

# Term Life & Accident Insurance



*Developed for the Class 2 Employees of  
City of Palo Alto*



# Life Insurance

## Who Needs Life Insurance?

You do. Single or married. Buying your first home or preparing for retirement. Raising children or sending them off to college. No matter where you are in life, insurance should be part of your financial plan.

By purchasing this insurance product through your employer, you benefit from:

- Affordable group rates
- Convenient payroll deduction
- Access to knowledgeable service representatives.

## Who Is Eligible For Coverage?

You are eligible for coverage if you are an active, full-time employee classified as Management and regularly work at least 20 hours per week for your employer.

## How Much Coverage Can You Buy?

You can select life insurance coverage of 1 or 2 times your salary rounded to the next higher \$1,000. The maximum for any employee is the lesser of 2 times your annual salary or \$325,000. The guaranteed coverage amount for you is the lesser of 2 times your annual salary or \$325,000.

## Guaranteed Coverage

If you are eligible and you apply during the initial enrollment period, or within 31 days after you are eligible to elect coverage, you are entitled to choose any offered amount of coverage up to the guaranteed coverage amount, as shown on your application, without having to provide evidence of good health.

If you apply for coverage for yourself more than 31 days from the date you become eligible to elect coverage under this plan, the guaranteed coverage amounts will not apply. Coverage will not be issued until the insurance company approves acceptable evidence of good health. Evidence of good health may include a paramedical exam or physician's statement.

## Calculating the Cost of Your Coverage

### Follow These Steps

<b>Step 1</b>	\$ _____	Your Yearly Salary		
<b>Step 2</b>		<i>Round to the Next Higher \$1,000 e.g. \$214,300 becomes \$215,000</i>		
<b>Step 3</b>	_____	÷ 1,000	=	_____
	Your Coverage Amount			Employee Units
<b>Step 4</b>	_____	x \$ 0.24	=	\$ _____
	Employee Units	Employee Cost Per Unit		Total Monthly Cost

Your monthly cost of insurance is \$.24 per \$1,000 of coverage.

Maximum coverage: Employee— the lesser of 2 times your annual salary or \$325,000.

*Costs are subject to change.*

### Automatic Increase Feature

In the event of an increase in salary, your voluntary life insurance coverage will increase accordingly.

Your new coverage amount will become effective on the date of change. We do not require evidence of good health for salary increases that are less than 25% of your previous salary, not to exceed \$25,000.

### When You Reach Age 70

By the time you reach age 70, chances are that your children will be grown and your mortgage paid. At age 70, providing you are still employed, your coverage will decrease to 65% of the benefit amount. It will decrease to 50% at age 75.

## How Much Life Insurance Do You Need?

We have provided this worksheet to help you calculate how much life insurance you may need for a surviving spouse and dependents. When calculating annual amounts, be sure to multiply the annual income or cost by the number of years you expect to receive that income, or incur that cost.

1. Living Costs		
Day-to-day Living Expenses <i>(Use 75% of current net income)</i>		
\$ _____ annually x _____ years	= \$	_____
Child Care Expenses		
\$ _____ annually x _____ years	= +	_____
Education Funding		
\$ _____ annually x _____ years	= +	_____
Major Purchases <i>(cars, home repair)</i>		
\$ _____ annually x _____ years	= +	_____
Estate and Funeral Expenses	= +	_____
<b>TOTAL LIVING COSTS (A)</b>	= \$	_____
2. Available Resources		
Cash and Savings	= \$	_____
Retirement Savings <i>(IRA, 401(k), etc.)</i>	= +	_____
Stocks and Bonds <i>(at current market value)</i>	= +	_____
Spouse Income <i>(multiply by 60%)*</i>		
\$ _____ annually x _____ years	= +	_____
Other Assets	= +	_____
<b>TOTAL AVAILABLE RESOURCES (B)</b>	= \$	_____
3. Life Insurance Need		
<b>TOTAL LIVING COSTS (A)</b>	= \$	_____ (A)
<b>LESS TOTAL AVAILABLE RESOURCES (B)</b>	- \$	_____ (B)
<b>EQUALS LIFE INSURANCE NEED</b>	= \$	_____

Naturally a worksheet like the above is only an aid to determining life insurance needs. It cannot predict all of your expenses, economic conditions, inflation, investment performance or other factors which may alter your needs. For a more accurate plan, you should consider consulting an investment advisor.

\* Estimate likely spouse income as sole provider. Include your estimate of Social Security benefits to surviving spouse and dependents. The 60% factor above is used to account for taxation so that a net income figure can be derived. Vary this factor if you feel combined federal, state and local taxes, and FICA will be different for your situation.

## Other Benefit Features

### Accelerated Death Benefit — Terminal Illness

If you are diagnosed by two unaffiliated physicians as terminally ill with a life expectancy of 12 months or less, the accelerated payment benefit for terminal illness provides for up to 75% of the basic and voluntary life insurance coverage amount in force or \$500,000, whichever is less, to be paid to you. This benefit is payable only once in your lifetime, and will reduce your life insurance death benefit.

The terminal illness benefit may be taxable. As with all tax matters, you should consult with a personal tax advisor to assess the impact of this benefit.

### Continuation for Disability for Employees Age 60 or Over

If your active service ends due to disability, this plan provides a continuation of coverage feature. If you are disabled at age 60 or over, your coverage will continue while you are disabled. This benefit will remain in force until the earliest of the following dates: the date you are no longer disabled, the date the policy terminates, the date you are disabled for 12 consecutive months or the day after the last period for which premiums are paid. You are considered disabled if, because of injury or sickness, you are unable to perform all the material duties of your Regular Occupation, or you are receiving disability benefits under your Employer's plan.

*"Regular Occupation" means your occupation, as routinely performed in the general labor market, at the time your disability begins.*

### Extended Death Benefit with Waiver of Premium

#### Extended Death Benefit

*If you become Disabled* — The extended death benefit ensures that if you become disabled prior to age 60, and die before you qualify for Waiver of Premium, we will pay the life insurance benefit if you remain disabled during that period. You are considered disabled if, because of injury or sickness, you are unable to perform all the material duties of your Regular Occupation, as defined above, or you are receiving disability benefits under your Employer's plan.

*"Regular Occupation" means your occupation, as routinely performed in the general labor market, at the time your disability begins.*

#### Waiver of Premium

*If you become totally disabled* — To make sure you can keep the life insurance protection you need during a difficult period of your life, this plan provides a *waiver of premium* feature. If you are totally disabled prior to age 60 and can't work for at least 9 months, you won't need to pay premiums for your coverage while you are disabled, provided the insurance company approves you for this benefit. You are considered totally disabled when you are completely unable to engage in any occupation for wage or profit because of injury or sickness. This benefit will remain in force until age 65, subject to proof of continuing disability each year.

## **What Is Not Covered**

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The plan will not pay benefits if loss of life is the result of suicide that occurs within the first two years of coverage.

## **When Your Coverage Begins and Ends**

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The date your coverage begins is called its “effective date.” Your employer will let you know the effective date of your coverage. If you are not actively at work on the effective date of coverage, your coverage will not begin until you return to work.

Your coverage cannot be terminated as long as you remain eligible, the premium is paid and the group policy remains in force.

### **Annual Enrollment Period**

Each year, during your enrollment period, you have the opportunity to enroll in the plan or increase your voluntary coverage. We do require evidence of good health for all new coverage selections.

### **If You Leave Your Employer**

To help you keep your life insurance coverage during the years when your family needs financial protection, the plan allows you to continue all of your voluntary coverage if you leave your employer. Premiums may change at this time. Just make arrangements to pay your premiums directly to the insurance company after you leave your current employer. Coverage may be continued for you until age 70. As long as the group policy remains in force, the option of continuing this coverage is available.

### **Converting Your Coverage to Permanent Life Insurance**

If group life insurance coverage is reduced or ends for any reason except nonpayment of premiums, you can convert to an individual policy. No medical certification is needed. To convert coverage, you must apply for the conversion policy and pay the first premium payment within 31 days after your group coverage ends. Converted policies are subject to certain benefits and limits as outlined in the conversion brochure which may be requested as needed. Premiums may change at this time.

## **Apply Today**

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In order to apply for coverage, you must complete an application form. Be sure to answer all questions accurately.

### **Payroll Deduction**

You pay your premiums through payroll deduction.

### **Designating Your Beneficiary**

Your term life benefit will automatically be paid to the first beneficiary listed below who is living at the time of your death if you do not designate a specific beneficiary:

- 1) Your Spouse\*
- 2) Your Child(ren)
- 3) Your Parents
- 4) Your Siblings
- 5) Your Estate

If you wish to designate different beneficiaries, or to indicate percentages, you may do so on your application. If the listed beneficiary is a trustee or a trust, you will need to indicate the trustee's name, the name of the trust and the date of the trust agreement. The trust document must be presented in order for the claim to be processed.

*\* Benefits will not be paid to your Domestic Partner if he or she is not specifically designated.*

### **How Your Claims Are Paid**

Your employer has all the forms your beneficiary will need and can provide assistance in completing them.

## **Questions?**

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If you want more information about this group insurance plan, call 1-800-732-1603 toll-free anytime from Monday through Friday, 8 a.m. to 6 p.m. Eastern time. You'll speak to a courteous, knowledgeable customer service representative who can answer your questions and explain features of this plan.

*This portion of the plan provides life insurance only.*

# Accident Insurance

## Who Needs Personal Accident Insurance?

You do. Accident insurance can help you pay expenses if you are seriously injured or killed in a covered accident. This insurance can help ensure that tragedy doesn't take both an emotional and a financial toll on your family.

By purchasing this insurance through your employer, you benefit from:

- Affordable group rates
- Convenient payroll deduction

## Who Is Eligible For Coverage?

You are eligible for coverage if you are an active, full-time employee classified as Management and regularly work at least 20 hours per week for your employer.

## How Much Coverage Can You Buy?

Your Voluntary Benefits match the Voluntary Life Benefits under policy number FLX-962659. Only Employees covered for the Voluntary Life may elect Voluntary AD&D.

### Your Monthly Cost

The cost of this coverage is \$0.02 per \$1,000 per month.

If you would like to see for yourself how much your coverage will cost each month, just follow these steps:

1. Pick the coverage you want -1 or 2 times your salary;
2. Multiply your annual salary by the number and round your answer to the next higher \$1,000;
3. Divide your coverage by \$1,000;
4. Multiply that number by the rate for employee coverage.

*Example:* An employee earns \$46,500 a year and wants a benefit amount equal to three times his or her salary:

$$3 \times \$46,500 = \$139,500$$

(round to the next higher \$1,000 = \$140,000);

$$\$140,000 \div 1,000 = 140$$

$$140 \times \$0.02 \text{ (the monthly rate for employee coverage)} = \$28.00$$

**\$28.00 per month.**

*Costs are subject to change.*

### Benefit Reductions

When you reach age 70, your benefits will be reduced to 65% of the benefit amount selected; at age 75, 50%. These reductions also apply if you elect coverage after age 69.

## A Valuable Combination of Benefits

Personal Accident Insurance helps protect you against losses due to accidents. A covered accident is a sudden, unforeseeable, external event, resulting directly and independently of all other causes, in a covered injury or covered loss that occurs while coverage is in force. To help survivors of severe accidents adjust to new living circumstances, we will pay benefits according to the chart below.

If, within 365 days of a covered accident, bodily injuries result in:	We will pay this % of the benefit amount:
Loss of life, or Total paralysis of upper and lower limbs, or Loss of any combination of two: hands, feet or eyesight, or Loss of speech and hearing in both ears	<b>100%</b>
Total paralysis of both lower or upper limbs	<b>75%</b>
Total paralysis of upper and lower limbs on one side of the body, or Loss of hand, foot or sight in one eye, or Loss of speech, or Loss of hearing in both ears	<b>50%</b>
Total paralysis of one upper or lower limb, or Loss of all four fingers of the same hand, or Loss of thumb and index finger of the same hand, or Loss of all toes of the same foot	<b>25%</b>
Coma	<b>1%</b>

*If the same accident causes more than one of these losses, we will pay only one amount, but it will be the largest amount that applies.*

**Loss of a hand or foot** means complete severance through or above the wrist or ankle joint. **Loss of sight** means the total, permanent loss of all vision in the eye. **Loss of speech** means total, permanent and irrecoverable loss of audible communication. **Loss of hearing** means total and permanent loss of the ability to hear any sound in both ears. Loss of sight, speech and hearing must be irrecoverable by natural, surgical or artificial means. **Loss of a thumb and index finger or four fingers**, means complete severance through or above the metacarpophalangeal joints (the joints between the fingers and the hand). **Paralysis** means total loss of use, without severance, of a limb. This loss must be determined by a doctor to be complete and not reversible. **Loss of Toes** means complete severance through the metatarsalphalangeal joint. **Severance** means complete and permanent separation and dismemberment of the limb from the body.

## **Additional Benefits**

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### ***For Exposure and Disappearance***

Benefits are payable if you suffer a covered loss due to unavoidable exposure to the elements as a result of a covered accident.

If your body is not found within one year of the disappearance, wrecking or sinking of the conveyance in which you were riding, on a trip otherwise covered, it will be presumed that you sustained loss of life as a result of a covered accident.

### ***For Comas***

If you have been in a coma for one full month as a result of a covered accident, we will pay a coma benefit, as shown in [A Valuable Combination of Benefits](#). We will make 11 monthly payments, provided you remain in a coma during this period. If you recover, the payments will stop.

If you die while the monthly coma benefit payments are being made, or if you remain in a coma after the 11 monthly payments have been made, you will be entitled to a lump sum payment equal to the full benefit amount.

*Coma means a profound state of unconsciousness which resulted directly and independently from all other causes from a covered accident, and from which the insured is not likely to be aroused through powerful stimulation. This condition must be diagnosed and treated regularly by a physician. Coma does not mean any state of unconsciousness intentionally induced during the course of treatment of a covered injury unless the state of unconsciousness results from the administration of anesthesia in preparation for surgical treatment of that covered accident.*

### ***For Child Care Expenses***

Personal Accident Insurance pays an additional benefit to help pay for your children's child care expenses.

If you die as a result of a covered accident and you have a surviving child under 13 who is enrolled in a licensed child care center at the time of the accident or within 90 days afterward, we will pay a child care center benefit. This benefit will be an annual sum for each child of \$5,000 per year for 4 years or until the child turns 13, whichever occurs first.

We will make the payment to the child's surviving custodial parent or legal guardian.

Each payment will be made at the end of a 12-month period in which there were documented child care center expenses.

*Child means your unmarried dependent children who are under age 19 (or under age 25 if they are full-time students).*

### ***For Traveling on Public Transportation***

If you are accidentally killed or dismembered while a fare-paying passenger in or being struck by or while getting on or off of public transportation, such as a bus or plane, licensed for hire to carry fare-paying passengers or a transport aircraft operated by the U.S. Air Mobility Command or a similar air transport service of another country, we will increase the benefit amount by 100%, to a maximum of \$200,000.

### ***For Victims of Crime***

This benefit is payable if you are the victim of a crime. If you suffer bodily injury or die as a result of a felonious assault, robbery, holdup, attempted robbery or holdup, kidnapping or attempted kidnapping while at work, we will increase the benefit amount by 50% but not more than \$25,000. You must provide a copy of the police describing the felonious assault or violent crime before benefits will be paid.

When a covered felonious assault or violent crime requires that you be hospitalized, the plan will pay a benefit of \$100 per day, up to a maximum of 365 days per covered accident. You must be under a doctor's care and the hospitalization must begin within 30 days of the felonious assault or violent crime.

We will not pay benefits if you are assaulted by a fellow employee, or a household or family member, or for losses incurred when you commit a violent crime or felonious assault.

### ***For Wearing a Seatbelt and Protection by an Airbag***

This benefit is payable if you die as a direct result of injuries sustained in a covered accident while driving or riding in an automobile\*, while wearing a properly fastened seatbelt. Your death benefit will be increased by \$10,000. If you were also positioned in a seat protected by a properly-functioning and properly deployed Supplemental Restraint System\*\* (Airbag), we will increase the death benefit by an additional \$5,000.

Verification of the actual use of the seatbelt and that the supplemental restraint system inflated properly on impact at the time of the accident, must be part of an official report of the accident, or be certified, in writing, by the investigating officer(s) and submitted with the claim.

If it is unclear whether you had been wearing a seatbelt or that you were positioned in a seat protected by a properly functioning and properly deployed airbag, the plan will pay a benefit of \$1,000.

*\*Automobile means a self-propelled, private passenger motor vehicle with four or more wheels which is of a type both designed and required to be licensed for use on the highways of any state or country. Automobile includes but is not limited to a sedan, station wagon, sport utility vehicle or a motor vehicle of the pickup, van, motor home or camper type. Automobile does not include a mobile home or any motor vehicle which is used in mass or public transit.*

*\*\*Supplemental Restraint System means an airbag that inflates upon impact for added protection to the head and chest areas.*

## **Additional Benefits (cont'd)**

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### ***For Furthering Education***

The education benefit can give employees extra peace of mind if their children enroll in a school of higher learning.

If you die in a covered accident, we will pay an extra benefit for each child who is enrolled in a school of higher learning or is in the 12<sup>th</sup> grade and enrolls within one year of the accident. To help pay expenses, we will increase your benefit amount up to \$5,000 for each qualifying child. This benefit is payable each year for 4 consecutive years as long as your children continue their education.

If there is no qualifying child, we will pay an additional \$1,000 to your beneficiary.

*Child means your unmarried dependent children who are under age 19 (or under age 25 if they are full-time students).*

### ***For Training for Your Spouse***

Your spouse will receive educational reimbursement if he or she enrolls, within three years of your death in a covered accident, in an accredited school to gain skills needed for employment. We will pay the actual cost of this education or training program up to \$5,000.

*Spouse means your lawful spouse under age 70.*

## **When Your Coverage Begins and Ends**

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Current employees can sign up during this enrollment period. New employees have 31 days from the date they become eligible to enroll. Coverage becomes effective 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 are not actively at work, the effective date of your insurance will be deferred until you are actively at work.

Your coverage will continue as long as you remain an eligible employee, pay your premium when due and we agree with your employer to continue this group policy.

### **Changing from the Group Plan to Individual Coverage**

If, before you reach age 70, this group coverage is reduced or ends for any reason except non-payment of premium or age, you can convert to an individual policy. No medical certification is needed. To continue coverage, you must apply for the conversion policy and pay the first premium in effect for your age and occupation within 31 days after your group coverage ends. Converted policies are subject to certain benefits and limits as outlined in your certificate, should you become insured under the plan.

## **What Is Not Covered**

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Plan benefits are not payable if an injury or a loss results, directly or indirectly, from or is caused by, self-inflicted injuries or suicide while sane or insane; commission or attempt to commit a felony or an assault; any act of war, declared or undeclared; any active participation in a riot, insurrection or terrorist act; bungee jumping; parachuting; skydiving; parasailing; hang-gliding; sickness, disease, physical or mental impairment, or surgical or medical treatment thereof, or bacterial or viral infection, regardless of how contracted. (This does not include bacterial infection that is the natural and foreseeable result of an accidental external cut or wound or accidental food poisoning.)

Benefits are also not payable if the loss occurs while the covered person is voluntarily using any drug, narcotic, poison, gas or fumes except one prescribed by a licensed physician and taken as prescribed; while operating any type of vehicle while under the influence of alcohol (intoxicated is defined by the law of the state in which the covered accident occurred) or any drug, narcotic or other intoxicant including any prescribed drug for which the covered person has been provided a written warning against operating a vehicle while taking it; while the covered person is engaged in the activities of active duty service in the military, navy or air force of any country or international organization (this does not include Reserve or National Guard training, unless it extends beyond 31 days); traveling in an aircraft that is owned, leased or controlled by the sponsoring organization or any of its subsidiaries or affiliates (an aircraft will be deemed to be "controlled" by the sponsoring organization if the aircraft may be used as the sponsoring organization wishes for more than 10 straight days, or more than 15 days in any year); flying in, boarding or alighting from an aircraft or any craft designed to fly above the earth's surface, except as a passenger on a regularly scheduled commercial airline; that is: an ultra-light or glider, designed to be used in outer space; being used by any military authority, except the Air Mobility Command or its foreign equivalent; being flown by the covered person or in which the covered person is a member of the crew; being used for parachuting, hang-gliding, crop dusting, spraying or seeding, giving and receiving flying instruction, fire fighting, sky writing, skydiving, pipeline or power line inspection, aerial photography or exploration, racing or endurance tests, stunts or acrobatic flying, or any operation that requires a special permit from the FAA, even if it is granted (this does not apply if the permit is required only because of the territory flown over or landed on).

In addition, benefits will not be paid for services or treatment rendered by a physician, nurse or any other person who is employed or retained by the subscriber or who is providing homeopathic, aroma-therapeutic or herbal therapeutic services, living in the covered person's household or a parent, sibling, spouse or child of the insured.



## ***Notes***

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## ***Notes***

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*This information is a brief description of important features of the plan. It is not a contract. Terms and conditions of coverage are set forth in Group Policy No. FLX-962659, on Policy Form TL-004700, issued in Delaware to the Trustee of the Group Insurance Trust for Employers in the Public Administration Industry. Terms and conditions of accident insurance coverage are set forth in Group Policy No. OK 964302 on Policy Form No. GA-00-1000.00, issued in Delaware to the Trustee of the Group Insurance Trust for Employers in the Public Administration Industry. The group policy is subject to the laws of the jurisdiction in which it is issued. The availability of this offer may change. Please keep this material as a reference.*

*Coverage is underwritten by  
Life Insurance Company of North America  
1601 Chestnut Street  
Philadelphia, PA 19192*

Class 2  
04/2015



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