

**Basic and Optional Group Term Life Insurance with
Accelerated Life Benefit**

**SECTION
TWO
AT-A-GLANCE**

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Section 2

Basic and Optional Group Term Life Insurance With Accelerated Life Benefit

General Information About Basic Group Term Life Insurance

When you enroll in HealthSelectSM of Texas or a health maintenance organization (HMO), you are automatically enrolled in Basic Group Term Life Insurance. This coverage provides \$2,500 of Basic Group Term Life Insurance. If you are eligible for the full state contribution, this coverage is available at no additional cost to you. Your benefits coordinator will be able to tell you what your cost will be per month.

Your Basic Group Term Life Insurance amount is the amount to be paid to your designated beneficiary if you die. See Section 4 for more information on beneficiary designations. The Basic Group Term Life Insurance also includes:

Conversion Privilege - This benefit is available to you if you are no longer in a class of Retirees eligible for Basic Group Term Life Insurance. See Section 4 for details.

Accelerated Life Benefit - This benefit is available to you as part of the Basic Group Term Life Insurance and Optional Group Term Life Insurance. If you are diagnosed with a Terminal Condition and have a life expectancy of twelve months or less, you may apply for this benefit. More details are given later in this section.

Viatical Settlement Option - This option is available to you if you are diagnosed with a Terminal Condition. You may make an irrevocable beneficiary designation in conjunction with a Viatical Settlement. See the Viatical Settlement Option subsection later in this section.

Summary of Benefits

Class Description	Amount of Basic Group Term Life Insurance
Each Retired Employee	\$2,500

Step-by-Step Instructions for Filing a Basic Group Term Life Insurance Claim

If you die as a result of any cause,

Your designated beneficiary or other person designated by you or lawfully authorized to represent your estate:

- contacts ERS at (512) 867-7711 or (877) 275-4377 for instructions and forms required for filing a claim for benefits; the forms are sent to the designated beneficiary.
- Completes, and signs the claim forms;
- within 24 months of your death, submits the completed claim form, together with a certified copy of your death
- certificate to FDL; and
- provides additional information as needed for FDL to process the claim.

FDL:

- receives the claim form, death certificate from your designated beneficiary or other person designated by you or lawfully authorized to represent your estate;
- reviews the claim and requests additional information if needed; and
- pays the death benefit to your designated beneficiary if the claim is approved; or
- notifies your beneficiary and ERS if the claim is denied for any reason.

Accelerated Life Benefit. (For Retirees with Basic Group Term Life Only)

This section is applicable to you if you have only Basic Group Term Life Insurance. If you have Optional Group Term Life Insurance, see the Description later in this section for details of this benefit.

You or your court-appointed legal representative may request payment to you of your Basic Group Term Life Insurance amount in a single lump sum. You must be diagnosed with a Terminal

Condition and have a life expectancy of twelve months or less.

FDL will review the request and evaluate whether the requirements of this benefit are met. If approved, FDL will make payment to you. The amount of the payment will reduce your Basic Term Life amount to zero, and there will be no benefit payable in the event of your natural death.

The Accelerated Life Benefit is not available to you if you retired prior to January 1, 2000, unless you were determined, in a written statement executed before the day you retired, by your attending physician, to have had a Terminal Condition.

You may contact FDL Customer Service at 1-855-ERS-LIFE (1-855-377-5433) for additional information.

DISCLOSURE: The Accelerated Life Benefit offered under your Basic Group Term Life Insurance coverage is intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986. If the Accelerated Life Benefit qualifies for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Tax laws relating to the Accelerated Life Benefit are complex. You are advised to consult a qualified tax advisor about the circumstances under which you could receive the Accelerated Life Benefit excludable from income under federal law. Receipt of the Accelerated Life Benefit payment may affect your or your Dependents' eligibility for public assistance such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), Supplementary Social Security Income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such payment will affect your or your Dependents' eligibility for public assistance.

Step-by-Step Instructions for Filing an Accelerated Life Benefit Claim for Basic Group Term Life Insurance--- If you have Optional Group Term Life Insurance coverage, refer to the description of the Accelerated Life Benefit (ALB) and Step-by-Step Instructions for Filing an ALB Claim for Optional Group Term Life Insurance later in this section.

You or your court appointed legal representative:

- obtain an Accelerated Life Insurance Benefit Claim Form through the ERS website.¹ If you do not have access to the website, you may call ERS at (512) 867-7711 or (877) 275-4377 for assistance.
- complete the *To be Completed by Employee or Employee's Legal Representative* section of the claim form.

You or your court appointed legal representative:

- Have your doctor, who must be an Approved Practitioner, complete, sign, and date the Attending Practitioner's Statement, including as due proof of your loss, copies of medical test results, lab reports, and any other information on which the diagnosis and life expectancy are based;
- your doctor returns the claim form to you for further handling;
- complete any outstanding information on the form, sign, and date the form; and
- forward the completed claim form with all attachments to FDL at the address shown on the claim form.

¹ At www.ers.state.tx.us, click on **Insurance**; click on **Life & Disability (Optional Coverage)**; click on the Fort Dearborn Life logo; click on **Resource Center** and then on **Forms**.

FDL:

- receives the claim form, reviews the claim, and requests additional information if needed;
- prepares a lump sum check in the amount of your Basic Group Term Life Insurance if your claim is approved; and
- mails the check to you or your legal representative; or
- notifies you or your legal representative and ERS if your claim is denied for any reason.

Optional Group Term Life Insurance

General Information About Optional Group Term Life Insurance

You may be eligible for Optional Group Term Life Insurance coverage.

If Election I is in effect on the date you retire, you may continue Election I after retirement. If Election II, III, or IV is in effect on the date you retire, you may elect to continue Election I or Election II. Election I or Election II is subject to age-based benefit reduction factors shown in the Summary of Benefits if you turn age 70 after the date of your retirement. The premiums for this coverage are based on your age on September 1 of each year. The difference in coverage may be converted to an individual whole life policy with FDL.

If any of the Optional Group Term Life Elections is in effect on the date you retire, you may elect Minimum Optional Life insurance coverage, which is \$10,000. No Evidence of Insurability will be required. Minimum Optional Life is not subject to future age-based benefit reductions. The premiums for this coverage are not based on age.

If you were not enrolled in Optional Group Term Life Insurance on the date you retire, you may be eligible to enroll in Minimum Optional Life:

- at the time of your retirement; or
- during summer enrollment; or
- at the time of a Qualifying Life Event.

The amount of life insurance is \$10,000 and Evidence of Insurability is required. Minimum Optional Life is not subject to future age-based reductions. The premiums for this coverage are not based on age.

At retirement, any Optional Group Term Life Insurance amount you do not retain as group coverage may be converted to an individual whole life policy with FDL.

You may reduce your Optional Group Term Life Insurance coverage to a lesser amount at any time. However, once your Optional Group Term Life coverage is reduced or canceled, it cannot be increased or reinstated.

You are responsible for paying the premiums for your Optional Group Term Life Insurance. You may pay the premiums either through

deductions from your ERS or Teacher Retirement System of Texas (TRS) annuity or by submitting premiums directly to ERS.

The Optional Group Term Life Insurance you have after retirement does not include Accidental Death, Dismemberment, and Loss of Sight (AD&D) coverages.

Your Optional Group Term Life Insurance provides you with an amount of group term life insurance coverage shown in the Summary of Benefits, which will be paid to your designated beneficiary. See Section 4 for more information on beneficiary designations.

Your Optional Group Term Life Insurance also includes:

Conversion Privilege — This benefit is available to you if you are no longer in a class of Retirees eligible for Optional Group Term Life Insurance. See Section 4 for details.

Accelerated Life Benefit — This benefit is available to you as part of the Basic Group Term Life Insurance and Optional Group Term Life Insurance. Certain restrictions apply to this benefit. See the Accelerated Life Benefit subsection later in this section. If you have only Basic Group Term Life Insurance, see the Accelerated Life Benefit description for Basic Group Term Life Insurance Only which appears earlier in this section.

Viatical Settlement — This option is available to you if you are diagnosed with a Terminal Condition. See the Viatical Settlement Option subsection later in this section for details.

Summary of Benefits

Retiree Status	Amount of Optional Group Term Life Insurance
All Retirees who retired before September 1, 1985.	The amount of Optional Group Term Life Insurance held as a Retiree immediately prior to September 1, 1985, less \$2,500 (provided as Basic Group Term Life Insurance)
All Retirees who retired on or after September 1, 1985, but before September 1, 1989.	<p>50% of the Election I amount held on the date of retirement as an Active Employee under age 70, rounded to the next highest \$1,000; or</p> <p>All of the Election I amount held on the date of retirement as an Active Employee age 70 and over, rounded to the next highest \$1,000.</p> <p>Maximum combined with Basic Group Term Life Insurance amount will not exceed \$12,500.</p>
All Retirees who retired on or after September 1, 1989, but before December 31, 1995.	<p>50% of the Election I amount held on the date of retirement as an Active Employee under age 70, rounded to the next highest \$1,000; or</p> <p>The smaller amount of:</p> <p>(1) All of the Election I insurance held on the date of retirement as an Active Employee age 70 and over, rounded to the next highest \$1,000; or</p> <p>(2) 50% of the last September 1 salary amount, rounded to the next highest \$1,000.</p> <p>Maximum combined with Basic Group Term Life Insurance amount will not exceed \$12,500.</p>

Retiree Status	Amount of Optional Group Term Life Insurance																								
<p>All Retirees who retired on or after December 31, 1995, but before September 30, 1999.</p>	<p>50% of the Election I amount held on the date of retirement as an Active Employee, rounded to the next highest \$1,000; or The smaller amount of: (1) All of the Election I insurance held on the date of retirement as an Active Employee age 70 and over, rounded to the next highest \$1,000; or (2) 50% of the last September 1 salary amount, rounded to the next highest \$1,000.</p> <p>Maximum combined with Basic Group Term Life Insurance amount will not exceed \$12,500. The amount of coverage under this option is not subject to future age-based reductions.</p> <p>OR</p> <p>100% of the Election I amount held on the date of retirement rounded to the next highest \$1,000. The amount of coverage under this Election I will be subject to future age-based reductions (shown in the chart below) on September 1 of each year, rounded to the next highest \$1,000. Age-based reductions will cease when the amount reaches \$10,000.</p> <table border="1" data-bbox="716 1167 1170 1354"> <thead> <tr> <th><u>Age</u></th> <th><u>% of original amount</u></th> </tr> </thead> <tbody> <tr> <td>70-74</td> <td>65%</td> </tr> <tr> <td>75-79</td> <td>40%</td> </tr> <tr> <td>80-84</td> <td>25%</td> </tr> <tr> <td>85-89</td> <td>15%</td> </tr> <tr> <td>90 & over</td> <td>10%</td> </tr> </tbody> </table> <p>OR</p> <p>100% of the Election II amount held on the date of retirement rounded to the next highest \$1,000. The amount of coverage under this Election II will be subject to future age-based reductions (see chart below) on September 1 of each year, rounded to the next highest \$1,000. Age-based reductions will cease when the amount reaches \$10,000.</p> <table border="1" data-bbox="716 1667 1170 1854"> <thead> <tr> <th><u>Age</u></th> <th><u>% of original amount</u></th> </tr> </thead> <tbody> <tr> <td>70-74</td> <td>65%</td> </tr> <tr> <td>75-79</td> <td>40%</td> </tr> <tr> <td>80-84</td> <td>25%</td> </tr> <tr> <td>85-89</td> <td>15%</td> </tr> <tr> <td>90 & over</td> <td>10%</td> </tr> </tbody> </table>	<u>Age</u>	<u>% of original amount</u>	70-74	65%	75-79	40%	80-84	25%	85-89	15%	90 & over	10%	<u>Age</u>	<u>% of original amount</u>	70-74	65%	75-79	40%	80-84	25%	85-89	15%	90 & over	10%
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<p>All Retirees who retired on or after September 30, 1999.</p>	<p>100% of the Election I amount held on the date of retirement, rounded to the next highest \$1,000. The amount of coverage under this Election I will be subject to future age-based reductions (see chart below) on September 1 of each year, rounded to the next highest \$1,000. Age-based reductions will cease when the amount reaches \$10,000.</p> <table border="0"> <thead> <tr> <th data-bbox="711 579 769 611">Age</th> <th data-bbox="846 579 1118 611"><u>% of original amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="760 611 834 642">70-74</td> <td data-bbox="984 611 1042 642">65%</td> </tr> <tr> <td data-bbox="760 642 834 674">75-79</td> <td data-bbox="984 642 1042 674">40%</td> </tr> <tr> <td data-bbox="760 674 834 705">80-84</td> <td data-bbox="984 674 1042 705">25%</td> </tr> <tr> <td data-bbox="760 705 834 737">85-89</td> <td data-bbox="984 705 1042 737">15%</td> </tr> <tr> <td data-bbox="727 737 867 768">90 & over</td> <td data-bbox="984 737 1042 768">10%</td> </tr> </tbody> </table> <p>OR</p> <p>100% of the Election II amount held on the date of retirement, rounded to the next highest \$1,000. The amount of coverage under this Election II will be subject to future age-based reductions (see chart below) on September 1 of each year, rounded to the next highest \$1,000. Age-based reductions will cease when the amount reaches \$10,000.</p> <table border="0"> <thead> <tr> <th data-bbox="711 1079 769 1110">Age</th> <th data-bbox="846 1079 1118 1110"><u>% of original amount</u></th> </tr> </thead> <tbody> <tr> <td data-bbox="760 1110 834 1142">70-74</td> <td data-bbox="984 1110 1042 1142">65%</td> </tr> <tr> <td data-bbox="760 1142 834 1173">75-79</td> <td data-bbox="984 1142 1042 1173">40%</td> </tr> <tr> <td data-bbox="760 1173 834 1205">80-84</td> <td data-bbox="984 1173 1042 1205">25%</td> </tr> <tr> <td data-bbox="760 1205 834 1236">85-89</td> <td data-bbox="984 1205 1042 1236">15%</td> </tr> <tr> <td data-bbox="727 1236 867 1268">90 & over</td> <td data-bbox="984 1236 1042 1268">10%</td> </tr> </tbody> </table> <p>OR</p> <p>Minimum Optional Life Insurance (\$10,000) if no other optional life insurance coverage held at time of retirement. Evidence of Insurability is required.</p>	Age	<u>% of original amount</u>	70-74	65%	75-79	40%	80-84	25%	85-89	15%	90 & over	10%	Age	<u>% of original amount</u>	70-74	65%	75-79	40%	80-84	25%	85-89	15%	90 & over	10%
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<p>All Retirees.</p>	<p>You may enroll in Minimum Optional Life (\$10,000):</p> <ul style="list-style-type: none"> • At the time of retirement; or • During summer enrollment; or • At the time of a Qualifying Life Event <p>Evidence of Insurability will be required.</p>																								

In most cases, if, as an Active Employee, you received an Accelerated Life Benefit (ALB) payment which is greater than the Group Term Life Insurance amount you have as a Retiree, your designated beneficiary will receive no Group Term Life Insurance benefit payment upon your death.

For example, you had Election IV Optional Group Term Life Insurance coverage of \$200,000 as an Active Employee and received an ALB payment of 80% or \$160,000. As a Retiree under age 70, you maintain Election II Optional Group Term Life Insurance coverage of \$100,000. When you die, your designated beneficiary will receive no Group Term Life Insurance benefit payment because the \$160,000 ALB payment was greater than the \$100,000 you maintained as a Retiree.

In most cases, if you received an ALB payment as an Active Employee, when you retire, in order for your designated beneficiary to receive a Group Term Life Insurance benefit payment upon your death, the amount of your Optional Group Term Life Insurance coverage you retain as a Retiree must be greater than the amount you received as an ALB payment.

For example, you had Election I Optional Group Term Life Insurance coverage of \$50,000 as an Active Employee and received an ALB payment of 80% or \$40,000. As a Retiree under age 70, you maintain Election I Optional Group Term Life Insurance coverage of \$50,000. Upon your death, your designated beneficiary will receive \$10,000, which is the difference between \$50,000 and the \$40,000 ALB payment.

All calculations above are subject to age-based benefit reductions.

Amounts of Group Term Life Insurance coverage that are lost due to retirement or age-based benefit reductions may be converted to an individual whole life insurance policy with FDL. The conversion is subject to the requirements of the Conversion Privilege provision, and application for a conversion policy must be made within 31 days of the date coverage is lost.

Amounts of coverage that are lost due to the payment of an Accelerated Life Benefit may not be converted.

Step-by-Step Instructions for Filing an Optional Group Term Life Insurance Claim.

If you die as a result of any cause,

Your designated beneficiary or other person designated by you or lawfully authorized to represent your estate:

- contacts ERS at (512) 867-7711 or (877) 275-4377 for instructions and forms required for filing a claim for benefits; the forms are sent to the designated beneficiary.
- completes, signs, and dates the claim forms;
- within 24 months of your death, submits the completed claim form, together with a certified copy of your death certificate to FDL; and
- provides additional information as needed for FDL to process the claim.

FDL:

- receives the claim form, death certificate from your designated beneficiary or other person designated by you or lawfully authorized to represent your estate;
- reviews the claim and requests additional information if needed; and
- pays the death benefit to your designated beneficiary if the claim is approved; or
- notifies your beneficiary and ERS if the claim is denied for any reason.

Accelerated Life Benefit

This section is applicable to you if you have Optional Group Term Life Insurance coverage. If you have only Basic Group Term Life Insurance coverage, the Step-by-Step Instructions for Filing an Accelerated Life Benefit Claim and the description of the Accelerated Life Benefit for Basic Group Term Life Insurance Only are applicable to you.

You or your court appointed legal representative may request payment in one lump sum to you of up to 80% of your total Group Term Life Insurance amount which is the sum of your Basic Group Term Life Insurance (which you have if you have health coverage through the Group Benefits Program) and your Optional Group Term Life Insurance amounts. You must be diagnosed with a Terminal Condition and have a life expectancy of twelve months or less.

FDL will review your request and evaluate whether the requirements of this benefit are met. The minimum payment will be \$2,500 and will be made by FDL to you or your legal representative. The amount of the payment will be deducted from your Optional Group Term Life Insurance amount. However, you will continue to pay the premium for the Optional Group Term Life Insurance coverage as if the Accelerated Life Benefit payment had not been made.

The amount of Optional Group Term Life Insurance that will be paid to your designated beneficiary when you die will be reduced by this Accelerated Life Benefit payment. However, the premium you pay will continue as if the Accelerated Life Benefit payment had not been made.

The Accelerated Life Benefit is not available to you if you retired prior to January 1, 2000, unless you were determined, in a written statement executed before the day you retired by your attending physician, to have had a Terminal Condition.

Note: If you are diagnosed with a Terminal Condition, you may elect to receive payments under the Accelerated Life Benefit or Viatical Settlement Option, but not both. Please review your situation carefully before making your selection.

DISCLOSURE: The Accelerated Life Benefit offered under your Group Term Life Insurance coverage is intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986. If the Accelerated Life Benefit qualifies for such favorable tax treatment, the benefits will be excludable from your income and not subject to federal taxation. Tax laws relating to the Accelerated Life Benefit are complex. You are advised to consult a qualified tax advisor about the circumstances under which you could receive the Accelerated Life Benefit excludable from income under federal law. Receipt of the Accelerated Life Benefit payment may affect your or your Dependents' eligibility for public assistance such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), Supplementary Social Security Income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such payment will affect your or your Dependents' eligibility for public assistance.

Step-by-Step Instructions for Filing an Accelerated Life Benefit Claim for Optional Group Term Life Insurance

If you are diagnosed with a Terminal Condition and have a remaining life expectancy of twelve months or less,

You or your court appointed legal representative:

- obtains an Accelerated Life Insurance Benefit Claim Form through the ERS website.² If you do not have access to the website, you may call ERS at (512) 867-7711 or (877) 275-4377 for assistance.
- complete the *To be Completed by Employee or Employee's Legal Representative* section of the claim form.

You or your court appointed legal representative:

- Have your doctor, who must be an Approved Practitioner, complete, sign, and date the Attending Practitioner's Statement, including as due proof of your loss, copies of medical test results, lab reports, and any other information on which the diagnosis and life expectancy are based;
- your doctor returns the claim form to you for further handling;
- complete any outstanding information on the form, sign, and date the form; and
- forward the completed claim form with all attachments to FDL at the address shown on the claim form.

² At www.ers.state.tx.us, click on **Insurance**; click on **Life & Disability (Optional Coverage)**; click on the Fort Dearborn Life logo; click on **Resource Center** and then on **Forms**.

FDL:

- receives the claim form, reviews the claim, and requests additional information if needed;
- prepares a lump sum check in the amount of your Optional Group Term Life Insurance selected, up to 80%, if your claim is approved; and
- mails the check to you or your legal representative; or
- notifies you or your legal representative and ERS if your claim is denied for any reason.

Viatical Settlement Option

You may make an irrevocable beneficiary designation in conjunction with a Viatical Settlement. The choice of a Viatical Settlement provider is yours. Neither FDL nor ERS is responsible for recommending or selecting a Viatical Settlement provider. Upon your death, payment will be made to the Viatical Settlement provider or the persons or entities designated as the irrevocable beneficiary if your life insurance is still in force. This option applies to Basic Group Term Life Insurance and Optional Group Term Life Insurance.

Note: If you are diagnosed with a Terminal Condition, you may elect to receive payments under the Viatical Settlement Option only if you have not previously received an Accelerated Life Benefit. Please review your situation carefully before making your selection.

You may contact FDL Customer Service at 1-855-ERS-LIFE (1-855-377-5433) for additional information.

Step-by-Step Instructions for Filing a Viatical Settlement Claim

If you are diagnosed with a Terminal Condition,

You must:

- research and select a Viatical Settlement provider.

The Viatical Settlement provider:

- may send a questionnaire to FDL.

FDL:

- researches your Group Term Life Insurance coverage; and
- responds to the Viatical Settlement provider.

The Viatical Settlement provider:

- reviews FDL's response; and
- signs an agreement with you or declines to sign an agreement.

FDL:

- sends you an irrevocable beneficiary designation form for you to complete, sign, and return to FDL if the Viatical Settlement provider signs an agreement with you;
- notifies ERS of the irrevocable beneficiary designation; and
- maintains the irrevocable beneficiary designation form in FDL's files.

You will:

- receive the payment from the Viatical Settlement provider for the agreed upon percentage of your Group Term Life Insurance amount.

FDL:

- pays the death benefit from your Group Term Life Insurance to the Viatical Settlement provider or the persons or entities designated as the irrevocable beneficiary in the event the coverage is still in force when you die.