**LONG-TERM DISABILITY BENEFITS**

*How do We define Total Disability?*

If the institutions are in session, Total Disability or Totally Disabled means that during the first 24 consecutive months of benefit payments due to Sickness or Injury:

1. You are continuously unable to perform the Material and Substantial Duties of Your Regular Occupation, and
2. Your Disability Earnings, if any, are less than 20% of Your pre-disability Indexed Monthly Earnings.

After the LTD Monthly Benefit has been paid for 24 consecutive months, Total Disability or Totally Disabled means that due to Injury or Sickness:

1. You are continuously unable to engage in any Gainful Occupation, and
2. Your Disability Earnings, if any, are less than 20% of Your pre-disability Indexed Monthly Earnings.

If the institutions are not in session, Total Disability or Totally Disabled means that during the first 24 consecutive months of benefit payments due to Sickness or Injury:

1. You would be continuously unable to perform the Material and Substantial Duties of Your Regular Occupation, and
2. Your Disability Earnings, if any, would be less than 20% of Your pre-disability Indexed Monthly Earnings.

After the LTD Monthly Benefit has been paid for 24 consecutive months, Total Disability or Totally Disabled means that due to Injury or Sickness:

1. You would be continuously unable to engage in any Gainful Occupation, and
2. Your Disability Earnings, if any, would be less than 20% of Your pre-disability Indexed Monthly Earnings.

*How do We define Partial Disability?*

If the institutions are in session, Partial Disability or Partially Disabled means that during the Elimination Period and Maximum Benefit Period, due to Injury or Sickness, You are working in any Gainful Occupation and you are able to earn Disability Earnings of at least 20% of Your pre-disability Indexed Monthly Earnings but are unable to earn more than 80% of Your pre-disability Indexed Monthly Earnings.

If the institutions are not in session, Partial Disability or Partially Disabled means that during the Elimination Period and Maximum Benefit Period, due to Injury or Sickness, You would be able to earn Disability Earnings of at least 20% of Your pre-disability Indexed Monthly Earnings but would be unable to earn more than 80% of Your pre-disability Indexed Monthly Earnings.

*Loss of Professional License or Certification*

If You require a professional license or certification for Your occupation, loss of that professional license or certification does not in and of itself constitute Disability.

*What is the Elimination Period and how is it satisfied?*

The Elimination Period is a period of continuous Disability which must be satisfied before You are eligible to receive benefits from Us. It is shown in the Schedule of Benefits and begins on Your Date of Disability.

If You temporarily recover and return to work, We will treat Your Disability as continuous if You return to work for a period of less than or equal to one-half the Elimination Period rounded up to the next whole number, not to exceed 45 days. The days that You are not Disabled will not count toward Your Elimination Period.

If You return to work for a period greater than one-half the Elimination Period, or 90 days, whichever is less, and become Disabled again, You will have to begin a new Elimination Period.
Can You satisfy Your Elimination Period if You are working?
You can satisfy Your Elimination Period if You are working, provided You meet the definition of Disability.

What Disability Benefit are You eligible to receive?
If You are Disabled, You are eligible to receive one of the following at any given time:
1. an LTD Monthly Benefit; or
2. a Work Incentive Benefit.
While You are Disabled, You might be eligible to receive one or the other of the above, but You cannot receive more than one of these benefits at the same time.

What is Your LTD Monthly Benefit and how is it calculated?
Your LTD Monthly Benefit will be based on Your Monthly Earnings as reported to Us by Your Employer.
An LTD Monthly Benefit will be payable after the end of the Elimination Period if You are Disabled. We will calculate Your Gross LTD Monthly Benefit amount as follows:
1. Multiply Your Monthly Earnings by 60%.
2. The maximum Gross LTD Monthly Benefit is $12,025.00.
3. Compare the answers from Item 1 and Item 2. The lesser of these two amounts is Your Gross LTD Monthly Benefit.
4. Subtract the Deductible Sources of Income from Your Gross LTD Monthly Benefit. The resulting figure is Your Net LTD Monthly Benefit.
5. Compare the answer from item 3 and 4. The lesser amount figured in item 5 is Your Monthly Benefit.
If a benefit is payable for less than one month, it will be paid on the basis of 1/30th of the Net LTD Monthly Benefit for each day of Disability.

How do We define Monthly Earnings?
Monthly Earnings will equal the greater of:
1. 1/12th of Your last reported gross annual income from Your Employer in effect on day immediately prior to Your Date of Disability; or
2. 1/12th of Your gross annual income from Your Employer in effect on the September 1 immediately prior to Your Date of Disability.
It includes:
1. hazardous duty pay;
2. longevity pay;
3. employee contributions made through a salary reduction agreement with Your Employer to an IRC Section 401(k), 403(b), 501(c)(3), 457 deferred compensation plan, or any other qualified or non-qualified employee Retirement Plan or deferred compensation arrangement; and
4. amounts contributed to Your fringe benefits according to a salary reduction arrangement under an IRC Section 125 plan.
It does not include:
1. commissions;
2. bonuses;
3. overtime pay; or
4. Your Employer’s contribution on Your behalf to a Retirement Plan or deferred compensation arrangement; or
5. any other extra compensation.

What are the Deductible Sources of Income?
1. Disability benefits paid, payable, or for which You are eligible under:
   a. The Social Security Act, including any amounts for which Your dependents may qualify because of Your Disability;
   b. Any Workers’ Compensation or Occupational Disease Act or Law, or any other law which provides compensation for an occupational Injury or Sickness;
   c. Occupational accident coverage provided by or through the Policyholder;
   d. Any Statutory Disability Benefit Law;
   e. The Railroad Retirement Act;
   f. The Canada Pension Plan, Quebec Pension Plan, or any other similar disability or pension plan or act;
   g. The Canada Old Age Security Act;
   h. Any Public Employee Retirement System Plan, or any State Teachers’ Retirement System Plan, or any plan provided as an alternative to any of the above acts or plans;
   i. Title 46, United States Code Section 688 et seq (The Jones Act);
   j. Title 33, United States Code Section 901 et seq (Longshore and Harbor Workers’ Compensation Act).
2. Disability benefits paid, payable, or for which You are eligible under:
   a. Any group insurance plan provided by or through the Policyholder, and
   b. Any sick leave or salary continuance plan provided by or through the Policyholder.
3. Retirement benefits paid under the Social Security Act including any amounts for which Your dependents may qualify because of Your retirement;
4. Retirement and Disability benefits paid under a Retirement Plan provided by the Policyholder except for amounts attributable to Your contributions;
5. Disability benefits paid under any No Fault Auto Motor Vehicle coverage;
6. Amounts received from a third party after subtracting attorney’s fees by judgment, settlement or otherwise, not to exceed 50% of the net settlement.

Proration of Lump Sum Awards
If any Deductible Source of Income described above is paid in a single sum through compromise settlement or as an advance on future liability, We will determine the amount of reduction to Your Gross LTD Monthly Benefit as follows:
1. We will divide the amount paid by the number of months for which the settlement or advance was provided; or
2. If the number of months for which the settlement or advance is made is not known, We will divide the amount of the settlement or advance by the expected remaining number of months for which We will provide benefits for Your Disability based on the Proof of Disability which We have, subject to a maximum of 60 months.
**What other sources of income are not deductible?**

*We will not reduce Your Gross LTD Monthly Benefit by any of the following:*

1. deferred compensation arrangements such as 401(k), 403(b) or 457 plans;
2. credit disability insurance;
3. pension plans for partners;
4. military pension and disability income plans;
5. franchise disability income plans;
6. individual disability income plans;
7. a Retirement Plan from another Policyholder;
8. profit sharing plans;
9. thrift or savings plans;
10. individual retirement account (IRA);
11. tax sheltered annuity (TSA);
12. stock ownership plan;
13. vacation pay.

**Can You work and still receive benefits?**

While Disabled, You may qualify for the Work Incentive Benefit.

**Work Incentive Benefit**

A Work Incentive Benefit will be payable if You are Disabled and Gainfully Employed after the end of the Elimination Period, or after a period during which You received LTD Monthly Benefits.

The Work Incentive Benefit will be calculated during the first 24 months of disability payments while You are Gainfully Employed as follows:

1. We will add together the Net Monthly Benefit and Disability Earnings and compare to pre-disability Monthly Earnings.
2. If the total amount in Item 1 exceeds 100% of pre-disability Monthly Earnings, the Work Incentive Benefit will be equal to the Net LTD Monthly Benefit reduced by the amount of the excess.
3. If the total amount in Item 1 does not exceed 100% of pre-disability Monthly Earnings, the Work Incentive Benefit will be equal to the Net LTD Monthly Benefit amount.

After the first 24 months of disability payments while You are Disabled and Gainfully Employed, the Work Incentive Benefit will be equal to the Net Monthly Benefit multiplied by the Adjusted Loss of Salary Ratio.

The Work Incentive Benefit will cease on the earliest of the following:

1. the date You are no longer Disabled; or
2. the end of the Maximum Period Payable.

Adjusted Loss of Salary Ratio is equal to: A divided by B

\[ A = Your \ pre-disability \ Monthly \ Earnings \ minus \ Your \ Disability \ Earnings \]

\[ B = Your \ pre-disability \ Monthly \ Earnings \]

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**What is the minimum Net LTD Monthly Benefit payable under the Policy?**

In no event will the *Monthly Benefit* payable for *Disability* be reduced to less than:

Tier I - $100 while *Your Monthly Benefit* is reduced by any disability benefits paid under any sick leave or salary continuation plan provide by or through *Your Employer*; or

Tier II - $100 or 10% of *Your Monthly Benefit*, prior to any reductions, whichever is greater, after any disability benefits paid under any sick leave or salary continuation plan have been exhausted.

The minimum *Net LTD Monthly Benefit* does not apply if *You* are *Gainfully Employed*.

**What happens if Your Deductible Sources of Income increase?**

The *Net LTD Monthly Benefit* will not be further reduced for subsequent cost-of-living increases which are paid, payable, or for which *You* or *Your* dependents are eligible under any Deductible Source of Income shown above.

**How long will You receive benefits under the Policy?**

*We* will send *You* a payment for each month of *Disability* up to the *Maximum Period Payable* as shown in the *Schedule of Benefits*. Payment of benefits is also subject to any benefit duration limitation pertaining to *Your Disability*.

**What happens if Your Disability recurs?**

If *Disability* for which benefits were payable ends but recurs due to the same or related causes less than 6 months after the end of a prior *Disability*, it will be considered a resumption of the prior *Disability*. Such recurrent *Disability* shall be subject to the provisions of the Policy that were in effect at the time the prior *Disability* began.

*Disability* which recurs more than 6 months after the end of a prior *Disability* is subject to:

1. a new *Elimination Period*;
2. a new *Maximum Period Payable*; and
3. the other provisions of the Policy that are in effect on the date the *Disability* recurs.

*Disability* must recur while *Your* coverage is in force under the Policy.