



Lincoln Mutual
Life & Casualty Insurance Company



Group Short-Term and Long-Term Disability

For Employer Groups with 2 to 9 Eligible Employees

North Dakota Group Short-Term and Long-Term Disability

Choose Lincoln Mutual for your Group Short-Term and Long-Term Disability Coverage

While we may not know everything the future may have in store for you and your employees, we do have the experience to help ensure that your ride is safe and secure. That is our commitment to you.

Founded in 1935 as the nation struggled with the Great Depression, Lincoln Mutual Life & Casualty Insurance Company has a strong legacy of delivering affordable coverage, peace of mind and hope to individuals in their time of crisis.

We treat people with respect and compassion, and we hold to the ideals set forth by our founders. Whether you have two or 2,000 employees, Lincoln Mutual has the group life and disability products that are right for your business. Flexible products, a solid foundation and personal service set Lincoln Mutual apart from the competition.

We take pride in our flexible products.

- We offer a variety of products, including group life, accidental death and dismemberment, dependent life, voluntary group term life, short-term disability and long-term disability. An integrated product line will reduce gaps in your employees' coverage.
- We make life easier for your business and employees by streamlining claims administration and management of your group plan.

You can trust our solid foundation.

- Lincoln Mutual has \$35 million in assets. We insure more than 50,000 lives with annual premiums of more than \$12 million.
- We are part of the Noridian companies, a group of companies with more than 70 years of experience in the life and health insurance industries.

You'll receive outstanding personal service.

- We offer small-town service with national expertise. Lincoln Mutual is a North Dakota company with North Dakota roots. Our products rival those of large impersonal national carriers. You'll receive the personal service that you expect from your neighbor.
- Your calls to Lincoln Mutual are answered by a person; you will not get caught in a maze of endless voice mail options.



The Importance of Offering Disability Coverage

For the small employers, the impact of a disability can be devastating, especially when the loss is compounded by the financial hardship of continuing the disabled employee's salary or the ethical problem of discontinuing the salary.

Unfortunately, it's the small employer—one who carries as few as two people on the payroll—who can least afford to lose a key employee to disability.

An employee's single greatest asset is the ability to earn a living. Disability can happen to anyone. Sadly, most employees are financially unprepared for a prolonged sickness or accident as evidenced in these statistics from the Council for Disability Awareness web site.

- Approximately 1 in 7 people can expect to be disabled for five years or more before retirement.
- Just 39% of the 2.1 million workers who applied for Social Security Disability Insurance benefits were approved in 2005.
- 72% of Americans don't have enough savings to meet short-term emergencies.
- One-third of Americans have no retirement savings and most are not eligible for a pension.
- Disability causes nearly 50% of all mortgage foreclosures, compared to 2% caused by death.

Despite these startling statistics, the need for short-term (STD) and long-term disability (LTD) insurance is often overlooked. Having long-term disability insurance will lessen the financial impact by replacing a reasonable portion of earnings that are lost as a result of disability.

Why small employers do not offer disability coverage:

- 77% Believe the cost of coverage is too expensive¹
- 58% Believe disability is not likely in their line of business²

Why small employers need to offer disability coverage:

- Average annual cost per employee for LTD coverage is just \$206³
- 1 in 5 people are likely to suffer a serious disability between ages 35 and 65⁴
- 1 in 3 workers over age 30 will become disabled for at least three months during their career⁵

Source: 1. "Disability Income Insurance - Penetrating the Small Employer Market," American Council of Life Insurers, March 2002
2. *Ibid*
3. Kaiser Family Foundation, *Employee Health Benefits, LIMRA Surveys; NAIC website; Best Reviews, 2001-2003*
4. "Life Insurers Fact Book," American Council of Life Insurers, 2001
5. *Disability Survey of Full-Time Employees, America's Health Insurance Plans, August 2004*





Plan Description STD and LTD

Employer Eligibility

- Firms in business more than two years
- Firms participating in Social Security
- Employees residing on employer's premises are not eligible

Employee Eligibility

- Eligible employees are those actively working full time for a minimum of 30 hours per week year round, who have satisfied the employer's minimum service requirement.

Participation Requirements

The following minimum participation requirements must be met:

- 2 - 5 eligible employees – all must be insured
- 6 - 9 eligible employees – all but one must be insured

Group Policy Effective Date

- The effective date is the first of the month following receipt and approval of all application submission materials.

Contribution Levels

- Provided all participant requirements are met, employees may contribute up to 100% of premium.
- If the employer pays 100% of the premium, all eligible employees must be insured.

Definition of Disability - STD

To be considered disabled means that as a result of injury or sickness employees are:

- Prevented from performing the material and substantial duties of their own job (includes reasonable employment option); and
- Earning less than or equal to 80% of pre-disability earnings.

Definition of Disability - LTD

To be considered disabled means that as a result of injury or sickness employees are:

During the elimination period and first 36 months of disability benefits:

- Regular (Own) Occupation definition (includes reasonable employment option); and
- Earning less than or equal to 80% of pre-disability earnings.

After the first 36 months of disability benefits:

- Any Occupation definition
- Earning less than or equal to 60% of pre-disability earnings

Benefit Highlights

The following benefits are standard with our STD and LTD plans:

Pre-Existing Limited Benefit - STD

Our STD plan provides a limited benefit for a disability from a pre-existing condition that occurs during the first six months of coverage.

It pays a limited benefit equal to the lesser of 50% of the weekly benefit, or \$50 per week for a maximum of five weeks.

Pre-Existing Limited Benefit - LTD

Our LTD plan provides a limited benefit for a disability from a pre-existing condition that occurs within the first 12 months of coverage.

It pays 30% of basic monthly earnings, to a maximum of \$3,000 per month, less other income benefits for up to 12 months.

Rehabilitation Benefit

Our Rehabilitation Benefit provides services to assist an employee with returning to active full-time or part-time employment. Available services include:

- Vocational testing and training
- Job modifications
- Job placement
- Other services as recommended to help the employee return to active full-time or part-time employment

Workplace Modification Benefit

This provision provides a benefit to the employer to facilitate the employee's return to work.

The benefit is payable to the employer for up to 100% of reasonable costs the employer incurs to accommodate a return to work, or to assist the insured with remaining at work. The standard maximum benefit is \$2,000.

Return to Work Incentive

Our STD and LTD plans include an incentive for the insured to return to work while disabled.

For the entire STD benefit period and for the first 12 months of LTD benefits, there is no offset for other income amounts, including work earnings, until the sum of the other income, work earnings and the insured's gross benefit exceeds 100% of the insured's pre-disability earnings.

STD Plan Features

Group Size

2 - 9 Employees

Monthly Benefit

50%, 60%, 66.7%, or 70% of basic weekly earnings to a \$1,000 weekly maximum benefit, less other income benefits. Flat amounts of coverage for all (not to exceed 70% of weekly earnings), less other income benefits

Guarantee Issue

Coverage is available without evidence of insurability for all eligible employees who enroll within 31 days of eligibility.

Elimination Period

Zero or seven days for injury and seven days of sickness

Benefits Commence

First or eighth day of injury and eighth day of sickness

Benefit Period

Choice of 13 or 26 weeks

Pre-Existing Conditions Limitation

Three months prior/six months after

Coverage Type

Non-occupational

Maternity Benefits

Paid as any other illness

Recurrent Disability

14-day return-to-work period

Contributions

Employers can pay all, part of or none of the premium.

Carve Outs

Permitted for two or more eligible employees within a class. Carve outs cannot exclude preferred risk employees.

Rate Guarantee

Initial rate guaranteed for 36 months



LTD Plan Features

Group Size

2 - 9 Employees

Maximum Monthly Benefit

50% or 60% of basic monthly earnings¹ with a choice of \$3,000, \$5,000 or \$6,000 monthly maximum benefit, less other income benefits

Minimum Monthly Benefit

11% of the insured's pre-disability earnings

Guarantee Issue

Coverage is available for all eligible employees who enroll within 31 days of eligibility

Elimination Period

Choice of 60, 90 or 180 days

Benefit Period

- Preferred Risk Employees² - to age 65 for injury/sickness³
- Standard Risk Employees - to age 65 for injury/the lesser of five years or to age 65 for sickness

Pre-Existing Conditions Limitation

12 months prior/12 months after

Survivor Benefit

Three times the last net monthly benefit amount payable in a lump sum

Mental Illness and Substance Abuse Limitation

Up to 24 months of benefits per lifetime

Integration

Full family Social Security

Premium Waiver

No premium charged while the insured is receiving benefits under the policy

Contributions

Employers can pay all, part of or none of the premium.

Carve Outs

Permitted for two or more eligible employees within a class. Carve outs cannot exclude preferred risk employees.

Rate Guarantee

Initial rate guaranteed for 36 months

1. *Definition of Earnings - basic salary exclusive of overtime, bonuses and other special forms of compensation. Commission earnings will be based on the average monthly commission earnings of the prior 24 months. K-1 earnings of owners included, where applicable.*
2. *Preferred Risk Employees are classified as executive, administrative, sales, supervisory and clerical employees who have no manual labor duties and spend at least 50% of their time inside an office environment.*
3. *The maximum payment duration for those disabled after age 61 will follow the payment duration schedule in the policy.*

Business Overhead Expense: Protecting Small Business

Business Overhead Expense (BOE)

For a business owner with fewer than 10 employees, the loss of a single employee to a disability can have a dire impact on productivity and the business's ability to generate revenue. If the person who files the disability claim is also an owner, the impact on the business can be devastating. Salaries, taxes, rent and other business expenses must continue to be paid. Disability insurance will protect a portion of the business owner's income, but what will protect the business? Our LTD coverage includes an optional BOE benefit that will ensure that important payments are met and the business is protected.

What Is BOE?

An insured owner, sole proprietor, partner or shareholder who is responsible for payment of business overhead expenses may be eligible for this benefit.

If he or she becomes totally disabled, we will pay his or her company a BOE benefit while he or she remains totally disabled.


The BOE benefit will be paid only to reimburse the company for the business overhead expenses for which the insured is responsible to make.

BOE Benefits

This benefit is the lesser of 15% of the insured's pre-disability earnings or a maximum of \$2,000, \$3,000 or \$5,000 for 12 or 24 months.

The benefit will be paid to reimburse for the following business overhead expenses:

- Salaries
- Employment taxes
- Employment benefit costs
- Rental payments for property and equipment
- Interest on mortgaged business property
- Utilities
- Accounting and legal fees
- Business insurance expenses including premiums for property and/or liability coverage
- Interest on business debts
- Property taxes
- General office supplies



We're committed to helping you and your family. Feel free to contact us with your questions. When you call, your call will not go into a maze of endless voice mail options. We'll answer your call. You'll receive small-town service combined with national expertise. Lincoln Mutual Life & Casualty Insurance Company, a company you can trust.



For more information contact your local
Blue Cross Blue Shield of North Dakota agent.

Fargo District Office
(701) 282-1149

Jamestown Service Office
(701) 251-3180

Bismarck District Office
(701) 223-6348

Dickinson Service Office
(701) 225-8092

Grand Forks District Office
(701) 795-5340

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(701) 662-8613

Minot District Office
(701) 858-5000

Williston Service Office
(701) 572-4535



Lincoln Mutual
*Life & Casualty Insurance Company**

4510 13th Ave South • PO Box 1918
Fargo, ND 58107-1918

800-233-6050

For more information and forms, please visit www.LML.com.

This brochure is not a contract of insurance. Terms and conditions are set forth in the master group policy. Please refer to your policy and certificate of coverage.

* Independent licensees of the Blue Cross & Blue Shield Association