in coverage require proof of good health, referred to as *evidence of insurability*.

Convenience – Premiums for the Buy-up STD plan are deducted directly from your paycheck, so you don't have to worry about mailing monthly payments.

Peace of Mind – You can take comfort in knowing that you have taken a step to help protect your income and lifestyle in the event of a *disability*.

Commonly asked questions

The following information will help you understand the Buy-up STD insurance available from The Standard. Please also refer to the Coverage Highlights for additional details of the plan.

What is Buy-up STD coverage?

Buy-up STD insurance offers you the opportunity to choose one of two levels of STD coverage. The Base STD plan is fully paid by your *employer* and provides a basic level of STD coverage. The Buy-up STD plan is paid for by both you and your *employer* and provides for a higher level of STD coverage.

You have the option to become insured under the Base STD plan or the Buy-up STD plan to meet your individual needs for income protection. If you do not enroll in the Buy-up STD plan, you will be automatically insured under the Base STD plan provided you are an eligible *member* and meet the *active work* requirement and the *group policy* goes into effect.

What is the effective date of the Buy-up STD coverage?

The effective date of the Buy-up STD coverage is dependent upon a minimum number of eligible employees in your company applying and qualifying for the Buy-up STD plan. This required level of participation has been agreed upon by your *employer* and The Standard. If it is not met, neither the Buy-up STD plan nor the Base STD plan will become effective.

When does my insurance coverage become effective?

If the *minimum participation* requirement is met and the *group policy* goes into effect, then the effective date of your coverage depends on when you become eligible for insurance, whether you are applying for the Buy-up STD plan and whether you are required to provide *evidence of insurability*.

Base STD plan:

Your STD coverage under the Base STD plan will go into effect on the day after your *eligibility waiting period* ends, provided you meet the *active work* requirement.

Buy-up STD plan:

If you apply for the Buy-up STD plan and agree to pay premiums for this coverage, your coverage becomes effective on the later of:

- The date you become eligible, if you apply on or before that date
- The date you apply, if you apply within 31 days after you become eligible
- The date The Standard approves your *evidence of insurability*, when required

Under each circumstance you must meet the *active work* requirement before your insurance becomes effective. Refer to the Coverage Highlights for more information about the coverage effective date for employees.

What is the active work requirement?

Active work means performing with reasonable continuity the *substantial and material acts* of your *own occupation* at your *employer's* usual place of business. You must be capable of *active work* on the day before the scheduled effective date of your insurance or your insurance will not become effective as scheduled.

Refer to the Coverage Highlights for additional information.

Will I have to provide information regarding my medical history?

The Standard may require you to provide information regarding your medical history, referred to as *evidence of insurability*, if you:

- Apply for the Buy-up STD plan more than 31 days after you become eligible for insurance
- Were eligible for more than 31 days but not insured under your company's prior STD coverage, if any
- Terminate your coverage under the Buy-up STD plan for any reason but later apply to become insured again

Contact your human resources department for a Medical History Statement when *evidence of insurability* is required.

Under some STD plans, a *late enrollment penalty* may apply instead of *evidence of insurability* if you do not apply for coverage within 31 days of the date you become eligible. If applicable, the *late enrollment penalty* affects the *benefit waiting period*. Refer to the Coverage Highlights to determine if the *late enrollment penalty* applies to the STD plan sponsored by your *employer*.

When am I considered disabled?

During the *benefit waiting period* and the *own occupation period*, you are considered *disabled* if you are unable to perform with reasonable continuity the *substantial and material acts* necessary to pursue your *own occupation* and you are not working in your *own occupation*. Or, you are working in your *own occupation* but, as a result of *physical disease, injury, pregnancy* or *mental disorder*, you are unable to earn 80 percent or more of your *predisability earnings*.

You are not *disabled* merely because your right to perform your *own occupation* is restricted, including a restriction or loss of license. The loss of a professional license, occupational license, or certification does not, in itself, constitute *disability*.

How is the STD benefit amount calculated?

The weekly *STD benefit* amount is determined by multiplying your insured *predisability earnings* by the specified benefit percentage. This amount is then reduced by other income you receive or are eligible to receive while *STD benefits* are payable. This other income is referred to as *deductible income*.

In the example below, the *STD benefit* amount is 66²/₃ percent of insured *predisability earnings*. If your weekly earnings before becoming *disabled* were \$950 and you now receive a weekly state disability insurance (SDI) payment of \$523 (assuming 55 percent SDI benefit), your weekly *STD benefit* would be calculated as follows:

Insured <i>predisability earnings</i>	\$950
<i>STD benefit</i> percentage	x 66 ² / ₃ %
	<hr/>
	\$634
Less state disability benefit	- \$523
Amount of <i>STD benefit</i>	<hr/>
	\$111 *

Refer to the Coverage Highlights for the benefit percentage of the plans sponsored by your *employer*.

What are predisability earnings?

Predisability earnings are your weekly rate of earnings from your *employer* and typically include:

- Salary
- Commissions averaged over the preceding 12-month period or over the period of employment if less than 12 months
- Shift differential pay
- Contributions you make through a salary reduction agreement with your *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 an IRC Section 125 plan

Predisability earnings generally exclude bonuses, overtime pay, your *employer's* contribution to a deferred compensation arrangement or pension plan or any other extra compensation.

Predisability earnings are based on your earnings in effect on the last full day of *active work*.

* Please note your *STD benefit* amount may vary based on your own circumstances including earnings and whether your *employer* participates in SDI.

What is deductible income?

Deductible income is income you receive while *STD benefits* are payable. It is used to reduce the amount of your *STD benefit*. *Deductible income* includes, but is not limited to, the following:

- Sick pay, annual or personal leave pay, severance pay or other salary continuation, including donated amounts that exceed 100 percent of your *pre-disability earnings*
- Amounts received under unemployment compensation law
- Benefits you receive or are entitled to receive under any state disability income benefit law or similar law
- Benefits you receive or are entitled to receive because of your *disability* under a workers' compensation law (other than California Workers' Compensation benefits for permanent total and permanent partial disability) or any similar law
- Disability benefits from any other insurance, which, when added to the *STD benefit*, exceeds 80 percent of your *pre-disability earnings*
- Any disability benefits you receive or are entitled to receive from your *employer's* retirement plan
- Any retirement benefits received from your *employer's* retirement plan
- Earnings from work activity while you are *disabled*
- Earnings or compensation included in your *pre-disability earnings* which you receive or have a right to receive while *STD benefits* are payable
- Any amount of third party liability payments you receive by judgment, settlement or otherwise (less attorneys' fees)
- Any amount you receive by judgment, compromise, settlement or other method as a result of a claim for any of the above

When do STD benefits become payable and for how long?

STD benefits become payable after the *benefit waiting period*. *STD benefits* end automatically on the earliest of:

- The date you are no longer *disabled*
- The date your *maximum benefit period* ends
- The date you die
- The date benefits become payable under any other disability insurance plan under which you become insured through employment during a period of *temporary recovery*
- The date Long Term Disability (LTD) benefits become payable under a group LTD policy sponsored by your *employer*, even if that occurs before the end of the *maximum benefit period*
- The date you fail to provide proof of continued *disability* and entitlement to benefits

Refer to the Coverage Highlights for information on the *benefit waiting period* and the *maximum benefit period*.

Are my STD benefits subject to federal income tax and FICA?

If you elect the Base STD plan, your entire *STD benefit* is subject to taxes. This is because your *employer* is paying the entire cost of this plan.

If you elect to enroll in the Buy-up STD plan, both you and your *employer* share the cost of insurance and at least a portion of your *STD benefit* is subject to taxes. Under current federal tax law, the taxable portion of your *STD benefit* under the Buy-up STD plan is dependent on whether you pay your portion of premium with pre- or post-tax dollars.

If you pay your portion of the premium with pre-tax dollars, your entire *STD benefit* is subject to taxes.

If you pay your portion of the premium with after-tax dollars, only a portion of your *STD benefit* is subject to taxes. The taxable portion is based on the percentage of the total group premium that your *employer* contributes for the Buy-up STD plan. For example, if your *employer* contributes 40 percent of the total group premium for the Buy-up STD plan, then 40 percent of your *STD benefit* is taxable. The remaining 60 percent of the *STD benefit* would not be taxable.

What are some of the other features of this coverage?

This STD coverage has the following features:

- You make premium payments for the Buy-up STD plan through payroll deduction
- If your *employer* makes an approved work-site modification that enables you to return to work while *disabled*, The Standard will reimburse your *employer* up to a pre-approved amount for some or all of the cost of the modification
- If the *group policy* terminates after you become *disabled*, *STD benefits* will continue as long as you are eligible to receive them

What exclusions apply to this coverage?

You are not covered for a *disability* caused or contributed to by any of the following:

- Your involvement in any employment for wage or profit, unless eligible for 24-hour coverage
- An intentionally self-inflicted *injury*, while sane or insane
- *War* or any act of *war* (declared or undeclared, and any substantial armed conflict between organized forces of a military nature)

What limitations apply to this coverage?

STD benefits are not payable for any period when you are:

- Not receiving appropriate care from a physician until maximum point of recovery
- Eligible to receive benefits for your *disability* under a workers' compensation or similar law, unless eligible for 24-hour coverage
- Confined for any reason in a penal or correctional institution
- Not participating in good faith in a plan, program or course of medical treatment or vocational training or education approved by The Standard and by your *physician*, unless your *disability* prevents you from participating
- Receiving sick-leave pay, annual or personal-leave pay or other salary continuation, including donated amounts, from your *employer*
- Some policies contain a *preexisting condition limitation*. If the *preexisting condition limitation* applies, the maximum benefit will be reduced (Refer to the Coverage Highlights for details)

When does my insurance coverage end?

STD insurance automatically ends on the earliest of the following:

- The date the last period ends for which a premium contribution is received
- The date your employment terminates
- The date the *group policy* terminates
- The date you cease to be a *member*; however, insurance may continue for limited periods under certain circumstances described in the *group policy*

If your coverage under the Buy-up STD plan ends because of your non-payment of the required premium, you will automatically be insured under the Base STD plan provided the *group policy* remains in effect and you remain eligible for this coverage.

When does the group policy terminate?

The Standard may terminate the *group policy*:

- For non-payment of required premium
- If the number of employees insured in the Buy-up STD Plan is less than the required *minimum participation*
- If The Standard determines your *employer* has failed to promptly furnish requested information or failed to perform any other obligations relating to the *group policy*

How do I apply?

You will be automatically insured under the Base STD plan, provided you are an eligible *member* and meet the *active work* requirement, unless you become insured under the Buy-up STD plan.

To apply for the Buy-up STD plan, complete the Enrollment Form in your enrollment packet, place it in a confidential envelope and submit it to your human resources department.

You may apply for the Buy-up STD plan at any time as long as you meet the requirements to become insured. However, if you apply more than 31 days after the end of your *eligibility waiting period*, *evidence of insurability* may be required and coverage will not be effective until approved by The Standard.



For more than 100 years we have been dedicated to our core purpose: to help people achieve financial security so they can confidently pursue their dreams. We have earned a national reputation for quality products and superior service by always striving to do what is right for our customers.

Headquartered in Portland, Oregon, The Standard is a nationally recognized provider of group disability, life, dental and vision insurance and individual disability insurance. We provide insurance to more than 27,100 groups covering approximately 7.2 million employees nationwide.* Our first group policy, written in 1951 and still in force today, stands as a testament to our commitment to building long-term relationships.

To learn more about group Buy-up STD insurance from The Standard, contact your human resources department or visit us at www.standard.com.

* As of June 30, 2009, based on internal data developed by Standard Insurance Company.

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