



**BASIC AND OPTIONAL GROUP
TERM LIFE INSURANCE
FOR
FACULTY / STAFF**

Office of Human Resources

FOREWORD

This Booklet describes your Group Term Life Insurance benefits, that have been arranged to help protect against the hardships accompanying death.

The important details of your Group Term Life Insurance have been described in this Booklet in accordance with benefits currently being provided. The University reserves the right to modify the benefits as it may deem necessary. If there is anything in this Booklet that requires further clarification, or if you have questions relative to specific provisions, please contact the Employee Benefits Division (814-865-1473).

The Group Term Life Insurance is underwritten by:

The Prudential Insurance Company of America
Licensed in all states
Principal Officer in Prudential Plaza
Newark, New Jersey 07102-3777

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GENERAL INFORMATION

ELIGIBILITY

You will be eligible to be enrolled in this plan if you are actively employed in the regular, full-time service of the University, and

1. were hired on or after January 1, 1993, or
2. were hired prior to January 1, 1993, and have elected to participate in this Plan.

ENROLLMENT AND EFFECTIVE DATE OF COVERAGE

If you signed the enrollment form before you started work, you were covered on the day your pay started. Otherwise, your coverage starts on the day you enroll, provided this is not later than thirty-one days after you start work and you have met any evidence requirements. If you are not actively at work on the date you would otherwise become eligible for coverage, your coverage is delayed until you begin active employment.

PROVISIONS APPLICABLE IF YOU CEASE ACTIVE WORK

Due to Leave of Absence or Reduction in Force

If your leave of absence is without pay due to disability or maternity, formal study, or leave in lieu of temporary layoff, you will be billed for your share of the monthly cost. For all other leaves of absence, you may continue coverage by paying the full cost. If coverage is declined, proof of good health will be required if coverage is requested at a later date.

You may continue your coverage for a period of up to 120 days by paying the regular rates if your termination of employment is other than the end of a fixed term appointment and results from a reduction in force. Coverage may be continued beyond 120 days. You should contact the Employee Benefits Division for details.

Due to Retirement

After you retire you may continue to be covered for \$5,000 of Group Term Life Insurance at no cost, provided you meet the following conditions of eligibility:

1. Having reached your sixtieth birthday as of retirement, and you have at least fifteen years of regular, full-time employment and continuous participation in a University-sponsored medical plan immediately preceding retirement (for those hired prior to July 1, 1984, ten years of continuous participation is required), or
2. Your sixtieth birthday has not occurred as of retirement, and you have at least twenty-five years of regular, full-time employment and ten years of continuous participation in a University-sponsored medical plan immediately preceding your date of retirement.

You may convert the amount by which your life insurance is reduced at retirement.

Due to Leaving Employment

If you leave employment, your Group Term Life protection continues 31 days from the end of your final pay period. During this period you can convert your Group Term Life Insurance to Prudential Individual Life Insurance, as explained in the Group Policy and your certificate, without medical examination. Application for conversion may be obtained at a local Prudential office.

Portability of Optional Term Life Insurance

You have the right to apply for coverage under the Portability Plan if your Optional Term Life Insurance ends for any reason other than (1) non-payment of premium, (2) retirement, or (3) the end of all coverage of the Group Contract if that coverage is replaced by the Employer within 31 days. You must be actively at work, be less than age 70, and must have an Amount of Insurance of at least \$20,000 under your Optional Term Life Insurance. Evidence of insurability is not required to become insured under the Portability Plan. But, if you submit evidence and Prudential decides the evidence is satisfactory, you will pay lower premium rates and may have the option to increase your amount of insurance.

The Portability Application Period is the 31 day period after your Optional Employee Term Life Coverage ends. But, if you have the right to convert your insurance under the Optional Employee Term Life Coverage to an individual contract, it is the longer of:

- (1) the 31 day period after your Coverage ends; and
- (2) the number of days during which you have the right to convert your insurance under the Coverage to an individual life insurance contract as shown in the Coverage.

The right to elect coverage under the Portability Plan is provided in lieu of the conversion privilege described in the Optional Employee Term Life Coverage, except as follows. You may convert your amount of insurance under the Optional Employee Term Life Coverage in excess of the maximum for term life coverage under the Portability Plan. This maximum is the lesser of five times your annual Earnings and \$1,000,000.

If you elect to convert all of your insurance under the Optional Employee Term Life Coverage to an individual contract, you may not elect to apply for coverage under the Portability Plan.

If, during the Portability Application Period, you apply for coverage under the Portability Plan and then elect to convert all of your insurance under the Optional Employee Term Life Coverage to an individual contract, your coverage under the Portability Plan will not become effective.

The right to elect coverage under the Portability Plan does not affect your coverage under the Death Benefit During Conversion Period provision of the Optional Employee Term Life Coverage.

GROUP TERM LIFE INSURANCE

AMOUNT OF INSURANCE

Basic Term Life Insurance (Non-contributory) \$5,000.
 See Plan provisions that follow.

Optional Term Life Insurance (Contributory)

You may choose an amount of insurance equal to the lesser of:

- (1) one, two, three, four, or five times your annual salary (rounded to the nearer multiple of \$1,000), or
- (2) \$500,000.

Upon initial enrollment in this Plan, you will only be able to choose 1, 2, or 3 times salary without providing evidence of good health. If during your initial enrollment your amount of insurance would be in excess of \$150,000 or you wish to choose 4 or 5 times salary, you must give evidence of good health satisfactory to Prudential before the part over \$150,000 or the amount applying to 4 or 5 times salary can become effective.

Amounts of Reduction on Account of Age:

Original Amounts of insurance are reduced as follows:

Age	Percent Reduced	Percent Maintained
65	35%	65%
70	50%	50%
80	75%	25%

Reductions will take place on the first full pay period following your birthday.

Your annual salary, not including overtime or other additional earnings, is the basis for the amount of your optional insurance. If your salary increases, your optional insurance will be increased automatically on the date the change occurs, if you are working on that day. If you are not actively at work, the insurance will be increased on the day you return. Accordingly, your optional insurance will be reduced if your salary decreases. After age 64 you will not be able to increase the amount of your optional insurance except that it will continue to increase as your salary increases, subject to any amount limitations due to age, as long as you are actively at work. Your optional insurance will terminate at retirement. (See section entitled Provisions Applicable If You Cease Active Work.)

You may elect to have your amount of insurance under the Coverage changed at any time. You must do this on a form approved by Prudential and agree to make any required contributions.

If you request an increase, you must give evidence of insurability. The amount of your insurance will be increased when Prudential decides the evidence is satisfactory and you are actively at work.

If you request a decrease, the amount of your insurance will be decreased on the date of your written request.

During the annual enrollment period, you will be able to increase the amount of optional insurance by one times salary without evidence of good health. If you wish to increase your optional insurance by two or more times salary, you will have to provide satisfactory proof of good health to Prudential. For example, if you elected one times salary initially, you may elect two times during the annual enrollment without evidence of good health, but if you would like to elect three or four times salary you will have to provide evidence.

Death Benefits

In the event of your death from any cause, the amount of your insurance is determined in accordance with your selection of one, two, three, four, or five times salary and is payable to your beneficiary. The proceeds will be placed in a personalized account, called an "Alliance Account", through Prudential. The account is in the beneficiary's name, and the beneficiary is issued a draftbook containing 15 drafts (which work similar to bank account checks). The funds in the account earn interest until completely withdrawn. The beneficiary can write drafts for all or part of the money, with a minimum of \$250 at a time, or leave the money in the account for as long as he or she chooses. At any time you may change your beneficiary or the method of payment to a plan then being offered by Prudential, by means of a written notice to Prudential. If you do not elect a method of payment, your beneficiary may do so after your death.

Accelerated Benefit Option (ABO)

Under the Accelerated Benefit Option (ABO) option a terminally ill employee may elect to have a portion of his or her group term life insurance paid out prior to death. In order to qualify for ABO, (1) a faculty or staff member must have been participating in either of the contributory life insurance plans for not less than one year, (2) the insurance must be currently in force, and (3) a qualified physician must furnish proof that the life expectancy of the individual is six months or less. This option may be elected only once.

The amount paid under ABO is 50% of the amount of insurance in force when application for this option is made, but not more than \$50,000. (A subsequent reduction in amount of insurance due to age could affect the amount of the ABO and ultimately, the death benefit.) The ABO may be made in a lump sum or in six equal monthly payments. The amount paid at death will be reduced by any amount paid out under ABO.

The ABO option is available on a voluntary basis only. A government agency cannot force you to exercise this option involuntarily in order to be eligible for certain programs. In addition, creditors (in bankruptcy or otherwise) cannot force you to exercise this option involuntarily.

The ABO option is not available if ownership of the life insurance has been assigned. Also, ABO may be taxable. It may be advisable to obtain the assistance of a tax and or legal professional before applying for this option.

Additional information about this option may be obtained from the Employee Benefits Division.

Change in Beneficiary

You may change the beneficiary for your insurance at any time. The change in beneficiary will take effect only upon its entry on the insurance records maintained in connection with the group policy.

Any part of your insurance for loss of life for which there is no designated beneficiary living at your death will be payable in a single sum to the first surviving class of the following classes of successive preference beneficiaries: Your (a) surviving spouse; (b) surviving children*; (c) surviving parents*; (d) surviving brothers and sisters*; (e) executors or administrators. *In equal amounts.

In the absence of appointment of legal guardian, any minor's share may be paid at a rate not exceeding \$50 a month to such adult or adults as have in Prudential's opinion assumed the custody and principal support of such minor.

If you have applied to have your Group Term Life Insurance converted to Individual Life Insurance and the beneficiary named under the individual policy is different from the beneficiary named under the group policy, any amount payable under the group policy will be payable to the beneficiary named under individual policy.

Protection While Disabled for Total and Permanent Disability Prior to Age 60

If, before you reach age 60 and after the effective date of your insurance, you become totally and permanently disabled by bodily injury or disease so as to be prevented from engaging in any occupation for compensation or profit, your Group Term Life Insurance protection will be extended. Written proof that total and permanent disability has existed continuously for at least nine months must be furnished to Prudential between nine and twelve months after total and permanent disability starts. The death benefit protection will be continued as long as you continue to be totally and permanently disabled and furnish written proof of it to Prudential once each year. Should you die during the first twelve months of total and permanent disability, the amount of death benefit protection will be paid even if you had not furnished written proof of total and permanent disability or premiums had not been paid, but only if written notice of your death is given to Prudential within one year after death.

Prudential will have the right to have its medical representative examine you when it may reasonably require, but not more than once a year after your Group Term Life Insurance protection has been extended for two full years.

Contact the University for the forms for filing proof of your total and permanent disability.

If you have converted your Group Term Life Insurance, the individual policy must be surrendered to Prudential when proof of your total and permanent disability is first submitted. Any premiums paid under the individual policy will be returned.

The amount of your insurance protection while you are so disabled will be the amount of insurance for which you were last covered under the Group Term Life Insurance Plan prior to your discontinuance of active work.

Proof that total and permanent disability continued to death must be submitted to Prudential within one year after the date of your death. Upon receipt of that proof, Prudential will pay to your beneficiary the amount of your insurance protection reduced by any (1) reduced amounts based on age or (2) amounts of Group Term Life Insurance payable as a death benefit under the accelerated payment of death benefits provision.

This protection will be discontinued when you are no longer so disabled, fail to submit to an examination or fail to furnish required proof. You will have the same rights on the date of the discontinuance as those described in the "Due to Leaving Employment" section on page 1, unless you become insured again under the Group Insurance Plan.

The premium will be waived until age 60 but not beyond age 60.

CERTIFICATE OF INSURANCE

This Certificate replaces any certificate previously issued to you with respect to the Group Coverages described herein.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

Certifies that subject to the terms and conditions of Group Policy No. 35200 (herein called the Group Policy), it provides the insurance referred to herein for certain Employees of

THE PENNSYLVANIA STATE UNIVERSITY
(Herein called the Employer)

Schedule of Benefits

The Prudential benefits for which you are insured are set forth in this section which is issued to you by the Employer. Consult this section for a further description of the terms and conditions of these coverages. If there is any coverage for which you are eligible which does not become effective unless you made the required election and contributions therefore, such coverage will not become effective unless you so elect and are making contributions. If you must furnish evidence of insurability in order to become insured for a coverage, that coverage will not become effective until such evidence has been determined by Prudential to be satisfactory.

The insurance is assignable only to the extent indicated in the Group Policy.

This Certificate, which is merely evidence of insurance provided under the Group Policy, is furnished in accordance with, and subject in every respect to, the Group policy which alone constitutes the agreement under which payments are made. The insurance is effective only after the person concerned is eligible for insurance and becomes and remains insured in accordance with the terms, provisions and conditions of the Group Policy.

Life Insurance

Upon receipt of due written proof of your death, the amount of Group Life Insurance for which you are insured under the Group Policy shall be payable to the beneficiary designated by you, as entered in the insurance records maintained in connection with the insurance under the Group Policy, in accordance with the terms of the Group Policy. Any part of such insurance for which no beneficiary is designated or surviving at your death will be payable in accordance with the terms of the Group Policy.

CONVERSION PRIVILEGE -- If your membership in the classes eligible for Group Life Insurance terminates, you may convert such insurance, without evidence of insurability, to an individual policy of life insurance. The amount of the individual policy may not exceed your amount of Group Life Insurance at its termination. You must make application for the individual policy and the first premium payment within 31 days following such termination. The individual policy may be upon any of the forms of life insurance, other than term insurance or any policy containing disability or other supplementary benefits, then customarily issued by Prudential at the age and amount applied for. The premium shall be based upon your age and class of risk and upon the form and amount of the individual policy.

If the life insurance provisions of the Group Policy terminate or are amended so as to terminate the insurance of a class of employees to which you belong, and you have been insured for at least five years under the Group Life Insurance, you may convert to an individual policy subject to the same conditions as provided in the preceding paragraph. The amount of such individual policy may not exceed the lesser of (a) the termination amount of your Group Life Insurance reduced by any group life insurance for which you become eligible within the following 31 days and (b) \$2,000.

The individual policy obtained under this privilege will become effective upon the expiration of the 31-day period following the termination of your Group Life Insurance. If you die within the 31-day period, an amount equal to the amount which you might have converted will be paid as a claim under the Group Policy, whether or not you have applied for an individual policy.

If you have converted your insurance, and thereafter your right to payment of benefits or extension of death benefit protection under Group Life Insurance is established by reason of your total and permanent disability, all rights under the individual policy, except for a refund of premiums, must be surrendered.

INCONTESTABILITY -- All statements with respect to Group Life Insurance under the Group Policy made by you shall be deemed representations and not warranties. With respect to each amount of such insurance for which you are insured, no such statement shall be used in any contest of such insurance unless such statement is made in a written application signed by you and a copy of such application is or has been furnished to you or to your beneficiary. No statement made by you relating to your insurability for such insurance shall be used in contesting the validity of the insurance with respect to which such statement was made after such insurance has been in force prior to the contest for a period of two years during your lifetime.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

