

**PHOEBE-DEVITT HOMES**

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ALLENTOWN, PENNSYLVANIA

November 3, 2006

This proposal is subject to the Company's underwriting and will be applicable for 60 days from the above date. Products described may not be available in all states. Specific policy provisions may vary by state.

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**BOSTON MUTUAL LIFE INSURANCE COMPANY**

120 Royall Street • Canton, Massachusetts 02021

Eligible employees or members must be on Active Service on the date coverage is to take effect. Coverage for persons not on Active Service will take effect on the first of the month after date of return to Active Service.

*“Active Service” means that the employee or member is doing in the usual manner all of the regular duties of his or her employment on a full-time basis on a scheduled work day at one of the places of business where he or she normally performs such duties or at some location to which such person’s employment sends him or her. Such employee or member will be considered on Active Service on a day which is not a scheduled work day only if he or she would be able to perform in the usual manner all of the regular duties of his or her employment if it were a scheduled work day.*

## **Eligibility**

All active full-time members and employees of members working 20 hours or more per week and under age 70. Persons not actively at work on the effective date of the plan will not be eligible for coverage until return to work.

# **Eligibility Requirements**

## **Benefit Formula**

The Monthly Disability Benefit is determined by the Insured's Covered Monthly Compensation which is the base compensation, exclusive of overtime, bonus, and other such compensation, up to a maximum monthly disability benefit of \$6,000. Covered Monthly Compensation will be calculated using the Insured's verified salary, based upon the W2 or 1099 filed with the Insured's previous year's tax return.

## **Elimination Period**

Accident benefits will be payable on the 8<sup>th</sup> day of continuous Total Disability. Sickness benefits will be payable on the 8<sup>th</sup> day of continuous Total Disability.

## **Benefit Period**

Accident and Sickness benefits are payable up to the earlier of 3 months or to age 70. See ADEA provision.

Mental illness and functional nervous disorder benefits will be paid up to the earlier of 3 months or to age 70.

## **Monthly Premium**

### **Rate per \$100.00 of Covered Monthly Benefit**

Under age 55:	\$3.58
Ages 55 to 59:	\$4.50
Ages 60 and over:	\$6.72

The Insured's Monthly Disability Benefit may not exceed 60% of \$10,000 of his or her Covered Monthly Compensation as defined above. If at any time the Insured's Monthly Disability Benefit is more than 60% of his or her Covered Monthly Compensation, notify us and we will adjust the Monthly Disability Benefit and return the premium paid for coverage above 60%.

***60% of the Monthly Disability Benefit includes the \$215 per week employer paid benefit.***

## **PHOEBE-DEVITT HOMES Group Short Term Disability Income Insurance**

### ***Schedule of Rates and Benefits***

*This program offers a monthly disability benefit, payable to the insured employee, in the event of a total disability resulting from an accident or sickness.*

## Schedule of Monthly Benefits

Benefits may not exceed 60% of Monthly Salary (Including Employer Paid Benefit of \$215 per week.)

Monthly Salary	Monthly Benefit	Monthly Salary	Monthly Benefit	Monthly Salary	Monthly Benefit
\$ 500.00 - \$ 582.99	\$ 300	\$3,666.00 - \$3,749.99	\$2,200	\$6,833.00 - \$6,915.99	\$4,100
\$ 583.00 - \$ 665.99	\$ 350	\$3,750.00 - \$3,832.99	\$2,250	\$6,916.00 - \$6,999.99	\$4,150
\$ 666.00 - \$ 749.99	\$ 400	\$3,833.00 - \$3,915.99	\$2,300	\$7,000.00 - \$7,082.99	\$4,200
\$ 750.00 - \$ 832.99	\$ 450	\$3,916.00 - \$3,999.99	\$2,350	\$7,083.00 - \$7,165.99	\$4,250
\$ 833.00 - \$ 915.99	\$ 500	\$4,000.00 - \$4,082.99	\$2,400	\$7,166.00 - \$7,249.99	\$4,300
\$ 916.00 - \$ 999.99	\$ 550	\$4,083.00 - \$4,165.99	\$2,450	\$7,250.00 - \$7,332.99	\$4,350
\$1,000.00 - \$1,082.99	\$ 600	\$4,166.00 - \$4,249.99	\$2,500	\$7,333.00 - \$7,415.99	\$4,400
\$1,083.00 - \$1,165.99	\$ 650	\$4,250.00 - \$4,332.99	\$2,550	\$7,416.00 - \$7,499.99	\$4,450
\$1,166.00 - \$1,249.99	\$ 700	\$4,333.00 - \$4,415.99	\$2,600	\$7,500.00 - \$7,582.99	\$4,500
\$1,250.00 - \$1,332.99	\$ 750	\$4,416.00 - \$4,499.99	\$2,650	\$7,583.00 - \$7,665.99	\$4,550
\$1,333.00 - \$1,415.99	\$ 800	\$4,500.00 - \$4,582.99	\$2,700	\$7,666.00 - \$7,749.99	\$4,600
\$1,416.00 - \$1,499.99	\$ 850	\$4,583.00 - \$4,665.99	\$2,750	\$7,750.00 - \$7,832.99	\$4,650
\$1,500.00 - \$1,582.99	\$ 900	\$4,666.00 - \$4,749.99	\$2,800	\$7,833.00 - \$7,915.99	\$4,700
\$1,583.00 - \$1,665.99	\$ 950	\$4,750.00 - \$4,832.99	\$2,850	\$7,916.00 - \$7,999.99	\$4,750
\$1,666.00 - \$1,749.99	\$1,000	\$4,833.00 - \$4,915.99	\$2,900	\$8,000.00 - \$8,082.99	\$4,800
\$1,750.00 - \$1,832.99	\$1,050	\$4,916.00 - \$4,999.99	\$2,950	\$8,083.00 - \$8,165.99	\$4,850
\$1,833.00 - \$1,915.99	\$1,100	\$5,000.00 - \$5,082.99	\$3,000	\$8,166.00 - \$8,249.99	\$4,900
\$1,916.00 - \$1,999.99	\$1,150	\$5,083.00 - \$5,165.99	\$3,050	\$8,250.00 - \$8,332.99	\$4,950
\$2,000.00 - \$2,082.99	\$1,200	\$5,166.00 - \$5,249.99	\$3,100	\$8,333.00 - \$8,415.99	\$5,000
\$2,083.00 - \$2,165.99	\$1,250	\$5,250.00 - \$5,332.99	\$3,150	\$8,416.00 - \$8,499.99	\$5,050
\$2,166.00 - \$2,249.99	\$1,300	\$5,333.00 - \$5,415.99	\$3,200	\$8,500.00 - \$8,582.99	\$5,100
\$2,250.00 - \$2,332.99	\$1,350	\$5,416.00 - \$5,499.99	\$3,250	\$8,583.00 - \$8,665.99	\$5,150
\$2,333.00 - \$2,415.99	\$1,400	\$5,500.00 - \$5,582.99	\$3,300	\$8,666.00 - \$8,749.99	\$5,200
\$2,416.00 - \$2,499.99	\$1,450	\$5,583.00 - \$5,665.99	\$3,350	\$8,750.00 - \$8,832.99	\$5,250
\$2,500.00 - \$2,582.99	\$1,500	\$5,666.00 - \$5,749.99	\$3,400	\$8,833.00 - \$8,915.99	\$5,300
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\$2,916.00 - \$2,999.99	\$1,750	\$6,083.00 - \$6,165.99	\$3,650	\$9,250.00 - \$9,332.99	\$5,550
\$3,000.00 - \$3,082.99	\$1,800	\$6,166.00 - \$6,249.99	\$3,700	\$9,333.00 - \$9,415.99	\$5,600
\$3,083.00 - \$3,165.99	\$1,850	\$6,250.00 - \$6,332.99	\$3,750	\$9,416.00 - \$9,499.99	\$5,650
\$3,166.00 - \$3,249.99	\$1,900	\$6,333.00 - \$6,415.99	\$3,800	\$9,500.00 - \$9,582.99	\$5,700
\$3,250.00 - \$3,332.99	\$1,950	\$6,416.00 - \$6,499.99	\$3,850	\$9,583.00 - \$9,665.99	\$5,750
\$3,333.00 - \$3,415.99	\$2,000	\$6,500.00 - \$6,582.99	\$3,900	\$9,666.00 - \$9,749.99	\$5,800
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\$3,583.00 - \$3,665.99	\$2,150	\$6,750.00 - \$6,832.99	\$4,050	\$9,916.00 - \$9,999.99	\$5,950
				\$10,000.00 and over	\$6,000

## **Payment of Benefits**

A Monthly Disability Benefit will be paid during continuous Total Disability due to a covered accident or sickness. The proposed Schedule of Rates and Benefits provides for a benefit that is less than gross salary. This Schedule reflects the fact that income tax and other deductions reduce the take-home pay of the Insured. The Schedule also recognizes the need to provide incentive for the Insured to return to work promptly following a period of disability.

Subject to proof of Total Disability and following the Elimination Period (See Schedule), we will pay Monthly Disability Benefits for the period of time stated in the proposed Schedule of Benefits during which the Insured remains Totally Disabled.

Successive disabilities which result from the same or related causes will be considered one period of disability unless the disabilities are separated by the Insured's return to Active Service for at least 3 consecutive months.

Termination of insurance for any reason does not affect payment for continuous and uninterrupted Total Disability that commenced while insured.

## **Definition of Total Disability**

"Total Disability" for the first 6 (six) months the disability benefits are paid means that the Insured is unable to perform the material and substantial duties pertaining to his or her employment. After that, "Total Disability" means the Insured is unable to perform the material and substantial duties of any occupation for wage or profit for which he or she is reasonably qualified by training, education, or experience.

## **Group Short Term Disability Income Insurance**

*Disability Income Insurance provides funds to help reduce the loss of income that results from Total Disability. It will help replace a part of the income which would have been earned had disability not occurred.*

*The conditions described below are covered under a limited benefit to prevent over-utilization of the disability income plan, which would otherwise cause premiums to be higher.*

### **Alcohol and Drug Addiction**

If an Insured becomes Totally Disabled due to alcoholism or drug addiction, we will pay a limited benefit of up to 15 days in any 12-month period.

### **Mental Illness or Functional or Organic Nervous Disorder**

If an Insured becomes Totally Disabled due to a mental illness or functional or organic nervous disorder, regardless of the cause, disability benefits will be paid up to the earlier of 3 months or to age 70.

### **Pre-Existing Conditions**

*A "Pre-Existing Condition" is a disease, accident, sickness, or physical condition for which the Insured had treatment, incurred expense, took medication, or received a diagnosis or advice from a physician during the 3-month period immediately before the effective date of his or her coverage. The term "Pre-Existing Condition" will also include conditions related to disease, accident, sickness, or physical condition.*

Disability Benefits will not be payable for a Pre-Existing Condition during the first 12 months of coverage. This limitation will be waived after the Insured has been continuously insured under the policy for one year.

## **Group Short Term Disability Income Insurance**

### *Limited Benefits*

The sum of the Disability Income benefits payable to the Insured plus the lump sum or periodic payments the Insured and his or her dependents are entitled to receive from other sources may not exceed 60% of the monthly salary (excluding bonus and overtime) being earned by the Insured on the date of disability. Other income sources include:

- group insurance coverage or like coverage for persons in a group
- Federal Social Security Act (this includes benefits paid to the Insured and his or her dependents on account of the Insured's disability)
- state or federal government disability or retirement plans or increases which begin on or after the date of Total Disability
- pension plan to which the Policyholder or Employer contributes or makes payroll deductions
- salary or wage continuance plans such as sick leave paid for by an Employer which extend beyond 30 calendar days
- Federal Old Age Benefits which are provided under the Federal Social Security Act on the Insured's own behalf

With respect to the Federal Social Security Act and Federal Old Age Benefits as mentioned above, unless the Insured shows proof to us that payments under these acts have been applied for but will not be paid, we will assume each Insured who is covered under the Federal Social Security Act is receiving such payments.

In no event will the Disability Income benefits be reduced to less than \$100 per month.

## **Group Short Term Disability Income Insurance**

### ***Limitations to the Disability Benefit***

No benefit will be paid for any loss, fatal or non-fatal, which results from:

- intentionally self-inflicted injury while sane or insane
- an act of war, declared or undeclared
- accident sustained or sickness contracted while in the service of the armed forces of any country
- committing a felony
- air travel, except while riding as a fare-paying passenger on a regularly scheduled commercial airline, or as a passenger for transportation only and not a pilot or crew member nor for the performance of any duty of the Insured's occupation connected with such flight
- accident or sickness arising out of and in the course of any occupation for wage or profit
- penal incarceration - benefits will not be paid for disability or other loss for any period for which the Insured is incarcerated in a penal or correctional institution for a period of 30 consecutive days or longer.

## **Group Short Term Disability Income Insurance**

### *Exclusions*



## **Federal Social Security Freeze**

Federal Social Security increases which take effect after the monthly disability benefits become payable will not further reduce benefits under this plan.

## **Partial Disability Benefit**

A Partial Disability Benefit will be paid if an Insured becomes Partially Disabled due to a covered Accident or Sickness.

Payment of a Partial Disability Benefit is subject to the following conditions:

- The Elimination Period for Total Disability must be satisfied.
- Partial Disability Benefits will be payable beginning the first day following cessation of Total Disability.
- The Partial Disability must be the result of the same Accident or Sickness which caused Total Disability.
- The Partial Disability Benefit will be payable for a maximum period of 3 consecutive months; however, the combined period of time for which benefits are payable for Total Disability and Partial Disability may not exceed the Maximum Disability Period.
- The Partial Disability Benefit will be equal to 50% of the Disability Benefit; however, the sum of the Partial Disability Benefit, the salary earned while receiving Partial Disability Benefits, and the income from all other sources may not exceed 100% of the Insured's pre-disability salary. In this event, the Minimum Disability Benefit, if any, will not be payable.

*"Partial Disability" or "Partially Disabled" means the Insured must be able to perform one or more, but not all, of the material and substantial duties of his or her occupation on a full-time or part-time basis; or able to perform some or all of the duties of another occupation on a full-time or part-time basis.*

## **Group Short Term Disability Income Insurance**

## **Additional Benefits**

The ADEA prohibits termination of group insurance on those persons whose employers employ 20 or more employees.

Group disability income coverage on an Insured will continue beyond age 70 as long as:

- the Insured remains actively employed
- the Insured meets the definition of a full-time employee as stated in the Proposed Schedule of Disability Income Insurance
- the premium is paid
- the Master Policy remains in force, and
- the Insured's employer continues to employ 20 or more employees.<sup>1</sup>

The period of time for which benefits may be payable under the Policy (referred to as the Maximum Benefit Period) is stated in the Proposed Schedule of Disability Income Insurance. For purposes of this Section, the Maximum Benefit Period will also include the Maximum Mental Illness Period.

For Maximum Benefit Periods of up to one year, benefits will be payable for up to such period of time.

For a Maximum Benefit Period payable of two years, the Maximum Benefit Period will be based on the Insured's age as of the date benefits begin, as follows:

Subtract the Maximum Benefit Period (number of years) from 70 years, then:

- For an Insured younger than this age, benefits will be payable for up to the number of years stated as the Maximum Benefit Period.
- For an Insured older than this age, but younger than age 69, benefits will be payable until the Insured attains age 70.
- For an Insured age 69 or older, benefits will be payable for up to one year.

The monthly premium and monthly benefit amount will not change due to a change in the Maximum Benefit Period.

<sup>1</sup>The employer must employ 20 or more persons (not "eligible" persons).

## **Group Short Term Disability Income Insurance**

### ***Age Discrimination in Employment Act (ADEA)***

## **Policy Termination**

The Company or the Policyholder may end the Policy on any premium due date. Thirty-one days advance written notice of such termination must be given.

## **Individual Coverage Termination**

Coverage will end on the earliest of these dates:

- the date the Insured does not qualify as an Insured;
- the date the Insured retires;
- the date the Insured ceases to be on Active Service;
- the end of the last period for which premium has been paid; or
- the date the Policy is discontinued.

If the Insured's coverage ends as a result of his or her termination of Active Service, such termination is caused by an Accident or Sickness for which Disability Benefit would be payable, and Total Disability began prior to the termination of Active Service, then Disability Benefits will be paid as if such termination had not occurred.

Termination of the Policy will have no effect on payment of benefits for a Total Disability that begins before the Policy terminated.

## **Termination**

Employer groups with less than 100 eligibles may select only one Short Term Disability plan for all employees. Groups with 100 or more eligibles may offer two benefit plans with five issuable applications in each plan. Also, more than one plan may be offered due to classifications of employees as long as there is a minimum of five issuable applications in each plan.

Use the 230003399 application (form number may vary by state).

## **Participation Requirements—30%**

### **Guaranteed Issue/Initial Enrollment**

With a minimum of ten (10) acceptable disability applications - Guaranteed Issue up to \$1,500 meeting the above participation requirements. Benefit amounts exceeding \$1,500 will be issued Subject to Insurability and require completing the front and back of the application.

If participation requirements are not met, all insureds will be issued Subject to Insurability (front of application for benefits of \$1,500 or less). Those answering “no” to both health questions on front of application will be Guaranteed Issue up to \$1,500. Those answering “yes” to one or both health questions, will not be issued. Benefit amounts in excess of \$1,500 will be fully underwritten (front & back of application).

### **New Employees**

New employees may enroll upon satisfaction of the waiting period for eligibility (usually determined by the employer unless outlined on the Unacceptable and Limited Groups List. New enrollees will be issued under the initial enrollment guidelines, provided participation requirements are met. If participation guidelines are not met, benefit amounts of \$1,500 or less will be Subject to Insurability and require the front of the application to be completed.

Benefits exceeding \$1,500 for Nursing Homes are Subject to Insurability and will require the front and back of the application to be completed, regardless of participation.

### **Late Enrollees**

Employees who decline their first opportunity to enroll and choose to enroll at a later date are considered late enrollees. They will be Subject to Insurability and must complete the front and back of the application.

# **Group Short Term Disability Income Insurance**

## *Underwriting Guidelines*

## **Re-enrollment/Increases**

At the time of re-enrollment, existing insureds may increase up to \$200.00 of monthly indemnity once annually. An increase of \$200.00 or less will be guarantee issue and not subject to a new preexisting condition limitation. Increase amounts above \$200.00 will be issued subject to insurability (Front and back of application) and a new preexisting condition limitation will apply to the portion of the increase which exceeds the guaranteed \$200.00. All increases will be limited to the covered monthly income and maximum benefit amounts outlined in the schedule of rates and benefits and will be fully subject to all contract provisions.

## **Issue Ages**

Rates will be based on the age at entry into the plan and will not increase with attained age. Issue ages are 18 through 69 (on groups of 20 or more, ages 18 and over).

## **Eligibility**

All active full-time members and employees of members working 20 hours or more per week and under age 70. Employees must be actively at work on the effective date of the policy to be eligible. If not, it will be effective the first of the month following the date returned to work.

## **Enrollment Period**

The standard enrollment period is 30 days. Any extension must be approved by Risk Management.

## **Rate Guarantee**

Rates are guaranteed for one year.

*For more detailed information regarding Underwriting Guidelines, please refer to the Guidelines included with the Agent shelf rate books.*

# **Group Short Term Disability Income Insurance**

## ***Underwriting Guidelines (Cont.)***