

# **Voluntary Term Life** **Insurance Program**

**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 SHPS, Prudential service provider, 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 Program. Every effort has been made to reflect the provisions accurately. However, in the event of a discrepancy between this summary and the Prudential contract, the Prudential contract will govern.

Please read this document carefully and share it with your family.

---

# LIFE INSURANCE BENEFITS

---

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.

## Plan Benefits Provided by

The Prudential Insurance Company of America  
Prudential Plaza  
Newark, New Jersey 07102

This Group Contract is underwritten by The Prudential Insurance Company of America. The Prudential Insurance Company of America as Claims Administrator has the sole discretion to interpret the terms of the Group Contract, to make factual findings, and to determine eligibility for benefits. The decision of the Claims Administrator shall not be overturned unless arbitrary and capricious.

**Group Contract Number: G-96020-NM**

**IMPORTANT INFORMATION FOR RESIDENTS OF CERTAIN STATES:** There are state-specific requirements that may change the provisions under the Coverage(s) described in this Group Insurance Certificate. If you live in a state that has such requirements, those requirements will apply to your Coverage(s) and are made a part of your Group Insurance Certificate. Prudential has a website that describes these state-specific requirements. You may access the website at [www.prudential.com/etonline](http://www.prudential.com/etonline). When you access the website, you will be asked to enter your state of residence and your Access Code. Your Access Code is 96020.

If you are unable to access this website, want to receive a printed copy of these requirements or have any questions, call Prudential at 1-866-439-9026.

---

## Eligible Individuals

You are eligible to participate in the Voluntary Term Life Insurance Program if you are a Regular Employee, a Post Doctoral Appointee, Limited Term Employee, or Full-Time Faculty Sabbatical Employee.

"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 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 31 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 SHPS, Prudential service provider, at 800-843-7724 for additional information or to request beneficiary or enrollment forms.

---

## **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**

<b>Insurance Age</b>	<b>Annual Premium Rate</b>
<b>(Attained Age)</b>	<b>(Per \$1,000 of Insurance)</b>
Less than 25	0.02
25 - 29	0.02
30 - 34	0.04
35 - 39	0.05
40 - 44	0.07
45 - 49	0.12
50 - 54	0.20
55 - 59	0.26
60 - 64	0.40
65 - 69	0.63
70 - 74	1.00
75 - 79	1.64
80 and over	2.06

For example, if you are 40 years old and earn \$60,000 a year, and you enrolled for the three times salary option, your annual premium rate would be calculated as follows:  $\$60,000 \times 3 = \$180,000$   $180 \times \$0.07 = \$12.60$  per month.

---

## **Effective Date of Coverage**

Your Voluntary Term Life Insurance Program coverage becomes effective of 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. Actively at Work means that you be actively at work on a full time or part time basis at the Employer's place of business, or at any other place that the Employer's business requires you to go. You are considered actively at work during normal vacation if you were actively at work on your last regular scheduled workday.

---

## **Beneficiaries**

You have the right to choose a Beneficiary.

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. 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.

You may change the Beneficiary at any time without the consent of the present Beneficiary 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 SHPS, Prudential service provider, 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.)

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 the first of the following: Your (a) surviving spouse; (b) surviving child(ren) in equal shares; (c) surviving parents in equal shares; (d) surviving siblings in equal shares; (e) estate. This order will apply unless you have assigned your insurance.

---

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

Full time active employees are given the option of enrolling for Voluntary Term Life Insurance coverage equal to one, two, three, four, five or six 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.

---

## **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 amounts of insurance available to the employee under the Program are \$10,000, \$20,000, \$30,000, \$40,000, \$50,000 or \$60,000 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.

---

## **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. However, if your salary increases and as a result your amount of coverage is in excess of the Non-medical limit, you will not need to submit evidence of good health to Prudential.

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

---

### **Incontestability of Life Insurance**

If you elect an amount of insurance which is subject to evidence of good health, you will be asked to make a statement about your health to persuade Prudential to accept you for insurance. This statement will be considered to be made to the best of your knowledge and belief. Prudential is limited in the use of your statement as follows:

- 1) Prudential may not use the statement to contest the validity of the insurance unless the statement is in writing and signed by you and a copy of the statement is furnished to you or your beneficiary.
- 2) Prudential may not use the statement to contest the validity of the insurance which has been in force, before the contest, for at least two years during your lifetime.

---

### **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".

---

### **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 Department 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 entitled "Termination and Conversion of Insurance".

---

### **Coverage During Leave of Absence**

If you are granted a leave of absence you may extend your Voluntary Term Life Insurance Program coverage by paying the required premiums in advance by check.

Contact Sandia's Benefits Department 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 entitled "Termination and Conversion of Insurance".

---

### **Coverage During Retirement**

If you retire from Sandia on a Service Pension, you may continue your Voluntary Term Life Insurance Program coverage by paying the required premiums. Your premiums will be deducted from your monthly pension. At age 65, Voluntary Term Life Insurance Program coverage for Plans 3, 4, 5 and 6 terminate. If you decide to discontinue or reduce 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 extension period ends as explained in the section entitled "Termination and Conversion of Insurance".

---

## **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".

---

## **How Benefits are Paid**

Voluntary Term Life Insurance benefits are normally paid through the Prudential Alliance Account. Once Prudential approves the claim, they will automatically establish an interest bearing account in your beneficiary's name and send them a checkbook. You may request that death benefits be paid in another payment method permitted by Prudential. If you do not make a payment election, your beneficiary may do so after your death.

---

## **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 your coverage will end. 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 Prudential or 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.

---

## **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. If the assignee does not name a beneficiary, the assignee or the estate of the assignee is the beneficiary.

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 SHPS, Prudential service provider, by calling 800-843-7724.

---

## **Procedure to Obtain Benefits**

All forms that may be needed to claim benefits under the Voluntary Term Life Insurance Program may be obtained from SHPS, Prudential service provider, 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.

## **Determination of Benefits**

Prudential shall notify your beneficiary of the claim determination within 45 days of the receipt of the claim. This period may be extended by 30 days if such an extension is necessary due to matters beyond the control of the plan. A written notice of the extension, the reason for the extension and the date by which the plan expects to decide the claim, shall be furnished to your beneficiary within the initial 45-day period. This period may be extended for an additional 30 days beyond the original 30-day extension if necessary due to matters beyond the control of the plan. However, if a period of time is extended due to a failure to submit information necessary to decide the claim, the period for making the benefit determination by Prudential will be suspended from the date on which the notification of the extension is sent to your beneficiary until the date on which your beneficiary responds to the request for additional information.

If the claim for benefits is approved by Prudential, your beneficiary will receive a checkbook unless an alternate payment method is selected (see section entitled How benefits are Paid).

If the claim for benefits is denied, in whole or in part, your beneficiary will receive a written notice from Prudential of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- (a) the specific reason(s) for the denial,
- (b) references to the specific plan provisions on which the benefit determination was based,
- (c) a description of any additional material or information necessary for your beneficiary to perfect a claim and an explanation of why such information is necessary,
- (d) a description of the Prudential's appeals procedures and applicable time limits

## **Appeals of Adverse Determination**

If the claim for benefits is denied or if your beneficiary does not receive a response to the claim within the appropriate time frame, your beneficiary may appeal the denied claim in writing to Prudential within 180 days of the receipt of the written notice of denial. Your beneficiary may submit with the appeal any written comments, documents, records and any other information relating to the claim. Upon request, your beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge.

A full review of the information in the claim file and any new information submitted to support the appeal will be conducted by the Prudential, utilizing individuals not involved in the initial benefit determination. This review will not accord any deference to the initial benefit determination.

Prudential shall make a determination on your claim appeal within 45 days of the receipt of the appeal request. This period may be extended by up to an additional 45 days if Prudential determines that special circumstances require an extension of time. If the claim on appeal is denied in whole or in part, your beneficiary will receive a written notification from Prudential of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include:

- (a) the specific reason(s) for the adverse determination,
- (b) references to the specific plan provisions on which the determination was based,
- (c) a statement that your beneficiary is entitled to receive upon request and free of charge reasonable access to, and make copies of, all records, documents and other information relevant to the benefit claim upon request,
- (d) a description of Prudential's review procedures and applicable time limits,

- (e) a statement that your beneficiary has the right to obtain upon request and free of charge, a copy of internal rules or guidelines relied upon in making this determination.

If a decision on appeal is not furnished to your beneficiary within the time frames mentioned above, the claim shall be deemed denied on appeal.

If the appeal of the benefit claim is denied or if your beneficiary does not receive a response to the appeal within the appropriate time frame, your beneficiary may make a second, voluntary appeal of the denial in writing to Prudential within 180 days of the receipt of the written notice of denial or 180 days from the date such claim is deemed denied. Your beneficiary may submit with the second appeal any written comments, documents, records and any other information relating to the claim. Upon request, your beneficiary will also have access to, and the right to obtain copies of, all documents, records and information relevant to the claim free of charge. The second appeal will be handled with the same guidelines as the first appeal.

Your beneficiary's decision to submit a benefit dispute to this voluntary second level of appeal has no effect on the right to any other benefits under this plan. If your beneficiary elects to initiate a lawsuit without submitting to a second level of appeal, the plan waives any right to assert that your beneficiary failed to exhaust administrative remedies. If your beneficiary elects to submit the dispute to the second level of appeal, the plan agrees that any statute of limitations or other defense based on timeliness is tolled during the time that the appeal is pending.

If the claim on appeal is denied in whole or in part for a second time, your beneficiary will receive a written notification from Prudential of the denial. The notice will be written in a manner calculated to be understood by the applicant and shall include the same information that was included in the first adverse determination letter. If a decision on appeal is not furnished to your beneficiary within the time frames mentioned above, the claim shall be deemed denied on appeal.