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# Voluntary Term Life Insurance Program

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**Offered by the  
Prudential Insurance Company of America  
to the Employees of  
Sandia National Laboratories**

The Voluntary Term Life Insurance Program is designed to help cushion against financial hardship that might accompany death. The Program is optional and is wholly *employee-paid*. You should be aware that term insurance does not carry cash surrender or loan privileges which an individual insurance policy may provide.

The Prudential Insurance Company of America (Prudential) is the underwriter and provides administrative services in connection with the Program. Employees may contact Prudential at 800-843-7724 for questions about the Program's provisions.

This document contains an outline of all the principal features of the Voluntary Term Life Insurance Program. Please read this document carefully and share it with your family.

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# LIFE INSURANCE BENEFITS

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While you are able to work, your family's financial security may depend largely on the pay you receive from your job. If you should die, this income would no longer be available and your family would have to look to other sources of financial assistance, including life insurance. The Voluntary Term Life Insurance Program provides such assistance.

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## Eligible Individuals

You are eligible to participate in the Voluntary Term Life Insurance Program if you are a Regular Employee, or a Nonregular Temporary Doctoral Appointee, Limited Term Ph.D. Appointee, Limited Term Technical Staff or Limited Term Administrative Staff.

"Regular Employee" means any Full-time or Part-time Sandia Employee scheduled to work 20 or more hours a week for an indefinite period, engaged in the usual activities of the business, and whose employment is expected to be permanent at the time of engagement, although it may be subsequently terminated by action on the part of the employee or Sandia.

Eligible employees may enroll in the Voluntary Term Life Insurance Program immediately upon employment. Evidence of your good health will be required for you to become insured if you fail to enroll within 30 days following the first day you are an eligible employee and actively at work **or** you wish to become insured for an amount in excess of the Non-medical Limit. **All costs incurred in connection with furnishing evidence of good health, including any medical examination and any charges incurred for the completion and submission, including postage/ mailing, or the attending physician's statement, are the responsibility of the employee.**

To enroll in the Voluntary Term Life Insurance Program, complete and sign the enrollment form and name your beneficiary or beneficiaries on that form. Mail your completed enrollment form to Prudential. Please call Prudential at 800-843-7724 for additional information or to request beneficiary or enrollment forms.

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## Cost

You pay the full cost of your Voluntary Term Life Insurance Program coverage. The payment of the premiums will be accomplished through payroll or pension deductions.

## VOLUNTARY TERM LIFE INSURANCE PLAN MONTHLY COSTS

Current Rates (effective May 2006)	
Age	Premium Cost (per \$1000 coverage)
Less than 25	\$.02
25-29	\$.02
30-34	\$.04
35-39	\$.06
40-44	\$.08
45-49	\$.14
50-54	\$.22
55-59	\$.28
60-64	\$.44
65-69	\$.70
70-74	\$1.00
75-79	\$1.64
80 and over	\$2.06

### Effective Date of Coverage

Your Voluntary Term Life Insurance Program coverage becomes effective on the first day of the month following your first payroll deduction for the coverage.

Any increase or decrease in your amount of insurance due to a change in your Annual Base Pay will become effective on the date of the change in your Annual Base Pay.

Should you not be actively at work on the day you would otherwise become insured, the insurance will be delayed until you return to active work.

### Beneficiaries

You may name as your beneficiary, on a form approved by Prudential, any person or persons, your estate, any association legally entitled to hold property, or any corporation except Sandia.

If you name more than one beneficiary, be sure to indicate the share or percentage of your insurance coverage payable to each beneficiary. You may change your beneficiary at any time by filing written notice of the change on a form approved by Prudential. If you wish to make such a change, obtain the appropriate form from Prudential by calling 800-843-7724. The change will be effective on the date the notice is signed (except that it will not apply to any amount paid by Prudential before receipt of the notice).

Any part of your insurance for which there is no surviving named beneficiary upon your death will be payable to your estate. At Prudential's option, such amount will be paid to any one of your surviving relatives as follows: spouse, mother, father, child or children.

## **Amount of Coverage for Full-time Employees**

Full time active employees are given the option of enrolling for Voluntary Term Life Insurance Program coverage equal to one, two, three, four or five times Annual Base Pay, raised to the next higher \$ 1,000. This option may be changed at any time. However, if the change would result in an increase in the amount of your insurance and your request for change is made after the 30 day period following the first day you are an eligible employee and actively at work, you must provide evidence of your good health satisfactory to Prudential in order to become insured for the new option. There is a Non-medical Limit. Your coverage may not exceed the Non-medical Limit without submitting satisfactory evidence of good health.

For life insurance purposes, your "Annual Base Pay" will include any lump sum awards which you received in the past 12 months (such as Individual Performance Awards, Advancement Awards and Distinguished Member of Technical Staff Awards). Tour differentials, other allowances or extra payments for overtime are not included in annual base pay. To calculate your annual base pay multiply your hourly rate by 2088, your weekly rate by 52.2, or your monthly rate by 12 (and add lump sum awards in effect). If your Annual Base Pay changes, your insurance coverage will change on the same date your new pay rate or lump sum award is scheduled to take effect.

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## **Amount of Coverage for Part-time Employees**

The amount of coverage for an eligible part-time employee with less than 10 years of Net-Credited Service will be prorated based upon the employee's regularly scheduled hours of work in relationship to the regularly scheduled hours of work for a regular full-time employee in the same job classification. For example, a part-time employee with an annual base pay rate of \$19,000 who works half of a full-time schedule receives earnings of \$9,500. The amount of insurance available to the employee under the Program is \$10,000, \$20,000, \$30,000, \$40,000 or \$50,000 depending on the option selected. The amount of coverage for an eligible part-time employee with 10 or more years of Net Credited Service who is scheduled to work at least 20 hours per week will be based upon the employee's full Annual Base Pay rate.

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## **Non-medical Limit on Amount of Coverage**

There is a limit on the amount for which you may be insured without submitting evidence of good health. This is called the Non-medical Limit. If the amount of insurance applicable to you under the Plan option is more than the Non-medical Limit, you must give evidence of good health satisfactory to Prudential in order to become insured for the part of the insurance over the Limit. Even if you are already insured for an amount over the Limit, you will still have to meet this evidence requirement before any increase in your amount of insurance can become effective.

Non-medical Limit: \$1,250,000.

## Coverage During Disability

If you become totally disabled before becoming eligible to retire under the provisions of Sandia's Pension Security Plan or Retirement Income Plan, and if satisfactory proof of such total disability is furnished to Prudential, your coverage will be extended for a limited period during your total disability as follows:

<b>If Net Credited Service is:</b>	<b>Coverage continues after expiration of Sickness Absence benefits for:</b>
Less than 5 years	1 year
5 but less than 10 years	2 years
10 but less than 15 years	3 years

"Net Credited Service" means the official record of your term of employment at Sandia.

You may convert your insurance to an individual policy within 31 days after the extension period ends as explained in the section entitled "[Termination and Conversion of Insurance](#)".

Your premiums for Voluntary Term Life Insurance Program coverage will be waived during this limited extension.

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## Coverage During Layoff

If you are laid off, you may extend your Voluntary Term Life Insurance Program coverage for up to six months by paying the required premiums in advance by check.

Contact Sandia's Benefits Division 3344 (8522 in California) to arrange for extension of coverage and payment. You may convert your insurance to an individual policy within 31 days after the extension period ends as explained in the section "[Termination and Conversion of Insurance](#)".

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## Coverage During Leave of Absence

If you are granted a leave of absence for reasons other than for military service, you may extend your Voluntary Term Life Insurance Program coverage by paying the required premiums in advance by check.

Contact Sandia's Benefits Division 3344 (8522 in California) to arrange for extension of coverage and payment. You may convert your insurance to an individual policy within 31 days after the extension period ends as explained in the section "[Termination and Conversion of Insurance](#)".

If you leave active service with Sandia to enter the armed forces other than for training duty generally not to exceed four weeks, your Voluntary Term Life Insurance Program coverage will terminate at the end of the period for which premium payments were deducted from your pay.

## Coverage During Retirement

If you retire from Sandia on a Service or Disability Pension, you may continue your Voluntary Term Life Insurance Program coverage up to age 65 by paying the required premiums. Your premiums will be deducted from your monthly pension. At age 65, all Voluntary Term Life Insurance Program coverage terminates. If you decide to discontinue your Voluntary Term Life Insurance Program coverage before age 65, notify Prudential in writing. You may convert your insurance to an individual policy within 31 days after the insurance ends as explained in the section ["Termination and Conversion of Insurance"](#).

Retirees less than age 65 may request a change to an option providing less insurance but *may not* increase their coverage.

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## When Benefits are Paid

Any benefits from the Voluntary Term Life Insurance Program to which you are entitled will be paid to your named beneficiary/beneficiaries in the event of your death from any cause. See the section entitled ["Beneficiaries"](#).

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## How Benefits are Paid

You may request that death benefits be paid in a lump sum or under any other payment method permitted by Prudential. If you do not make a payment election, your beneficiary may do so after your death. If no specific election is made, benefits will be said in accordance with the provisions of the Group Contract.

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## Termination and Conversion of Insurance

Your insurance will terminate if you cease to be an eligible employee or if the Voluntary Term Life Insurance Program is discontinued or if you discontinue premium payments.

In the event you terminate employment, you may arrange with Prudential to convert part or all of your Voluntary Term Life Insurance Program coverage to one of a number of individual life policies, without having to furnish evidence of good health. You must apply for conversion within 31 days after your employment/coverage terminates.

In the event the Voluntary Term Life Insurance Program is discontinued, and your coverage has been in effect at least five years, you may convert to one of a number of individual life policies without having to furnish evidence of good health. The amount of such individual policy may not exceed the lesser of (a) the terminating amount of your Voluntary Term Life Insurance Program coverage, reduced by any group life insurance for which you are or become eligible within the following 31 days and (b) \$10,000. You must apply for conversion within 31 days after your coverage terminates.

You may obtain conversion application forms from your Sandia's Benefits Department. If you convert your voluntary Term Life Insurance Program coverage, you may select any type of individual life policy

then customarily being issued by Prudential except term insurance or a policy containing disability or supplementary benefits.

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## GENERAL INFORMATION

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### Assignment of Life Insurance

You may make an irrevocable gift assignment of your Voluntary Term Life Insurance Program coverage if Prudential consents in writing. This means you may name someone else as owner (assignee) of the policy even though it is your life that is insured.

If you make an assignment, you cannot revoke it later. The person to whom you assign your insurance has the absolute and continuing right to name beneficiaries or to exercise any other privileges which otherwise would have been available to you.

Because of various legal and tax implications involved, please consult both your lawyer and tax advisor before taking any such action. If you decide to make an assignment, you may obtain the appropriate forms from Prudential by calling 800-843-7724.

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### Procedure to Obtain Benefits

All forms that may be needed to claim benefits under the Voluntary Term Life Insurance Program may be obtained from Prudential by calling 800-843-7724.

To speed claim processing, instructions received with the forms should be followed carefully. All questions should be answered fully, including the completion or attachment of any required medical statements.

When the claim has been processed and allowed by Prudential, your beneficiary will receive a check based on the payment method selected (see section entitled [How Benefits are Paid](#)). If any benefits have been denied or there is a question about a claim payment, Prudential will provide a written explanation.

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### Contract and Certificate

The Voluntary Term Life Insurance Program has been described in general terms on the preceding pages. The Certificate of Group Coverage appears in the back of this booklet. The extent of the insurance for each individual is governed at all times by the complete terms of the master Group Insurance Contract issued by Prudential.

## Denial of Claim and Appeal Procedures

If an application for Voluntary Term Life Insurance Program benefits (death benefits for your beneficiary) is denied either in whole or in part, your beneficiary will receive written notification from Prudential, including the reasons for denial. If your beneficiary wishes to appeal the denial, a written request for review must be sent to Prudential within 60 days of receiving the denial. Any such request may include any appropriate issues or comments in writing, may also state why it is believed that the claim was improperly denied, and be accompanied by documents or records in support of the appeal, particularly if pertinent additional information should be considered. You may review any pertinent documents by contacting Prudential. Prudential will provide a written response to your appeal within 60 days after it is received. However, Prudential has the exclusive right to interpret the provisions of the Voluntary Term Life Insurance Program, so their decision is conclusive and binding.

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# THE PRUDENTIAL CERTIFICATE OF COVERAGE

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Prudential certifies that insurance is provided according to Group Contract No. G-96020 for certain Employees of

SANDIA CORPORATION  
(Contract Holder)

The terms of the Group Contract that mainly affect your insurance are summarized in this Certificate of Coverage and in the Document immediately preceding this Certificate of Coverage. The insurance under a Coverage is effective only if you are eligible for it and become and remain insured for such insurance in accordance with the terms of the Group Contract. An outline of the eligibility provisions and conditions for becoming insured are set forth in the Document.

Coverages and Amounts: The available Coverages and the amounts of insurance are described in the Document.

If you are insured, the Document and this Certificate of Coverage form your Group Insurance Certificate. It replaces any older certificates issued to you under the Group Contract. All Benefits are subject in every way to the Group Contract. It alone forms the agreement under which payment of insurance is made.

The Prudential Insurance Company of America

GRP 39226  
BCT 6001

(96020-1)

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# Employee Term Life Coverage

When Prudential receives written proof of your death, the amount of Employee Term Life Insurance for which you are insured under the Group Contract will be paid to your Beneficiary or Beneficiaries determined under the Beneficiary Rules of the Group Contract as summarized in this Certificate.

## CONVERSION PRIVILEGE

If you cease to be insured for the Employee Term Life Insurance of the Group Contract for one of the reasons stated below, you may convert all or part of your insurance under the Coverage, which then ends, to an individual life insurance contract. Evidence of insurability is not required. The reasons are:

1. Your employment ends or you transfer out of an eligible class.
2. All term life insurance of the Group Contract for your class ends by amendment or otherwise. But, on the date it ends, you must have been insured for five years for that insurance (or for that insurance and any Prudential rider or group contract replaced by that insurance).

Any such conversion is subject to the rest of this section.

**Availability:** You must apply for the individual contract and pay the first premium within 31 days after you cease to be insured for the Employee Term Life Insurance.

**Individual Contract Rules:** The individual contract must conform to the following:

Amount: Not more than your Employee Term Life Insurance under the Coverage when your insurance ends. But, if it ends because all term life insurance of the Group Contract for your class ends, the total amount of individual insurance which you may get in place of all your life insurance then ending under the Group Contract will not exceed the lesser of the following:

1. The total amount of all your life insurance then ending under the Group Contract reduced by the amount of group life insurance from any carrier for which you are or become eligible within the next 31 days.
2. \$10,000

Form: Any form of a life insurance contract that:

1. conforms to Title VII of the Civil Rights Act of 1964, as amended, having no distinction based on sex; and
2. is one that Prudential usually issues at the age and amount applied for.

This does not include term insurance or a contract with disability or supplementary benefits.

Premium: Based on Prudential's rate as it applies to the form and amount, and to your class of risk and age at the time.

Effective Date: The end of the 31 day period during which you may apply for it.

If you die within the 31 day period, an amount equal to the amount of Employee Term Life Insurance under the Coverage you were entitled to convert is payable even if you did not apply for conversion. It is payable when Prudential receives written proof of death.

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## **BENEFICIARY RULES**

The rules in this section apply to insurance payable on account of your death. But these rules are modified, if there is an assignment, by the following provisions: Limits on Assignments; and Effect of Gift Assignment of Rights of Group Life Insurance Under Another Group Contract.

"Beneficiary" means a person chosen, on a form approved by Prudential, to receive the insurance benefits.

You have the right to choose a Beneficiary.

If there is a Beneficiary for the insurance, it is payable to that Beneficiary. Any amount of Insurance for which there is no Beneficiary at your death will be payable to your estate. But, if there is no Beneficiary at your death, Prudential may, at its option, pay the amount of insurance to any one of your surviving relatives: wife, husband, mother, father, child or children.

You may change the Beneficiary at any time without the consent of the present Beneficiary. The Beneficiary change form must be filed through Prudential. The change will take effect on the date the form is signed. But it will not apply to any amount paid by Prudential before it receives the form.

If there is more than one Beneficiary but the Beneficiary form does not specify their shares, they will share equally. If a Beneficiary dies before you, that Beneficiary's interest will end. It will be shared equally by any remaining Beneficiaries, unless the Beneficiary form states otherwise.

## **INCONTESTABILITY OF LIFE INSURANCE**

This limits Prudential's use of your statements in contesting an amount of Life Insurance for which you are insured. These are statements made to persuade Prudential to accept you for insurance They will be considered to be made to the best of your knowledge and belief These rules apply to each statement:

1. It will not be used in the contest unless:
  - a. It is in a written instrument signed by you; and
  - b. A copy of that instrument is or has been furnished to you or to your Beneficiary.
2. If it relates to your insurability, it will not be used to contest the validity of insurance which has been in force, before the contest, for at least two years during your lifetime.

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## **LIMITS ON ASSIGNMENTS**

Insurance under any Coverage may be assigned only as a gift assignment. Any rights, benefits or privileges that you have as an Employee may be assigned. This includes any right you have to choose a Beneficiary. Prudential will not decide if an assignment does what it is intended to do. Prudential will not be held to know that one has been made unless it or a copy is filed with Prudential.

This paragraph applies only to insurance for which you have the right to choose a Beneficiary, when that right has been assigned. If an assigned amount of insurance becomes payable on account of your death and, at your death, there is no Beneficiary chosen by the assignee, it will be payable to:

1. the assignee, if living; or
2. the estate of the assignee, if the assignee is not living.

It will not be payable as stated in the Beneficiary Rules.

## **EFFECT OF GIFT ASSIGNMENT OF RIGHTS OF GROUP LIFE INSURANCE UNDER ANOTHER GROUP CONTRACT**

This section applies to all Coverages providing Employee death benefits.

If you are eligible for insurance under the Group Contract on the Group Contract's effective date you will have no rights, benefits or privileges under any such Coverage if, on the day before that date, all the following were true:

1. You were insured for group life insurance under another group contract. That contract was issued by Prudential or another insurance carrier to cover Employees of the Employer.
2. Your group life insurance under the other group contract ended.
3. An irrevocable and absolute gift assignment made by you was in effect. It was made before the other contract ended. That assignment was of all your rights, benefits and privileges of the group life insurance under the other group contract. Those rights were owned by the assignee or the assignee's successor.

The owner of those rights of the group life insurance under the other group contract on the day before this Group Contract's effective date will be the owner of the rights, benefits, and privileges you would have had under a Coverage if this section did not apply. This includes, but is not limited to, any right of assignment you would have had under the Limits on Assignments section above. The term "assignee" as used in that section includes such an owner.

The term "group life insurance", as used above, means only Second Supplemental Life Insurance provided under Group Contract No. G-91235 issued by The Prudential Insurance Company of America.

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