

## The Union Central Life Insurance Company

### ENHANCED RESIDUAL DISABILITY RIDER

This rider, as defined below, is designed to supplement *your* income when *you* are *residually disabled*.

#### DEFINITIONS

**RESIDUAL DISABILITY or RESIDUALLY DISABLED.** Means that due to *sickness or injury*:

- (1) *your loss of monthly earnings* is at least 15% of *your prior monthly earnings*; and
- (2) *your loss of monthly earnings* is the result, directly and apart from any other cause, of an *injury or sickness* as defined in the policy; and
- (3) *you* are able to perform one or more, but not all, of the material and substantial *duties* of *your* occupation; or *you* are unable to work in *your* occupation for 80% or more of the time as was usual prior to the start of *your* disability.

*Your* occupation is defined in the Definition of Total Disability found on the *schedule*.

In order to be eligible for residual benefits, *you* must meet the Physician Care Requirement in the **BENEFIT PROVISIONS** (Part II) section of *your* policy.

**RESIDUAL MONTHLY BENEFIT.** The benefit amount that will be paid each month under this rider.

**ELIMINATION PERIOD.** The definition of *elimination period* in the **DEFINITIONS** (Part I) section of *your* policy is hereby revised. Days of both *total disability* and *residual disability* will satisfy the *elimination period*.

**RESIDUAL MAXIMUM BENEFIT PERIOD.** The *residual maximum benefit period* is equal to any unused portion of the *maximum benefit period* for *total disability* shown on the *schedule*. Payment of monthly benefits, under all provisions of this rider combined, will not be made for more than the *residual maximum benefit period*.

**SUCCESSIVE PERIODS OF DISABILITY.** Periods of *total disability* referred to in the Successive Periods of Total Disability provision will be construed to include periods of *residual disability*. This is shown in the **BENEFIT PROVISIONS** (Part II) section of *your* policy.

**MONTHLY EARNINGS.** *Monthly earnings* are:

- (1) all wages, fees, salaries, bonuses, commissions; and
- (2) pension and profit-sharing contributions and deferred compensation; and
- (3) other payments for service *you* do;  
less
- (4) usual and customary business expenses.

If *you* own any portion of a business for which *you* work, *monthly earnings* also include:

- (1) *your* share of profits or losses generated by the business;  
less
- (2) *your* share of usual and customary business expenses.

Usual and customary business expenses are only those expenses which:

- (1) are not in excess of the expenses that were incurred before the start of the *elimination period*; and
- (2) *you* can deduct for federal income tax purposes; and
- (3) are other than salaries, drawing accounts, profits, benefits and other forms of compensation payable to *you* or to any member of *your* immediate family who was not a full-time paid employee of the business during the 60-day period immediately preceding the onset of a disability; and
- (4) are incurred on a regular basis and which are essential to the operation of the business, except income taxes.

Available to occupational classes 6A-3A.  
Required for occupational classes 6M-3M.

Loss of income required is only 15%.

Successive periods of disability include  
days of both total and residual disability.

Earnings mean more than just salary.

Certain provisions may vary by state.

Monthly earnings do not include:

- (1) royalties;
- (2) rent;
- (3) annuities;
- (4) interest;
- (5) dividends;
- (6) sick pay;
- (7) benefits received for disability under a formal wage or salary continuation plan;
- (8) income of a corporation imputed to a disabled single owner;
- (9) any other form of unearned income.

Monthly earnings may be considered earned:

- (1) in the period actually received (this is the cash accounting method); or
- (2) in the period actually earned (this is the accrual accounting method).

You may elect to have *monthly earnings*, *prior monthly earnings* and the *current monthly earnings* calculated using either the cash or accrual accounting method. If you choose the cash accounting method, then, with the exception of deferred compensation, income earned but not received before the onset of a disability will be excluded from the calculation of *monthly earnings*.

**PRIOR MONTHLY EARNINGS.** *Prior monthly earnings* are your average *monthly earnings* for either the 12-month or 24-month period immediately preceding the onset of a disability, whichever is greater.

**CURRENT MONTHLY EARNINGS.** *Current monthly earnings* are your *monthly earnings* during each month of *residual disability* for which a claim for benefits is made under this rider.

During any period of *residual disability*, usual and customary business expenses will be construed to be only those expenses which:

- (1) are not in excess of the expenses that were incurred before the start of the *elimination period*; and
- (2) you can deduct for federal income tax purposes; and
- (3) are other than salaries, drawing accounts, profits, benefits and other forms of compensation payable to you or to any member of your immediate family who was not a full-time paid employee of the business during the last 60 days before disability began.

**LOSS OF MONTHLY EARNINGS.** *Loss of monthly earnings* is your *prior monthly earnings* less your *current monthly earnings*.

## BENEFIT PROVISIONS

**RESIDUAL BENEFITS.** We will pay you a *residual monthly benefit* under this rider for each month you are *residually disabled* beginning on the later of:

- (1) the day after the end of the *elimination period*; or
- (2) the day following a period of *total disability* for which benefits have been paid.

$$\frac{\text{residual monthly benefit}}{\text{residual monthly benefit}} = \frac{\text{loss of monthly earnings}}{\text{prior monthly earnings}} \quad (\text{times}) \quad \text{base monthly benefit} \quad \text{X} \quad \text{base monthly benefit}$$

The first six monthly payments of the *residual monthly benefit* will be the greater of:

- (1) 50% of your *base monthly benefit*; or
- (2) the amount determined by the above formula.

We will not pay residual benefits for any day for which we pay *total disability* or presumptive total disability benefits.

**You may choose which accounting method you use.**

**Cash method excludes income earned for services performed but not received before disability began.**

**Prior monthly earnings are your average earnings in the last 12-month or 24-month period immediately prior to disability, whichever is greater.**

**A 50% minimum monthly benefit is payable during the first six months of residual disability.**

If your *loss of monthly earnings* is more than 75% of your *prior monthly earnings*, it will be deemed a 100% loss and we will pay you as if you are *totally disabled*.

If *prior monthly earnings* are determined to be less than or equal to zero then no residual benefits will be paid.

**PRIOR MONTHLY EARNINGS ADJUSTMENT.** We will make an adjustment to your *prior monthly earnings* in order to reflect the changes in cost of living. For those controlling a business entity, we will make the same adjustment to revenue and expenses. We will make this adjustment on the first and each successive anniversary of the onset of your disability.

To make this adjustment, we will use the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the United States Department of Labor. If the CPI-U is replaced or changed, we will use the index that, in our judgment, most clearly reflects the change in the cost of living in the United States. CPI-U will then mean the chosen index.

For each disability claim, we will determine the CPI-U value for the third month prior to the start of your disability. This is called the initial index.

On each anniversary of the onset of the disability, we will determine the CPI-U value for the third month prior to that date. This is called the current index.

A ratio is then calculated by dividing the current index by the initial index. This ratio will remain constant for 12 months and will be recalculated on each succeeding anniversary. This ratio will never be less than one.

The *prior monthly earnings* is then multiplied by this ratio. The result is the adjusted *prior monthly earnings*.

The adjusted *loss of monthly earnings* equals the difference between adjusted *prior monthly earnings* and *current monthly earnings*.

Then:

$$\text{adjusted residual monthly benefit} = \frac{\text{adjusted loss of monthly earnings}}{\text{adjusted prior monthly earnings}} \quad (\text{times}) \quad \frac{\text{base monthly benefit}}{X}$$

If your adjusted *loss of monthly earnings* is more than 75% of your adjusted *prior monthly earnings*, it will be deemed a 100% loss and we will pay you as if you are *totally disabled*.

No *prior monthly earnings* adjustment is made during the first year of disability.

**TERMINATION OF RESIDUAL BENEFITS.** We will continue to pay the *residual monthly benefit*, until the earlier of:

- (1) the date the *residual maximum benefit period* ends; or
- (2) the date you are no longer residually disabled.

**RECOVERY BENEFIT.** In the month immediately following a period for which monthly disability benefits have been paid under this policy, if you have returned to your occupation and you are performing the material and substantial *duties* of your occupation 80% or more of the time as was usual prior to the start of your disability, a *residual monthly benefit* will be paid provided:

- (1) *loss of monthly earnings* are at least 15%; and
- (2) a demonstrable relationship exists between the *loss of monthly earnings* and the previous disability. This relationship will be reevaluated periodically.

A demonstrable relationship exists if *loss of monthly earnings* is a direct and primary result of your *residual disability*. A demonstrable relationship does not exist if the *loss of monthly earnings* is primarily due to intervening causes that are not related to your *residual disability*.

**Full monthly benefits are payable if income loss is greater than 75%.**

**Your prior monthly earnings are indexed based on the actual changes in the CPI-U.**

**If you return to work following a period for which disability benefits are payable and maintain at least a 15% loss of earnings due to the disability, residual benefits will continue to be paid for up to the maximum benefit period.**

**TERMINATION OF RECOVERY BENEFIT.** The recovery benefit will terminate upon the earlier of:

- (1) the date a demonstrable relationship no longer exists; or
- (2) two consecutive months in which *your loss of monthly earnings* is less than 15%; or
- (3) three non consecutive months in which *your loss of monthly earnings* is less than 15%; or
- (4) the date the *residual maximum benefit period* ends.

**WAIVER OF PREMIUM.** The Waiver of Premium provision in **BENEFIT PROVISIONS** (Part II) section of *your* policy is amended as follows. References to *total disability* will be construed to include periods of *residual disability*.

Nothing in this rider will increase *your base monthly benefit*.

### **GENERAL PROVISIONS**

**PROOF OF EARNINGS.** Before *we* can determine and approve any benefits, *we* require *proof* necessary to accurately calculate *your current monthly earnings* and *prior monthly earnings*. *We*, or an independent accountant retained by *us*, may examine *your* financial records as often as *we* deem necessary.

**RIDER SPECIFICATIONS.** This rider is:

1. part of the policy; and
2. based on the application for this rider and payment of its premium; and
3. subject to all definitions, provisions, exceptions, limitations, and other terms of the policy unless specifically changed by this rider.

This rider takes effect on the *issue date* of the policy unless a different *issue date* for the rider is shown on a revised *schedule*. As applied to this rider, the Incontestability and Pre-Existing Conditions provisions of the policy will be measured from the later of the *issue date* of the policy or of the rider.

**TERMINATION.** This rider terminates on the earlier of the following:

- (1) the date the policy terminates; or
- (2) the expiry date shown on the *schedule*, even if *you* renew the policy as provided under the Conditionally Renewable for Life provision; or
- (3) the date *we* receive the *owner's* written request to terminate this rider.

THE UNION CENTRAL LIFE INSURANCE COMPANY



Secretary



President

**Days of both total and residual disability may be used to qualify for waiver of premium.**