PRODUCER LEARNING GUIDE

Traditional Group Accident Products

This guide is for informational purposes only and is not intended to be legal advice.
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INTRODUCTION TO THIS GUIDE

Chubb’s Accident & Health Practice is a fast-growing organization, focused on new business development in the Accident marketplace. A key element to the success of this growing practice is the growth and development of insurance agents, both P&C and Life and Health, into the accident marketplace. To support this challenge, a comprehensive learning curriculum, called the Accident Training Series, follows.

Overview of the Accident Training Series

This guide is designed to provide a comprehensive introduction to the accident insurance marketplace and to Chubb’s group accident products. It is primarily designed for those agents new to the accident arena and/or to Chubb. But, it also is a refresher course for experienced agents wishing to strengthen their knowledge of Chubb’s products.

This training series begins by providing an introduction to general accident insurance concepts, terminology and products. It then introduces Chubb’s group accident product line and provides an explanation and of each product.

Chubb’s Accident & Health Practice is proud to offer this training guide and is confident that as a partner we will help grow your agency’s accident book of business.
INTRODUCTION TO GROUP ACCIDENT INSURANCE

Chapter Introduction

As a precursor to understanding Chubb’s accident insurance product line, this chapter reviews fundamental concepts of accident insurance.

Learning Objectives

Upon completing this chapter, you should be able to:

- Describe the purpose of and need for accident insurance.
- Describe types of losses covered under an Accidental Death & Dismemberment (“AD&D”) policy.
- Describe common characteristics of group accident insurance products.
- Describe three types of group accident products.
- Explain key terms as they relate to group accident insurance.

WHAT IS ACCIDENT INSURANCE?

Accident insurance is protection against financial loss from accidental death or dismemberment. Commonly called AD&D (Accidental Death and Dismemberment) coverage, it pays a benefit amount if an insured accidentally dies or loses:

- Sight of one or both eyes
- Hearing
- Ability to speak
- A hand or foot
- A thumb and index finger of the same hand

The benefit amount is the amount of insurance provided for the applicable loss. The greatest benefit amount payable is the principal sum. (The industry also commonly refers to this as the “death benefit”.) All other benefit amounts are a percentage of the principal sum or a flat amount.

The following benefit amounts are standard in the industry for AD&D coverage:

<table>
<thead>
<tr>
<th>Loss of:</th>
<th>% of Principal Sum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>100%</td>
</tr>
<tr>
<td>Speech &amp; Hearing</td>
<td>100%</td>
</tr>
<tr>
<td>Speech &amp; Loss of One: Hand, or Foot, or Sight of an Eye</td>
<td>100%</td>
</tr>
<tr>
<td>Hearing &amp; Loss of One: Hand, or Foot, or Sight of an Eye</td>
<td>100%</td>
</tr>
<tr>
<td>Both Hands, or Both Feet, or Sight of Both Eyes, or a combination of any two</td>
<td>100%</td>
</tr>
<tr>
<td>Speech or Hearing</td>
<td>50%</td>
</tr>
<tr>
<td>Thumb &amp; Index Finger of Same Hand</td>
<td>25%</td>
</tr>
</tbody>
</table>
A death benefit for an insured employee is payable to the insured employee’s beneficiary. Dismemberment benefits are payable to the insured employee. By providing a benefit payable for the types of losses described above, accident insurance protects insureds and their families against the financial hardship that may result from accidental bodily injury or death to an insured. In essence, AD&D coverage is insurance for people.

It is important to note that AD (Accidental Death) is the core product. Accident insurance plans can provide for an AD benefit only, but they do not provide dismemberment coverage on a stand-alone basis.

There are many coverage extensions and enhancements, which may apply on an AD or AD&D policy. Again, these cannot be written without the core accidental death benefit product.

HOW IS AD&D INSURANCE PURCHASED?

AD&D insurance can be purchased as personal insurance, in which individuals purchase the coverage on their own, or as group insurance. Under group plans, coverage can be purchased in one of two ways:

- The employer or association purchases the plan for its employees/members.
- The employer/association sponsors the plan and employees/members purchase coverage through the employer/association. The employer/association collects and remits the premium to the insurance company.

For ease of reading, use of the term “employer” throughout this guide is meant to indicate “employer or association.” Likewise, use of the term “employees” refers to “employees or association members.”

WHAT DRIVES THE NEED FOR GROUP ACCIDENT INSURANCE?

As mentioned previously, group accident insurance is AD or AD&D coverage purchased by an employer for its employees or by individuals through their employer. This is typically accomplished as part of the employer’s benefits program. The need for group accident insurance is driven by the following:

1. Fear of Accidents
2. Employer Need to Offer Attractive Benefit Programs
3. Cost Advantages

Fear of Accidents

AD&D insurance is not compulsory. There is no legal requirement for the coverage as is the case with workers compensation or personal auto liability. However, like other types of insurance, the primary reason for accident insurance is uncertainty and fear — fear of an accident and the financial hardship that could result from an accident.

Based on statistics, it’s clear that at younger ages, death is more likely to occur as the result of an accident than of sickness. These statistics are alarming especially considering that accidents occur when most people are at the stage in their lives when they have the highest amount of financial responsibility.

Employer Need to Offer Attractive Benefit Programs

In addition to fear, employers feel a need to provide AD&D coverage as part of their benefits program to employees.

- Some feel a moral and financial obligation to provide coverage. For example, they feel liable if their employee was killed while traveling on company business.
- Some may be aware of the positive impact that an AD&D plan has on their corporate image. Providing AD&D insurance allows them to say, “We care about you and your family … We insure you …”
- Others respond to the fact that “everybody has one.”

Today, most employers need to offer an attractive benefit program to attract and retain a talented workforce. Having AD&D coverage is part of their strategy to remain competitive.
Cost Advantages

Accident insurance is relatively inexpensive compared to other forms of insurance, such as life insurance. Additionally, group rates typically offer higher benefits at a more economical cost over individual accident products.

HOW IS COVERAGE APPLIED UNDER AN AD&D POLICY?

As mentioned previously, the policy states a benefit amount for each type of covered loss. However, the described benefit amounts are payable only if the accident happened under covered circumstances, such as while traveling on business. Covered circumstances are called hazards. Below are some examples of typical hazards found in group accident plans.

- **24-Hour Business & Pleasure** — Broadest coverage available, providing 24-hour coverage anywhere in the world, regardless of whether the insured person is on business or pleasure.

- **24-Hour Business Travel** — Provides 24-hour coverage anywhere in the world, while the insured person is traveling on business.

- **Corporate Air** — Provides coverage while an insured person is traveling on a Policyholder owned aircraft as a passenger and/or member of the crew. This cover is typically excluded but can be “bought back” for an additional charge.

Additionally, most group accident products include a **Maximum Payment for Multiple Losses and Multiple Benefits** provision. This specifies that if an insured person has multiple losses as the result of one accident, the insurer will pay only the single largest benefit amount applicable. Not all losses are subject to this provision, only those identified in the policy.

WHAT ARE TYPICAL EXCLUSIONS IN A GROUP ACCIDENT PLAN?

Each policy must be carefully read to understand how coverage does or does not apply. In the industry in general, benefits are not payable for any loss resulting from:

- Suicide or self-inflicted injury

- Disease (bodily or mental)

- Aircraft flight when the aircraft is owned by the employer – can be “bought back”.

- Aircraft flight when the employee is the pilot or crew member – can be “bought back”.

- Serving in the armed forces

- War (declared or undeclared) – can be bought back.

CHARACTERISTICS OF GROUP ACCIDENT PLANS

Below are key characteristics of group accident plans:

- **Plan is the employer’s.** Under a group plan, the employer is the policyholder. The employees are considered primary insured persons while other covered persons as defined in the policy (such as spouses and dependent children) are insured persons.

- **Persons covered are defined by class descriptions.** Plan options (such as employee only or employee & spouse) as well as applicable benefits are defined by a class description. A primary insured person is a person described as a class member who has elected coverage while an insured person is someone who has had coverage elected for him/her, and on whose behalf premium has been paid.

- **One master contract provides coverage for many insureds.** The insurance company issues a master contract (one insurance policy) to the policyholder (i.e., employer), covering the group of insured persons. Certificates of Insurance (which describe benefits, exclusions, limitations, conditions and provisions of the policy) are issued to employees upon request from the Policyholder, or as required by state law.

- **Employer selects the benefits.** The employer decides which plan options, hazards, and enhancements will be offered.
• Underwriting is streamlined. No medical exams or evidence of insurability is required.
• Lower cost compared to individual plans. This is because there are lower underwriting and administrative costs associated with insuring several individuals versus one individual at a time.

WHAT TYPES OF GROUPS ARE ELIGIBLE FOR GROUP AD&D COVERAGE?
The following types of groups are eligible for group AD&D coverage, provided that the group has a reason for existence, other than for the sole purpose of purchasing insurance, and is deemed eligible by the state laws in which the group resides.

• Employer groups
• Labor unions
• Associations, such as medical associations, alumni associations, and other professional groups.

WHO PAYS FOR GROUP AD&D COVERAGE?
There are two ways to fund a group AD&D plan:

• Contributory Plan — Employer and employees share the cost. The employer determines which plan options and coverages will be provided, while the employees decide whether or not to participate, which plan they want, and sometimes the benefit amounts. This gives employees a feeling of control. Contributory plans involve some administrative expenses on the part of the employer, such as setting up and recording payroll deduction, and soliciting participation. This option can allow employers to offer attractive benefit programs at a low cost, since employees are paying the premiums.

• Non-contributory Plan — 100% paid for by the employer and all persons, who fall into the defined classes, are automatically covered. This allows the policyholder to retain complete control over the plan. It can also involve fewer administrative expenses because there are simpler records to keep. Additionally, there are no expenses associated with soliciting participation or getting waiver forms signed by non-participants.

However, it is important to note that even under contributory plans, whereby the employees are paying the premiums, the policyholder is responsible for collecting and remitting all premiums. This is typically handled through payroll deduction.

HOW DOES ACCIDENT INSURANCE COMPARE TO LIFE INSURANCE OR HEALTH INSURANCE?
Accident insurance is designed to supplement life insurance, not replace it. Since death is more likely to result from an accident at younger ages, accident insurance is a cost-effective way to obtain loss of life coverage. Because life insurance pays a benefit amount for broader circumstances not covered under an AD&D policy, such as sickness or disease, life insurance is more expensive than accident insurance.

While some additional coverages under an AD&D policy may provide coverage for some hospitalization expense due to a covered loss, accident insurance is NOT health insurance.

TYPES OF GROUP AD&D PLANS
There are two ways to obtain group AD&D coverage: 1) as a rider to a life insurance policy and 2) as a separate AD&D policy.

GROUP LIFE INSURANCE POLICY RIDER
AD&D was historically provided as a rider to a life insurance policy. (A rider is an endorsement that modifies clauses and provisions of the policy.) When included as part of a life insurance plan, the AD&D principal sum is usually the same amount as the life insurance amount. This is called “double indemnity” in that the beneficiaries would receive double the life benefit amount if the insured person died as a result of a covered accident.

When written under a life insurance policy, the AD&D coverage is provided on a 24-Hour Business and Pleasure basis, following the coverage provided on the life policy. As noted earlier, since life premiums are usually higher than stand alone AD&D premiums, this is a more expensive form of AD&D coverage.
SEPARATE AD&D POLICY

Today, it is more common to have group AD&D offered as a separate policy. There are three common types of group AD&D plans in the industry. Each is described below:

1. **Voluntary Policy** – Voluntary coverage is contributory (i.e., offered through an employer, but elected and paid for by the employees). The employer is the architect, selecting coverage and plan options to be made available to employees. Voluntary plans are often characterized by more substantial benefit levels and coverage selections compared to other plans. This is because the insured elects to participate, selects the benefit level based on options provided, and pays the premiums. The 24-Hour Business and Pleasure hazard is the most common hazard. This plan also provides coverage for spouses and dependents, if elected.

2. **Basic/Carve Out Policy** – “Basic” or “Carve Out” policies cover employees only, and are written with a 24-Hour Business and Pleasure hazard. This plan replaces coverage traditionally provided under an AD&D Rider to a life policy. Hence, the term “carve out”. This plan can offer expanded benefits at a lower cost than the life rider. It is typically written on a non-contributory basis — meaning that the cost is 100% paid for by the employer and all employees who fall under the class description are automatically covered.

3. **Business Travel Accident** – Business Travel Accident is also commonly called Travel Accident, Business Trip or Group Travel. This plan is designed for employers who wish to provide supplementary protection for their employees while traveling on business. It is usually written on a 24-Hour Business Travel hazard. Although, some employers may opt to provide 24-Hour Business and Pleasure coverage to their senior management. Business Travel Accident typically covers employees only and is usually written on a non-contributory basis.

Chubb offers all three of these AD&D plans and the availability of various hazards provides a broad range of coverage options.

SHOULD THE EMPLOYER PACKAGE HIS AD&D WITH ONE CARRIER?

Ten years ago, the major reason to package AD&D coverages (Business Travel, Basic and Voluntary AD&D Insurance Plans) with one specialized AD&D carrier was cost savings to the employer. Today, like AD&D carriers, life carriers are aggressive in pricing Basic and Voluntary AD&D. However, most life carriers do not provide a Business Travel Accident product like the specialized AD&D carriers that complete the whole package an employer should have.

Today, the major reason to package AD&D has changed:

- Employer gets consistency in policy provisions, exclusions, terms and conditions which prevent gaps in coverage due to differing contract conditions.
- One carrier equals one claims adjuster which simplifies claims reporting. Avoids the client explaining to claimants and beneficiaries why one carrier paid and the other denied which can help to prevent conflicts and lawsuits.
- Simplifies administration – one carrier to deal with, one Administrative Manual and one set of policy forms. One renewal for all plans.
- Booklets/SPD’s are simplified since contracts contain the same language and provisions.

Marketing & Distribution

Insurers pay producers a commission on the insurance premiums they generate. This sales commission is a percentage of the premium and is typically 15%, new and renewal. This commission compensates the producer not only for making the sale, but for servicing the account as well.

At Chubb, we work with a broad range of producers, from those who specialize in AD&D business to those who primarily work in the property and casualty (P&C) industry. Additionally, we work with producers of all sizes – small, regional firms to the large national brokerage firms.
CHUBB’S ACCIDENT PRODUCT PORTFOLIO

Chapter Introduction
This chapter briefly introduces the accident product line of Chubb’s Accident & Health Practice and describes some of the overall features and benefits of this exciting product line.

Learning Objectives
Upon completing this chapter, you should be able to:

- Identify the products that comprise Chubb’s group accident product portfolio.
- Describe key selling points regarding Chubb’s group accident products.
- Describe Chubb’s Travel Assistance Service
- Briefly describe Chubb’s other A&H products.

CHUBB’S GROUP ACCIDENT PRODUCT PORTFOLIO

To meet the changing and dynamic needs of the group AD&D marketplace, Chubb has developed the Worldwide Accident Protection Series. The Worldwide Accident Protection Series consists of two contracts:

- Basic/Voluntary Contract
- Business Travel Accident Contract

Using these two contracts, Chubb is able to address the need for Voluntary, Business Travel, Basic/Carve Out, and Special Risk (described later in this chapter) products for a broad range of employers, associations and clubs.

Basic/Voluntary Contract
The same contract is used for writing our Basic policy and our Voluntary policy. The Basic product is designed for all employees of the policyholder on a non-contributory basis. The employer is the architect of the plan, deciding what benefits and options will be included in the plan design. Coverage does not extend to families.

Our Voluntary product is designed for employers who wish to offer AD&D coverage to their employees and their families. The voluntary contract is offered on a contributory basis. Like the Basic plan, the employer decides which benefits will be included in the policy. Employees further customize their plan by selecting benefit levels and whether or not to cover family members.

BUSINESS TRAVEL CONTRACT

Our Business Travel product is a non-contributory product for which the employer pays 100% of the cost. Coverage is not extended to families (except for when certain hazards are attached which extend coverage to spouses and dependent children while traveling with a covered employee on a business trip or for relocation).

Commonly used enhancement:

Business Travel
- Seat Belt/Occupant Protection Device (new contract) Paralysis
- Psychological Therapy
Rehabilitation
Medical Evacuation/Repatriation
Coma

**Basic/Voluntary**
- Seat Belt/Occupant Protection Device (new contract) Paralysis
- Psychological Therapy Rehabilitation Education
- Day Care
- Spouse Training
- Coma

**Worldwide Group AD&D Coverage Solutions**
The voluntary/basic and business travel forms which comprise the Accident Protection Series are specific to Chubb Accident & Health and are intended for use in the United States. There may be a case where the prospective policyholder is located in the United States, but has employees overseas. In these instances, admitted contracts may be required. An **admitted contract** is one that is approved for issuance in that country.

Every country has its own set of rules and regulations regarding insurance. Some countries permit us to cover insureds located in that country on a non-admitted basis — using the U.S. policy. Some require us to only use forms approved under that country’s laws. In the second circumstance, we need an admitted contract — that is, one specifically approved by that country.

At Chubb, our Accident & Health Practice is worldwide. In most cases, we have an approved contract currently in use by another zone.

<table>
<thead>
<tr>
<th>Countries where CAH has Contacts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>APZ</strong> (Asia Pacific Zone)</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>China</td>
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<tr>
<td>Hong Kong</td>
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<tr>
<td>India</td>
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<td>Japan</td>
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<td>Korea</td>
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<tr>
<td>Singapore</td>
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<tr>
<td>Taiwan</td>
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<tr>
<td>Thailand</td>
</tr>
</tbody>
</table>

**TRAVEL ASSISTANCE SERVICE**
Chubb also offers access to a valuable service called Travel Assistance Service. Under this service, Chubb teams up with a leading travel assistance provider to offer medical and travel assistance 24 hours a day, 365 days a year on a worldwide basis. This includes:
- Management of medically necessary evacuation, repatriation and return of mortal remains
- Assistance in locating the nearest, most appropriate medical facility
- Assistance with maintaining contact with family members, personal physicians and employers
The service has an on-staff medical director who is a board certified emergency physician with international medical evacuation and disaster experience. This service applies to sickness as well as accidents. There doesn’t have to be a covered loss to use this service.

The Travel Assistance Service can be contacted anywhere in the world via a toll-free telephone number in select countries or by calling collect to one of the Coordination Centers.

Travel Assistance Service is an optional service that policyholders request at quote time. When requested, the policyholder receives ID cards for all insured persons. These ID cards include Chubb’s identification number and the phone number to call for travel assistance. Chubb provides a detailed description of its Travel Assistance Services to policyholders requesting the service. Typically, this service description document is mailed with a copy of the master contract to the policyholder, when the policy is first issued.

Travel Assistance Service is a service to help locate and make medical and travel arrangements. It is not insurance and does not cover the costs associated with the actual travel or medical service.

When the Travel Assistance Service is requested, the Medical Evacuation and Repatriation endorsement is usually attached to the policy. You can have Travel Assistance Service without having the Medical Evacuation and Repatriation endorsement. However, you cannot have the Medical Evacuation and Repatriation endorsement without having the Travel Assistance Service. (The Medical Evacuation and Repatriation endorsement provides insurance for costs associated with medical evacuation and repatriation.)

While one of our insureds was traveling to South Africa on business, he suffered a heart attack. Even though there was no accident that caused the heart attack, and therefore, no covered loss under the policy, Chubb’s Travel Assistance Service arranged to have the insured flown by air ambulance to Geneva for heart surgery.

Note: The costs for travelling to Geneva and the heart surgery is not included as part of the Travel Assistance Service. These costs may be covered under the Medical Evacuation and Repatriation enhancement if it was part of the policy.

OTHER KEY CHUBB FEATURES & BENEFITS

Chubb’s Accident Protection Series offers the following key features and benefits:

- **“At-a-glance” Format** — The Worldwide Accident Protection Series is sleekly designed to facilitate quick, easy understanding of coverages, terms, and conditions. All contracts and forms are written in a clear concise language and format.
- **Tailored Coverage** — Innovative, comprehensive, and flexible coverage that can be tailored to meet the needs of an employer/association.
- **Chubb Expertise** — Chubb’s expertise comes from 30+ years of writing accident insurance and over 155 years with all other types of business and personal insurance worldwide.
- **Dedicated A&H Claims Staff** — Chubb has a team of accident insurance experts dedicated to servicing our insureds promptly and properly.
• **Customer Service Representatives in Decentralized Branches** — Chubb’s knowledgeable staff is there, ready to answer questions and help administer the plan.

• **Chubb Financial Strength** — Chubb consistently receives the highest ratings in the insurance industry from A.M. Best (A++) and superior claims paying ability.

• **Proven Service Performance** — Chubb consistently ranks high on the annual Goldman Sachs survey for customer satisfaction.

• **Fewer Exclusions** — Chubb’s policies typically have fewer exclusions than most competitor policies.

**Other Chubb Accident Products**

In addition to the Group Accident products previously described, Chubb offers the following accident products.

**Credit Card/Financial Institution Coverage**

This is essentially an enhancement to the features and benefits of a credit card. The credit card product provides certain core insurance benefits automatically when an insured uses a major credit card. For example, an insured will automatically receive AD&D coverage for a specific flight, when the full cost of that flight has been charged to the insured’s credit card.

Credit card AD&D and other various property coverages are written by credit card associations and financial institutions, as a way to differentiate their product, as well as their customer base. The credit card association or the financial institution is the Policyholder while the card holders or account holders are the insured persons under the policy. Some credit card associations may require that the same level of benefits be provided on all of their credit cards for a certain customer base (e.g., premier, platinum, or gold), regardless of the bank issuing the card. For example, if ABC bank wants to offer a platinum card to customers, it must meet the requirements of the credit card association for platinum cards.

The following are examples of credit card coverages offered by Chubb’s A&H Practice:

- Scheduled Air Travel AD&D
- Common Carrier Travel AD&D
- Trip Cancellation and Interruption
- Loss Damage Waiver
- Collision Damage Waiver
- Lost Baggage
- Hotel & Motel Burglary

If you would like more information on any of the coverages listed above, please contact your Chubb sales representative.

**Special Risk**

Special risk accident insurance provides protection for members and volunteers of an organization, club or association. Coverage is for non-employees only. The organization, club or association is the Policyholder while the member and volunteers are the insured persons under the policy.

Special Risk accident coverage is offered to the following types of organizations:

- Amateur sports – national youth sports associations, college sports programs, sports camps, national governing bodies (Olympic training organizations). This would include covering the athletes, managers, coaches, trainers, committee members and officials;
- Community, civic and not-for-profit organizations – covering volunteers or members;
- Clubs;
- Child care centers – school or church affiliated;
• Church organizations – youth activities, camps and retreats, as well as adult volunteer activities;
• Associations – members on a dues paying basis (mandatory) or as an added benefit option on a voluntary basis;

Benefits:
• Accidental Death and Dismemberment – typical benefits go as high as $25,000.
• Excess Accident Medical – up to a $25,000 maximum is typical but we can go as high as $100,000. A deductible is preferred with options available up to $1,000 or higher if needed.
• Weekly Accident Indemnity – up to $1,000 per week with a maximum of 52 weeks.

Scope of Coverage: The coverage can be customized to cover members and volunteers when participating in sponsored and supervised activities such as:
• Regularly scheduled practices, games and activities;
• Club activities;
• Attending specific events;
• Travel directly to and from a covered event or activity.

Special Risk accident coverage provides an excellent way for an organization to protect its general liability policy by covering the minor to moderate losses.

If you would like more information on Special Risk coverage, please contact your Chubb sales representative.