

Liberty Corporate

Income Protection Plan



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Income Protection Plan

The Income Protection Plan (IPP) provides a scheme member with a monthly income, in the event of them becoming disabled and unable to work.

How does the Income Protection Plan work?

- The IPP benefit pays an income to the disabled Member, which is based on his/her plan salary as defined in the IPP policy.
- The first payment will be made after the waiting period selected on the plan.
- The waiting period is defined as the period of time that will elapse between the date of impairment and the payment of the first monthly disability benefit.
- Once a disabled member has started receiving their monthly disability benefit, this benefit may escalate annually at the lesser of the selected escalation rate and the rate of inflation (Consumer Price Index) at the escalation date.
- The escalation date is defined as the annual anniversary of the date at which the first monthly disability payment was made.
- A continuation option allows members, who are not in receipt of an IPP benefit, to continue their disability income cover after leaving the scheme with minimal or no underwriting.
- IPP can be offered both as a stand-alone, unapproved benefit on a Corporate Insured Series scheme, or as part of a Corporate Selection retirement scheme.

Income Protection cover options

1. Reducing IPP benefits

An income equal to 100% of plan salary is payable for a period of two years, after which the replacement ratio reduces to 75% of plan salary. This payment is subject to the maximums stated under each of the assessment options below.

2. Level IPP benefits

An income equal to 75% of plan salary is payable subject to the maximums stated under each of the assessment options below.

3. Limited Term IPP

A Limited Term IPP is available under the occupational assessment option which pays an income equal to 75% of plan salary for a specified maximum period of 2 years. This option is subject to a 3 month waiting period which is included in the period of payment. Limited Term IPP can be combined with a Capital Disability benefit payable 2 years after the date of disability.

Both Reducing and Level IPP offer escalation options. An escalation option is not offered on the Limited Term IPP.

Occupational vs. Progressive assessment options

IPP benefits can be assessed on the basis of occupation or severity of impairment (progressive), depending which option the employer selects.

1. Occupational IPP

Occupational IPP covers a member against the risk of becoming temporarily or permanently occupationally disabled in terms of the "own or reasonable occupational disability" definition below. Occupational IPP provides a level, reducing or limited term income benefit. The monthly income benefit payable is calculated as a percentage of plan salary.

Maximum cover

IPP cover may not exceed:

- R125,000 per month for level or limited term IPP
- 100% of plan salary for the initial 24 months of claiming and 75% of plan salary thereafter for reducing IPP but subject to a maximum R17,000 per month at any time.

When will cover cease?

Cover will cease on the earliest of the date of:

- Discontinuance of the member's membership in the scheme; or
- Death of the member; or
- Recovery so that the member is no longer occupationally disabled; or
- The member reaching the scheme's retirement age; or
- The member attaining age 65.
- After 2 years from the date of claim for limited term IPP.

2. Progressive IPP

Progressive IPP pays a monthly income in the event of a member becoming temporarily or permanently disabled or permanently impaired. The level of the monthly benefit can be selected from one of two benefit scales, i.e. level or reducing.

Maximum cover

IPP cover may not exceed:

- R125,000 per month for level or limited term IPP
- 100% of plan salary for the initial 24 months of claiming and 75% of plan salary thereafter for reducing IPP, but subject to a maximum R17,000 per month at any time.

Income Protection Plan

When will cover cease?

Cover will cease on the earliest of the date of:

- Discontinuance of the member's membership in the scheme; or
- Death of the member; or
- Recovery so that the member is no longer impaired or disabled; or
- The member reaching the scheme's retirement age; or
- Leaving the service of the employer where a partial impairment benefit is paid; or
- 2 years from date of claim where a partial impairment benefit is being paid; or
- Termination of the scheme where a partial impairment benefit is being paid; or
- The member attaining age 65.

For your ease of reference, "own or reasonable occupational disability", "total disability" and "impairment" is defined below:

- Own or reasonable occupational disability means incapacity arising from bodily injury, illness, disease or surgical operation that resulted in the member being totally and permanently disabled and incapable of performing the duties of the member's own occupation, or of any reasonable occupation for which they could be expected to become suited, taking into account their education, previous training, abilities and work experience.
- Total disability means incapacity arising from bodily injury, illness, disease or surgical operation leaving the member continuously and wholly incapable of engaging in any occupation for remuneration or profit.
- Impairment means any bodily injury, illness, disease or surgical operation that has stabilised sufficiently over a period of time to allow optimal tissue repair and is unlikely to change in spite of further medical or surgical treatment. The percentage of the impairment benefit is based on the Whole Person Impairment principle (WPI), where the

benefit payable is dependent on the severity of the impairment. The WPI will be evaluated using the latest American Medical Association (AMA) guides to the evaluation of permanent impairment.

Employer Retirement Contribution Waiver*

Should an employer select the Employer Retirement Contribution Waiver option, then in the event of an admission of a claim for occupational disability, the employer's retirement contribution will continue as if recurring contributions and any contractual escalation thereon were to continue to be paid. This will continue until the earliest of:

- The affected member reaching the scheme's retirement age; or
- Attaining age 65; or
- The member is no longer considered occupationally disabled; or
- Death of the member; or
- Cover will end when a member's other income disability benefits cease.

**Note that this benefit is no longer available to a new scheme or as a new benefit on an existing scheme.*

Maximum Cover

The contribution waiver may not exceed the lesser of:

- In respect of a salary-based scheme, the specified employer retirement contribution; or
- 20% of the plan salary
- In respect of Rand-based schemes, the total employer contributions; or
- R 28,000 per month.

Contribution and Premium Waiver

The Contribution and Premium Waiver is an enhanced version of the Employer Retirement Contribution Waiver and is intended to cover not only the employer's retirement contribution, but also the premiums in respect of risk benefits.

The employer selects a percentage of plan salary or fixed Rand amount, which will escalate on the same terms as the IPP benefit. The employer will utilise this amount to defray its retirement contributions and risk benefit premiums in respect of the disabled member.

This means that, in the event of an admission of a claim for occupational disability, the employer's retirement contributions and risk premiums will continue as if recurring contributions and any contractual escalation thereon were to continue to be paid.

The Contribution and Premium Waiver is an unapproved benefit and is available for selection where any of the other main Income Protection Plan benefits (Level, Reducing and Limited Term) has been selected.

Payment of the Contribution and Premium Waiver will continue until the earliest of:

- The member is no longer occupationally disabled; or
- The affected member reaching the scheme's retirement age; or
- The member attaining age 65; or
- Death of the member; or
- The member leaving the scheme; or
- Cover will end when a member's other income disability benefits cease.

Maximum Cover

The premium waiver may not exceed the lesser of:

- The specified waiver percentage on salary-based schemes;
- The specified Rand amount on Rand based schemes;
- The Rand maximum of R28,000 per month; or
- A maximum of 35% of plan salary.

Health Premium Waiver

The Health Premium Waiver offers employers and employees peace of mind when it comes to their families' medical aid contributions in the event of disability.

The Health Premium Waiver will cover the total medical aid contribution in respect of a member and his/her family, provided that the member is the principal member on the employer's sponsored or subsidised medical aid scheme. The benefit is payable for a maximum period of 24 months in the event of disability, as defined under the current limited term Income Protection Plan benefit. The Health Premium Waiver is an unapproved benefit and can be offered along with any existing Income Protection Plan (IPP) benefit

Payment will continue until the earliest of:

- The member is no longer occupationally disabled; or
- The affected member reaching the scheme's retirement age; or
- The member attaining age 65; or
- Death of the member; or
- The member leaving the scheme; or
- Payment of the member's income disability benefit in terms of any other IPP benefit ceases, or
- 24 months, including the waiting period.

Maximum Cover

- The amount of the Health Premium Waiver is limited to the lesser of:
- The contribution in respect of the member and his/her family to any registered medical aid scheme, and
- The Rand maximum of R5,500 per month.

Income Protection Plus

The IPP Plus Benefit is an extra amount contributed to the member's retirement fund to compensate them for the loss of retirement funding which is caused by the difference between any escalation of benefit which the IPP Plan has, and the plan salary increase which the member would have received had they not become disabled. The IPP Plus Benefit commences after 24 monthly disability income payments have been made and is calculated on the basis of one-ninth of each disability income payment.

Exclusions

Please consult the table of exclusions listed as part of the Benefit Parameters brochure.

Terms and conditions

Please refer to the Benefit Parameters brochure for terms and conditions relating to the payment of IPP benefits. A quotation for IPP cover will contain full details of the any waiting period, escalation rate and their associated charges, under the Summary of Benefits section.

IPP benefits will only be granted if Liberty Corporate accepts the claim as valid.

Income Protection Plan Payback Option

How does this benefit work?

The IPP Payback option can be selected along with any IPP cover option. The Payback option pays a lump sum to the employer on the admission of a valid disability claim. The lump sum is calculated as the total of any payments that would have been made to the member during the waiting period.

Note that the Payback benefit will operate as an unapproved benefit for taxation purposes.

How is the benefit calculated?

The Payback benefit is calculated as the total monthly disability benefits payable in respect of a member, including the Contribution and Premium Waiver as well as the Health Premium Waiver, multiplied by the number of months of the selected waiting period for the applicable IPP benefit.

Note that the Payback benefit will be calculated based on both the main IPP benefit (Reducing, Level or Limited Term) and any applicable waiver benefits (Contribution and Premium Waiver and Health Premium Waiver).

How will the benefit be paid?

The Payback benefit will be paid to the employer along with the first monthly IPP and waiver benefit payment, after the applicable waiting period has expired and once a member's disability claim has been accepted as valid.

What does this benefit cost?

The cost of the Payback option will depend on the waiting period (whether 1, 3, 6 or 12 months is selected).

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