

The AICPA Group Elite Long Term Disability Plan

Group Long Term Disability Income Insurance



AICPA[®] AICPA Insurance Trust
Member Insurance Programs

Statement on Confidentiality

Your Prudential Group Insurance program involves processing and maintaining personal data information that is both personal and confidential. It is the responsibility of those involved in administering your plan to make certain that the information they see is held in the strictest confidence.

The purpose of this Statement is to remind you of this responsibility and to assist you in developing an effective method for preserving the confidential nature of information maintained in your insurance files. We urge you to implement the following steps so that information maintained in your records is not used to the detriment of any employee.

1. All persons involved in administering your Group Insurance program should regard all information as being both private and confidential.
2. Only employees authorized to review personal data in their role as an insurance administrator should be permitted to do so.
3. Before releasing any information contained in an insured's record to a third party (other than the beneficiary or executor in the event of death), the consent of the insured should be received.
4. The content of all claim information is regarded as "Confidential Communication." Only those persons processing claims and/or Prudential should be knowledgeable of the claim content.
5. Any request for the release of medical information from an insured's record or Medical Information Bureau which is made by an attorney, a doctor or a State Insurance Department should be referred to Prudential for proper handling.
6. If it is necessary to obtain information from a physician or an insured in connection with the processing of a claim, be specific as to what information you need and why it is needed.
7. A certificate will be sent directly to the firm, for distribution to employees. Treat these as you would other personal information. In essence, the best policy to follow in administering your insurance program is simply not to discuss any information with those who do not need to know.

We feel confident that the above steps will provide a sound foundation for instituting procedures to protect your employees against invasion of their privacy.

—Group Insurance Plan Department

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Foreword

This manual has been prepared to assist you in handling the administrative details of your Group Elite Long Term Disability Income Insurance Plan. All those concerned with the operation of the Plan in your organization should familiarize themselves with this manual as well as the Group Elite Long Term Disability policy booklet.

If there is a discrepancy between this document and the Booklet-Certificate/Group Contract issued by Prudential, the terms of the Group Contract will govern.

Please send all correspondence concerning the Plan to:

**AICPA Group Insurance Trust
Aon Insurance Services, Plan Agent
159 East County Line Road
Hatboro, PA 19040-1218**

Telephone 1-800-223-7473

All remittances should be sent to:

**AICPA Group Insurance Trust
Aon Insurance Services, Plan Agent
P.O. Box 2290
Carol Stream, Illinois 60132-2290**

Administrative services and clerical duties will be performed at the Hatboro address, but for the sake of convenience it is referred to as the "Plan Agent" in this manual. If you should have any questions or problems requiring personal service, please contact the Group Insurance Department of the Plan Agent.

For Your Added Convenience

The Insurance Trust's Online Self-Service Center is available at www.trustmyaccount.cpai.com.

The Self-Service Center is designed to save you time and make your reporting function more efficient by managing your Group Insurance account online. Register and you will be able to make payments, update contact information, view elected benefits, process monthly individual terminations, view current and past rosters, process October annual elections, in addition to checking payment history, recent transactions, annual refunds and more.

Plan Administration

Understanding State-Specific Coverage Requirements

There are a number of states that require certain benefits be provided, based on the insured's state of residence (referred to as extraterritorial requirements), regardless of where the group contract is issued. When administering plans, Prudential provides benefits according to the contract state requirements, unless state-specific requirements apply.

Your staff can access a web-based tool, organized by state and product, to assist them in understanding how their benefits might be impacted by their state of residence. The access code to this website is 51377. Information on how to access this tool will be provided in the Booklet-Certificates. Individuals can also call our toll-free number at 866-439-9026 for assistance.

Certificate

Prudential will give the firm an individual certificate to give each insured individual. The firm is obligated to provide a certificate through means it deems appropriate.

Lost Certificate

If you lose or destroy the Included Employer's certificate, report the matter to the Plan Agent. A duplicate certificate will be forwarded.

Supplies

It will be to your advantage to keep an accurate record of all Group Insurance forms to guard against exhausting the supply. Please note that a list of forms available online are indicated in the next section. These forms may be downloaded for use at any time.

Online Forms

Partners and Firm Administrators may obtain the required Group Elite Long Term Disability Plan (Elite Plan) administration forms online.

Visit www.cpai.com/grouppltdforms to view the following available forms:

- Administration Manuals
- Change of Name Form
- Request to Transfer Group Long Term Disability Insurance Form

Please review the appropriate sections of this manual for instructions regarding submission of Forms to the Plan Agent.

Preparation of the Monthly Roster and Plan Report

The monthly roster is to be completed as of the first of each calendar month and will take into consideration additions and terminations which became effective after the first of the preceding calendar month to and including the first of the current calendar month. The monthly contribution for the current month is payable in advance based on the total covered payroll in effect on the first day of the month. The monthly roster should reflect those individuals for whom premiums are being paid.

Terminations

All individuals whose employment has been terminated up to and including the first of the reporting month should be removed using the Online Self-Service Center. When an individual's insurance is terminated for any reason, including death, this must be taken into consideration when your next monthly report is prepared. At that time, log on to the Online Self-Service Center at www.trustmyaccount.cpai.com to make the change.

Making a Payment

Firms must make the first contribution when billed. As of the first of each month during participation, except the month of termination, each firm must make a monthly contribution within the first fifteen days of each month. A Participant may elect to pay

its contributions on a quarterly basis if they have not had a late payment. Any overpayment or underpayment shall be adjusted promptly after receipt of the Monthly Group Insurance Report on which actual contributions are based.

To make your payment online, log on to www.trustmyaccount.cpai.com. Payments can also be made by check (made payable to “AICPA Group Insurance Trust”) and mailed to:

**AICPA Group Insurance Trust
Aon Insurance Services, Plan Agent
P.O. Box 2290
Carol Stream, Illinois 60132-2290**

Payments made by check must include the account number and the month for which payment is being remitted. If you are submitting payment for multiple plans, please include both rosters so the amounts may properly be distinguished.

Premium Refund

In the event a premium refund is distributed, it is the firm’s obligation to determine the proper distribution of those funds.

Auditing Provision

The Elite Plan contract provides that “All records of the Contract Holder and of the Employer which bear on the insurance must be open to Prudential for its inspection at any reasonable time.” Prudential may conduct audits to verify the number of eligible individuals and to verify that the insurance benefits are supported by each individual’s salary and position. Prudential will contact you should your firm be chosen for an audit.

Eligibility

Firms Eligible to Participate in the Plan

In order to participate in the Plan, a firm must have 25 insured individuals. Any actively practicing public accounting organization or other organization having its principal office in any state of the United States (except Iowa), and the District of Columbia and not already a Participant shall be eligible to participate in the Plan.

For public accounting firms, membership in the American Institute of Certified Public Accountants must be maintained by the proprietor or one of the partners or members of the public accounting firm. For firms which are not public accounting firms, a member or members of the AICPA must have at least 50% ownership to have firm coverage. The firm must have at least one Employee, other than the proprietor or any partner or firm member, who becomes insured on the date the firm is designated as an Included Employer.

Once a firm is eligible and has subscribed to the Trust, the opportunity to request coverage will be offered to all eligible individuals.

Plan Closure

A firm must maintain a total of 15 or more insured individuals in order to continue future enrollment in the plan. If the plan's participation drops to 14 insured individuals, enrolling other eligible individuals will not be permitted and the currently covered individuals will fall under a closed group in which no further changes may occur. These future changes include, but are not limited to, salary increases and plan changes such as elimination period duration, monthly maximum benefit levels, or definitions of disability. A firm will be notified, in writing when their plan is considered closed. The firm may re-enter the plan if the firm again reaches 25 eligible individuals that will be insured. The Firm Administrator should contact the Plan Agent, if this should occur, to learn how to re-enter the Plan.

Note: If a Successor Firm (described further in this manual) formation results in any firm maintaining less than 15 insured lives, that firm (with less than 15 insured lives) will be considered a closed group.

Plan Termination

Participation of a firm may be terminated. A firm may terminate coverage, following the last month it made payments, assuming all of its payments have been made. A firm must also notify the Trustee of the termination.

A firm's participation may also be terminated if:

1. The firm fails to make payments by the end of the month after which the payment is initially due;
2. The firm fails to provide any report to the Trustee by the end of the month after which report is due;
3. The firm dissolves or the firm no longer actively practices public accounting and does not qualify as a non-accounting organization which is at least 50% owned by a member or members of the AICPA; or
4. The plan terminates.

The former Participant shall be liable for payments of all unpaid contributions required by the Trustee.

In the event that the proprietor of a firm does not remain a member or in the event that none of the individuals of a firm remain a member, participation in the Plan will terminate as of the end of the September 30 coinciding with or next following the day six months after cessation, unless, on or before such September 30, the proprietor or at least one partner or employee of the firm becomes a member.

In the event that the application for membership is withdrawn or rejected, the participation of the firm shall terminate as of the end of the September 30 coinciding with or next following the day six months after such withdrawal or rejection, unless on or before such September 30 the proprietor or at least one partner or a employee of the firm becomes a member of the Institute.

Plan Restoration

A firm may restore its participation, within a year after its termination, if, on the first day of the month after it elects to restore:

1. The firm is eligible;
2. The Plan is effective;
3. The firm makes the appropriate required contribution; and
4. The firm provides the Trustee with any required reports.

In order to be insured under a restored Plan an individual must be actively at work, as defined by the certificate.

A firm that is unable to restore its participation by satisfying the provisions above may apply as a new firm, which has not previously participated, provided its liabilities have been settled with the trustee.

Successor Firms

A Successor Firm is any firm which either:

1. was established, within 62 days of terminating association with the predecessor, by any partner or firm member of the successor firm who was then:
 - a. a proprietor; or
 - b. an employee of a proprietorship in which the proprietor stopped practicing; or
 - c. an employee of a partnership in which all partners stopped practicing.
2. acquired all or substantially all of the business and assets of the predecessor firm.

And where the proprietor or a partner of the Successor Firm member is either:

- (1) a member of the Institute or has applied for such membership; or
- (2) a professional corporation, one or more of the firm members of which is a member of the AICPA or has applied for such membership.

The firm must have at least one employee, other than the proprietor or any partner or firm member, who becomes insured on the date the firm is designated as an Included Employer.

The participation of the Successor Firm will commence on the day following the termination of the participation of its predecessor.

Notice of Successorship

No notice is required when the Successor Firm bears the same name and tax identification number as the former Participant or is a corporation or association and at least a majority of the total interest therein is held on the day of its organization by persons who held a majority of interest in the predecessor.

When the Successor Firm does not bear the same name or tax identification number as the predecessor, notice of the successorship should be given in writing to the Plan Agent, preferably before the change is to occur but

in no event should notice be given later than the first day of the calendar month following the month in which the change occurred. The Plan Agent will then supply the necessary Subscription Form to the Successor Firm for completion of filing.

Individuals Eligible to be Covered

A full-time individual regardless of the nature of their work with the participating firm (proprietor, partner, accountant, clerk, stenographer, typist, service clerk, etc.) who is actively at work and has satisfied the waiting period, if any, must be considered to be an eligible individual for group insurance purposes. A full-time individual excludes individuals whose customary employment is less than 20 hours per week or less than 5 months in any calendar year and in the case of a proprietor or partner excludes such individuals who devote less than 20 hours per week to the firm.

If a plan is one in which the employer pays 100% of premium, all full-time individuals must be covered, in a non-discriminatory fashion. If the plan is one in which the individual pays 100% of premium, all eligible individuals may elect to be covered.

Anyone who does not meet those work-hour requirements must be considered to be a part-time individual and is not eligible. Should the individual on part-time later change to full-time, such individual must be considered to be an eligible individual as of the date on which the change is made. If there are any questions concerning individual employees and their eligibility for coverage, please refer your inquiries to the Plan Agent.

In addition, a six (6) month waiting period, which would have been elected by the firm, may apply before an individual becomes eligible.

Dates of First Becoming Eligible

All full-time individuals will be eligible to request coverage on the first day they satisfied any 6 month waiting period through service performed at either their current firm or any other firm that was a Participant in the Elite Plan, provided that the eligible individual is actively at work on that date; otherwise, on the date they return to active full-time work. ***Confirm each insured individual for whom you have confirmed enrollment on the monthly reporting form. The firm's inclusion of an insured individual on the monthly report is a representation and warranty that the insured is actively at work, upon which Prudential will rely.***

A waiting period requirement shall not apply if a firm chooses immediate eligibility.

In addition, all individuals hired within the prior six (6) months of the effective date of the Plan will immediately be eligible as long as they satisfy all other eligibility requirements. If an individual is not actively at work on the date coverage would take effect, their insurance will become effective on the date they return to active work on a full-time basis. In the event an individual is not actively at work as explained above, their name should not be reported on the monthly report form until the one covering the period in which they return to active work on full-time. The day they return to active work full-time should be noted and notice, in writing explaining “Not actively at work on normal effective date”, should be provided to the Plan Agent.

Please note that service with another participating firm may be counted towards satisfying the waiting period unless selecting the immediate eligibility option. Also, see the section entitled “Procedures for Enrollment.”

Individuals Previously Covered By a Participating Firm

Both the firm and individual to be covered should complete the Request to Transfer Group Long Term Disability Insurance Form, which should be returned to the Plan Agent. In addition, confirm that the individual’s prior coverage has been cancelled.

Changes affecting eligibility

Class Changes

Changes in class may result in an individual being covered under a different plan design. When this happens in a non-contributory plan, adjust your records to reflect the new coverage amount and effective date. For contributory plans, do not increase or decrease contributory coverage amounts unless specifically requested by an individual. If requested, record the new coverage amount and effective date on the enrollment confirmation and adjust employee contributions, if necessary, based on the new coverage amount.

The changed coverage will be effective on the same day as the class change. Individuals must be actively at work on the day the change goes into effect or the effective date will be postponed until the requirement is met.

Name Changes

Individuals should complete the Group Insurance Change of Name Form and return the form to the Plan Agent. If the Plan Agent sends you a roster bill each month, you will need to notify them of the name change.

Salary or Position Changes

Employees can become Partners and their coverage can be increased between May 1- October 1. Otherwise, the benefit amounts of each insured individual will be evaluated once each year on October 1, hereafter referred to as the “anniversary date,” to take into consideration any increase or decrease in earnings for each insured individual.

Each year, at the time you are ready to complete the report for October 1, please check against your payroll records and adjust the coverage. Report the changes on the Online Self-Service Center at www.trustmyaccount.cpai.com.

If an individual is not actively at work or full-time on October 1, the day their insurance would otherwise be increased, the effective date will be delayed until they return to active full-time work. In this event, the individual’s name should not be reported on the monthly report until they return to active work. The day they return to active work full-time should be noted and notice, in writing explaining “Not actively at work on normal effective date”, should be provided to the Plan Agent.

Regardless of the above, if the anniversary date (October 1) is not a regular working day, the increase will become effective on such date provided the individual was actively at work on the last regular working day immediately preceding the anniversary date. Decreases in an amount of insurance will occur on October 1, regardless of whether the individual is actively at work or full-time. Where changes in coverage affecting individuals are the result of a firm electing to change the scheduled benefit, the Plan Agent will provide Prudential with a roster. All increases are subject to the individual being actively at work.

Procedures for Enrollment

New Hires

For firms who have elected an immediate eligibility option for its staff, the roster should be updated concurrent with the first day of employment and submitted to the Plan Agent. For firms who have elected a “6 month waiting period” option the roster should be updated after the individual finishes six months of continuous service. However, coverage will not commence under either option unless the individual is actively at work on full-time status.

Rehired Individuals

If an individual is rehired, they may be entitled to credit for prior service if they performed at either their current firm or any other firm that was a participant in the Elite Plan.

Closed Groups

Once a firm’s plan, including Successor Firm plans, is considered a Closed Group, enrollment of eligible individuals is no longer permitted.

Should a firm subsequently satisfy the requirements of the Included Employer definition, that firm may, again, subscribe for new coverage.

Termination of Individual Insurance

Conversion

There is no conversion privilege for Long Term Disability Income coverage.

Resignation, Discharge, Retirement

The Long Term Disability Income Insurance on the individual automatically terminates on the date the individual's active service with the firm terminates or the firm's participation in the Plan terminates.

Retired individuals are not eligible for disability coverage.

Temporary Lay-Off or Leave of Absence

If an individual is on a temporary layoff and premium is paid they will be covered to the end of the month following the month in which their temporary layoff begins.

Temporary layoff means an individual is temporarily absent from active employment for a period of time that has been agreed to in advance in writing by the firm, other than for reasons in connection with any severance or termination agreement. Normal vacation time, any period of disability or FMLA leave is not considered a temporary layoff.

If an individual is on a leave of absence, and premium is paid, they will be covered to the end of the month following the month in which their leave of absence begins. But, with respect to leave of absence under the federal Family and Medical Leave Act of 1993 (FMLA) or similar state law, if it is the firm's policy to allow a longer period of continued coverage for FMLA leaves, this policy will be used to determine the period of continued coverage for FMLA leave. Continuation of such coverage pursuant to this provision is contingent upon Prudential's timely receipt of premium payments and written confirmation of FMLA leave by the firm. If the individual is working reduced hours, for reasons other than disability, and if premium is paid, they will be covered to the end of the month following the month in which reduced hours begin.

Leave of absence means an individual is temporarily absent from active employment for a period of time that has been agreed to in advance and in writing by the firm, other than for reasons in connection with any severance or termination agreement. Normal vacation time or any period of disability is not considered a leave of absence.

Dropping Contributory Coverage

If a firm has elected contributory coverage, some individuals may want to end coverage.

In order to drop contributory coverage, written notification is required from the individual. Notice should be signed and dated by the individual. Review the letter or form and record the termination date on any enrollment confirmation. File the enrollment confirmation for the firm's records. Terminate contributions and update your monthly billing report.

Individuals who drop coverage are not eligible to continue or convert that coverage.

Coverage will terminate at the end of the period paid for by the individual's last contribution.

Procedure in Adjusting Records

When an individual's insurance is terminated for any reason, including death, this must be taken into consideration when your next monthly report is prepared. At that time, log on to the Online Self-Service Center at www.trustmyaccount.cpai.com to make the change.

Disability Claims and Services

For the Employee

When seeking to submit a claim, the individual should first notify the Firm Administrator of their disability absence. The Firm Administrator will contact the Plan Agent in order to request a claim package that will be completed and submitted to Prudential Disability Services.

Written notice of a claim should be sent within 30 days after the date disability begins. However, an insured individual must send Prudential written proof of claim no later than 90 days after the elimination period (explained below) ends. If it is not possible to give proof within 90 days, it must be given as soon as reasonably possible.

If an insured individual does not receive the form within 15 days of their request, send Prudential written proof of claim without waiting for the form. An insured individual must notify us immediately when they return to work in any capacity.

Elimination Period

While Prudential should be notified of a claim for benefits as soon as possible, an individual is subject to a period of continuous disability before they may receive benefits, called the “Elimination Period”. Benefits begin the day after the Elimination Period, described in the booklet, is completed.

The firm’s election to offer a Plan with partial disability should be considered when examining the Elimination Period. Under a partial disability plan, an individual may continue to work in a gainful occupation, rather than their regular occupation while still satisfying the Elimination Period. The definitions of regular and gainful occupation are defined in the plan’s booklet.

Disability Claim Online Services

Prudential obtains claim information from four sources: The individual, the employer, the Plan Agent, and the individual’s doctor. The disability claim forms are designed to work with Prudential’s scanning and character recognition technology. Once a form is scanned, the information on the form flows automatically to the Disability Claim Management System, which helps speed the claim process.

The disability claim form package includes seven forms:

- **Employee Statement**—collects information about insured individual, their job, their medical information, and other benefits they may be eligible for, such as state disability benefits or workers’ compensation. This can be submitted online.
- **Employer Statement**—collects information such as the control number, the branch number, individual’s last day worked, individual’s first day absent and other pertinent information.
- **Medical Authorization**—permits the release of medical information to Prudential for claim evaluation purposes.
- **Tax Notice**—allows the individual to request voluntary federal income tax withholding when applicable.
- **Attending Physician’s Statement**—is used to collect medical information to support the claim, such as past and current medical history, psycho-social issues, treatment details, prognosis, and return-to-work plans. Claimants should:
 - Complete, sign, and date the top section of the Attending Physician’s Statement.
 - Have their physician complete the form and return it to them.

Note: The attending physician is not asked to “certify” disability. Prudential makes this decision based on your contract and medical evidence.

- **Electronic Funds Transfer Authorization**—if applicable, this should be completed if the individual wants disability benefit payments to be made electronically to a savings or checking account. This can be completed online at www.prudential.com/inst/gldi.
- **Group Disability Survivor Benefit Election Form**—Some NY situs contracts include an option for a claimant to elect an eligible survivor for Survivor Benefits other than a spouse, domestic partner or child. Individuals who want to name an eligible survivor other than a spouse, domestic partner or child as their eligible survivor can make this election on a Survivor Benefit Election Form. The firm retains this form until such time as a claim is submitted to Prudential, when Prudential may request a copy for their claim file.

These materials should be returned to Prudential.

For the Employer

All claims should be submitted as soon as possible once disability begins. The Firm Administrator should submit the Employer Statement and any other relevant job information to the Plan Agent, who will provide the information to Prudential. The employee forms should be submitted directly to Prudential.

When the firm completes the Employer Statement, please pay special attention to:

- Last day worked
- First day absent
- Return-to-work dates
- Job description
- Whether the claim is work related

Once finalized, have an authorized company representative sign the completed form. Check all forms to make sure they are complete.

The Plan Agent will provide to Prudential confirmation of coverage, specifications of the plan details, and the earnings on record.

Fax

The Plan Agent's Fax Number is: 800-242-7248.
Prudential's fax number is: 877-889-4885.

Claim Decisions

By the time the Long Term Disability period begins (the LTD In-Benefit Date), Prudential will make a decision and notify the Plan Agent and the insured individual, unless necessary information is outstanding.

Approved Disability Claims

If Long Term Disability claims are approved, Prudential will send a letter to the insured individual explaining:

- The definition of disability;
- The monthly benefit amount (including how the figure was calculated);
- Social Security Disability Benefits; and
- Any contract provisions or limits that may apply.

Disability Claim Managers can answer questions and provide guidance for continuing claim evaluation.

The firm should also send a letter to the individual explaining which company benefits will continue while they are absent on disability and what the cost will be. Keep a copy of this letter for your files.

Denied Disability Claims

Prudential's Disability Claim Manager will inform the individual of their claim status. When a claim is denied, Prudential will send a letter to the insured individual explaining the decision and the appeals process. Prudential will also notify the Plan Agent of this denial. If you have questions or concerns, please call the firm's disability Plan Agent.

Paying Disability Benefits

Monthly Long Term Disability benefit payments are issued five business days before the end of the month (in payment for the current month). Prudential uses EFT to deposit payments directly into the insured individual's checking account, provided the individual has applied for this service.

Your staff can get claim status, current payment amount, and payment history information 24/7, by calling Prudential's toll-free IVR line at 800-842-1718.

Amounts of Coverage

Depending on the maximum monthly benefit your firm has elected, the initial coverage must be provided according to the status of the individual as a Partner/Proprietor or Employee. Partner/Proprietor or Employee coverage is calculated by monthly earnings. In no event will the amount of coverage exceed the maximum amount of insurance. The amount of insurance coverage as set forth is mandatory and not permissive. In addition, it is required that proper adjustments be made each October 1 following the date of first becoming insured.

Definition of Earnings

The definition of earnings differs between Partners or Proprietors and Employees.

For Partners or Proprietors, earnings is the average gross monthly income, as reported on their IRS federal income tax returns for the two year period just prior to their date of disability. If in the event of no prior year's evidence, your current projected average gross monthly income will be used. It includes profits, fees, commissions and other compensation for professional services. It does not include investment returns, rent income, royalties or other like income not produced by their occupation. Earnings are determined after deduction of normal business expenses.

For Employees, earnings are the gross monthly income from their Included Employer in effect from the October 1 immediately prior to your date of disability. If the Included Employer has not yet been covered under the plan on an October 1 date, their gross monthly income on the later of the coverage effective date or the Included Employer's inclusion date will be used. It does not include income received from commissions, bonuses, overtime pay, any other extra compensation, or income received from sources other than their Included Employer.

Maximum Duration of Payments

Depending on the individual's age when their disability begins, Prudential will send an individual payments up until a certain period. This period is specified in the "How Long Will Prudential Continue to Send You Payments" section of the plan's booklet.

Overpaid Disability Claims

Disability benefits are usually reduced by other income, such as:

- Amounts received from workers' compensation, occupational disease, or through any other act or law with similar intent.
- Amounts received or are entitled to receive as loss of time disability income payments under
 - o state compulsory benefit act or law.
 - o automobile liability insurance policy required by law.
 - o group insurance or self-insured plans where the Included Employer, directly or indirectly, has paid all or part of the cost or made payroll deductions.
 - o governmental retirement system as the result of your job with your Included Employer.
- Gross amounts that the employee, spouse and children receive or are entitled to receive as loss of time disability or retirement payments under:
 - o the United States Social Security Act;
 - o the Railroad Retirement Act;
 - o the Canada Pension Plan;
 - o the Quebec Pension Plan; or
 - o any similar plan or act.

- Amounts the employee
 - o receives as disability payments under your Included Employer's retirement plan;
 - o voluntarily elects to receive as retirement or early retirement payments under their Included Employer's retirement plan; or
 - o receives as retirement payments when they reach normal retirement age, as defined in their Included Employer's retirement plan.
- Amounts received under the maritime doctrine of maintenance, wages and cure. This includes only the "wages" part of such benefits.
- Amount identified as earnings replacement or disability income benefits that are received, due to disability, from a third party by judgment, settlement or otherwise.
- The amount of loss of time benefits that are received or are entitled to be received under any salary continuation.
- The amount of loss of time benefits that are received or are entitled to be received under any accumulated sick leave, to the extent that total monthly benefits exceed or would exceed 100% of monthly earnings.
- The amount that you receive or are entitled to receive under any unemployment.

Claims may be overpaid when Prudential is not aware the insured individuals are receiving other benefits. We depend on you and your employees for accurate information about other sources of income.

Workers Compensation

If a workers' compensation claim is pending, denied or under appeal, Prudential will provide benefits provided a Reimbursement Agreement is signed. However, if a workers' compensation award or settlement is granted, the individual must promptly repay Prudential.

Prudential actively pursues reimbursement when an overpayment is caused by any reason, including calculation errors.

Social Security Disability Benefits Awards

Social Security Disability Benefits (SSDB) are usually awarded after Long Term Disability benefits start, but are usually retroactive to the Long Term Disability benefit date. Once individuals file for SSDB and sign a Reimbursement Agreement, Prudential will continue Long Term Disability benefit payments. If an individual does not return a signed Reimbursement Agreement when requested, and is identified as an SSDB candidate, an estimated offset may be placed on the claim on an entitlement basis. If SSDB is awarded, this results in an overpayment of Long Term Disability benefits.

As soon as individuals are identified as SSDB candidates, a Disability Claim Manager will explain the SSDB application and appeal process and how this could result in an overpayment situation. Like other overpayments, Prudential will actively pursue reimbursement.

Tax Information

Important Information about Tax Law

Neither Prudential nor its representatives can give tax advice. Please consult your tax advisor.

Under the tax law, certain employee benefits must be provided on a basis that does not discriminate in favor of highly compensated employees in order to be excluded from the employee's income. This non-discrimination testing, which is required by the Internal Revenue code or any other applicable laws, is the responsibility of the employer. Prudential does not conduct non-discrimination testing. Please consult with your attorney or other financial advisor.

For information, please contact your tax advisor or refer to Treasury Regulation 1.105-1 and IRS Publication 15-A. Copies of these documents can be ordered by calling 800-TAX-FORM.

Because tax laws change, Prudential will request confirmation of benefit tax information from you every year to ensure compliance with tax regulations.

General Tax Information about Disability Benefits

This general tax information relates to the overall taxability of disability benefits and should not be considered tax advice. For complete disability benefit tax information, please contact your tax advisor or the Internal Revenue Service (IRS).

In general, there are three payment options for disability plans:

- The employer pays 100% of premium.
- The employee pays 100% of premium.
- The employer pays 100% of the premium, but adds the premium amount to the employees' earnings.

According to Internal Revenue Code, the payment option is one factor that determines if disability benefits are taxable.

Contribution Options

The firm's decision to provide disability coverage that is funded by either pre-tax contributions or after-tax contributions may affect benefits and tax liabilities. The firm should inform Prudential, in its October 1 report, how it wishes to continue funding its coverage.

Employer-Paid Coverage

With employer-paid coverage, all disability benefits are included in the employee's gross income and are subject to taxes. However, if the employer pays 100% of the premium, but adds the premium amount to the employee's earnings, benefits are considered employee-paid with post-tax dollars and are not taxable.

Employee-Paid Coverage

If the employee pays the full cost of the plan with post-tax dollars, benefits are not taxable.

Federal Income Tax

If your employees want Federal Income Tax (FIT) withheld from their benefit payments, they should complete the tax section on the Employee Statement or submit IRS Form W-4S to Prudential at the time their claim is submitted.

FICA (Social Security/Medicare Taxes)

FICA is withheld from all taxable disability benefit payments for the first six calendar months following the employee's last day worked. Employees are exempt from Social Security taxes if their year-to-date taxable wages have exceeded the maximum Social Security wage base for the year.

Standard Disability Tax Services

With standard tax services for insured LTD plans, Prudential will:

- Withhold and deposit Federal Income Tax (FIT) to the IRS at the employee's request under Prudential's Employer Identification Number (EIN). However, Prudential will not withhold any state or local taxes.
- Withhold the employee's applicable FICA tax, make regular deposits with the IRS, and report deposits under Prudential's EIN.
- Deposit and report the employer's FICA match to the IRS under Prudential's EIN for LTD coverage.
- Produce and distribute to the plan agent quarterly and annual Sick Pay Employer Reports (SPERs). You should review these reports for accuracy because this information will be used for W-2 preparation. These reports allow you to verify the taxable percentage of the employee's benefit and complete federal and state unemployment tax (FUTA/SUTA) filings. The Plan Agent will contact you in order to review for accuracy.
- Complete the quarterly IRS 941 filing for the employee's FICA tax and the employer's FICA match under Prudential's EIN.
- Produce and distribute W-2s, W-2Cs, and electronically file at year-end under Prudential's EIN.
- Respond to questions about W-2s for disability income.
- Maintain tax administration records for 7-10 years.