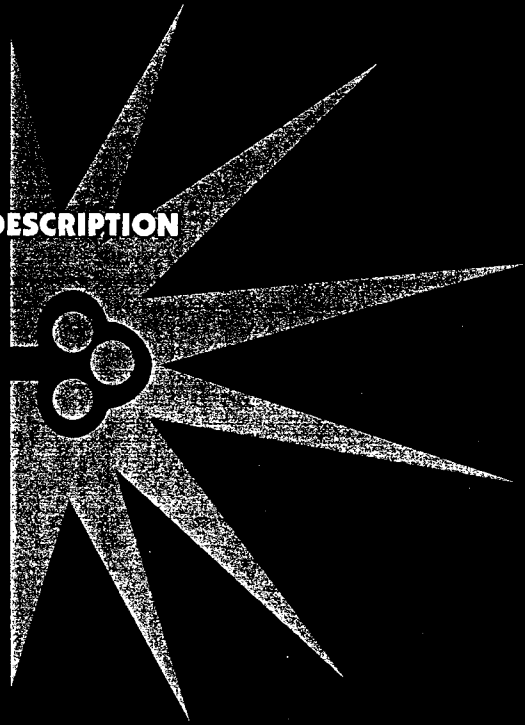


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The Key to Life and AD&D Benefits



SUMMARY PLAN DESCRIPTION



Key Question



Q

WHAT IF I DIE? WHAT IF I'M SERIOUSLY INJURED IN AN ACCIDENT?

A

People depend on you, at home as well as on the job. If you work to provide income for your family members, you want them to be protected financially even if you die or suffer a serious injury.

How can you provide that important protection?

With the company's help.

The company offers a life insurance plan that pays your family or other beneficiaries a benefit in the event of your death. The company also provides you with an accidental death and dismemberment (AD&D) plan that pays you or your beneficiary a benefit if you are seriously injured or die as a result of an accident.

THE LIFE AND AD&D PLAN IS A KEY TO YOUR PEACE OF MIND.

This booklet is a "summary plan description" (SPD) of the life and AD&D plan for salaried employees.

Eligibility for benefits and the actual amount of benefit payments are determined by the legal plan documents, which are contracts with insurance companies. This booklet describes the plan in easier-to-read, simplified terms. It cannot cover every detail of the plan. If there is any conflict between the description in this booklet and the legal plan documents, the plan documents will be followed.

The plan administrator, Peabody Holding Company, Inc., maintains the right to interpret the terms of this plan, and its interpretations will be final.

The company intends to maintain this plan for salaried employees, but reserves the right to change or end the plan at any time. This booklet is not a guarantee of employment or an employment contract.

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Key Highlights

Basic and supplemental life insurance

This coverage pays a benefit to your beneficiary in the event that you die.

WHO IS ELIGIBLE: All full-time salaried employees and permanent part-time employees working a regular schedule of 20 or more hours per week.

BENEFIT AMOUNT: The company provides you with one times your basic annual salary at no cost to you; this is referred to as “basic” life insurance. You may also purchase additional life insurance coverage equal to one, two, three, or four times your basic annual salary; this is referred to as “supplemental” life insurance.

COST TO YOU: The company pays the full cost of basic life insurance coverage equal to one times your basic annual salary. You pay the full cost of any supplemental life insurance you choose. The premiums will depend on your age, your coverage amount, and whether or not you smoke.

IF YOU BECOME DISABLED: Your coverage continues if you meet certain conditions. Your benefit will be reduced at age 65, and again at age 70. (See pages 8 and 14 for more information.)

IF YOU RETIRE: If you are at least age 55 with 10 or more years of service, a reduced amount of coverage will be continued when you retire. (See page 9 for more information.)

OTHER KEY POINTS: You may also continue your life insurance coverage when you are not working for the company due to a reduction in the work force or if you are on family or medical leave, if you pay the premium and certain other conditions are met. (See pages 8 and 14 for more information.)

If your life insurance ends because your employment ends, or your coverage will be reduced due to your age, you may convert your company coverage to an individual policy, with a benefit up to your original amount. You must then pay the entire premium. (See pages 10 and 15 for more information.)

Accidental death and dismemberment (AD&D) insurance

This coverage pays a benefit to your beneficiary if you die as a result of an accident, or to you if you suffer certain injuries as a result of an accident. This benefit is paid in addition to any benefit you receive from the life insurance plan.

WHO IS ELIGIBLE: All full-time salaried employees and permanent part-time employees working a regular schedule of 20 or more hours per week. Coverage begins automatically the day you are hired.

COVERED LOSSES: Death, paralysis, coma, loss of hands, feet, thumb and index finger, hearing, speech, or sight. (See page 17 for more information.)

BENEFIT AMOUNT: Three times your basic annual salary. The full amount is paid if you die as the result of a covered accident. All or part of the full amount is paid for other covered losses due to injuries, depending on the loss. Your benefit amount is reduced at certain ages, beginning at age 75.

COST TO YOU: None—premiums are currently paid entirely by the company for this coverage.

IF YOU BECOME DISABLED: Your coverage continues until you reach age 65, if you meet certain conditions. (See page 20 for more information.)

IF YOU RETIRE: Coverage will end on the day you retire.

OTHER KEY POINTS: You may also continue your AD&D coverage when you are not working for the company because you are on family or medical leave, if certain conditions are met. However, AD&D coverage may not be converted to an individual policy. (See page 20 for more information.)

The company also offers an optional AD&D plan if you would like to choose additional coverage. See your summary plan description booklet for the optional AD&D plan for more information.




If you die while covered by this plan, your beneficiary will receive an amount equal to one times your basic annual salary, rounded to the next \$100.



You may designate anyone as the beneficiary of your basic life insurance.

Basic Life Insurance

 **A** basic term life insurance benefit is provided to all eligible employees. The company pays the full cost of this coverage.

ELIGIBILITY

If you are a full-time salaried employee, or a permanent part-time employee working a regular schedule of 20 or more hours per week, you are eligible for coverage under the basic life insurance plan. You will be automatically enrolled for basic life insurance equal to one times your basic annual salary on your first day of employment.

If you are not actively at work due to illness or injury on the date your coverage would otherwise begin, your coverage will not be effective until you return to work. Furthermore, you will not be covered for more than \$10,000 in life insurance benefits until you have been actively at work on a full-time basis for at least 30 days.

Certain disabled and retired employees are also eligible, as explained on pages 8 and 9.

YOUR BASIC LIFE INSURANCE BENEFITS

If you die while covered by this plan, your beneficiary will receive an amount equal to one times your basic annual salary, rounded to the next \$100, up to a maximum benefit of \$1.75 million. This is your basic life coverage amount.

When your basic annual salary changes, the amount of your basic life insurance also changes. If your salary changes on the first day of the month, your new life insurance amount will take effect the same day; otherwise, it will take effect the first day of the following month. However, if you are not actively at work on the day your life insurance would increase, the additional amount will not be added until you return to work on a full-time basis. If your new coverage amount is more than \$10,000 and you are not actively at work on the day the increase would be effective, you must return to work on a full-time basis for 30 consecutive days before the additional amount is added.

Please note that the IRS requires that the "value" of your basic employee term life insurance coverage in excess of \$50,000 be considered taxable income to you. This value is calculated according to an IRS table and will be reflected on the W-2 form that the company prepares for you at the end of the year.

NAMING YOUR BENEFICIARY

You may designate anyone as the beneficiary of your basic life insurance. You may change your beneficiary at any time by filling out a form available from your benefits department.

The change will become effective when the completed form is received by your benefits department. It will be effective as of the date you signed the request, regardless of whether you are alive at the time the department receives it. However, any benefits that have been paid before the department receives the change form will remain the property of

the person who received them, and will not be paid to the new beneficiary.

PAYMENT OF BENEFITS

For most employees, full payment of your coverage amount will be made to your beneficiary (or beneficiaries) upon your death. This payment will be in one lump sum unless your beneficiary chooses another payment option that may be offered by the plan, as explained under *Benefit access account*.

If you do not designate a beneficiary or if your beneficiary dies before receiving your benefit payment, your benefit will be paid instead in the following order:

- ▶ To your spouse.
- ▶ If you have no living spouse, to your children in equal shares.
- ▶ If you have no living children, to your parents in equal shares.
- ▶ If you have no living parents, to your estate.

If you die, your beneficiary should contact your benefits department to file a claim. Your beneficiary must provide a certified copy of the death certificate.

Payment option for employees who retired on or before January 1, 1996

Instead of a lump-sum payment, certain retired employees may choose to have monthly installments paid to their surviving spouse. You may select this option if you meet all of the following conditions:

- ▶ You are under age 65.
- ▶ You retired on or after January 1, 1970, but before January 2, 1996.

- ▶ You name your spouse as your beneficiary.
- ▶ You chose to continue the full amount of basic life insurance that you had before retirement (two times pay).

If you satisfy all of these conditions, you may choose to have an amount equal to 50% of your basic annual salary paid to your surviving spouse—upon your death, plus monthly installments that each equal 25% of your basic monthly salary. The monthly installments will be paid until the later of the following occurs:

- ▶ Your spouse dies or remarries.
- ▶ A minimum of 72 payments to your spouse have been made. (Payments due after your spouse's death will be made to his or her estate.)

The initial lump-sum payment will be made to a benefit access account if it is \$10,000 or more (as explained in the following section). The first monthly payment will be made to your surviving spouse as soon as reasonably possible. Subsequent payments will be paid on the first of each month.

If you do not have a surviving spouse when you die—or when you attain age 65 or choose a reduced amount of life insurance—your payment option automatically reverts to the standard lump-sum benefit (full payment to your beneficiary upon your death).

If you retired before January 2, 1996, please contact your benefits department if you wish to change your payment option. You may change your payment option at



For most employees, full payment of your coverage amount will be made to your beneficiary (or beneficiaries) upon your death.



An account called a "benefit access account" is automatically established for each beneficiary receiving a lump-sum benefit payment of \$10,000 or more.



You may continue your basic life insurance coverage when you are not working for the company, under certain circumstances.

any time by obtaining a form from your benefits department and filing it with the plan administrator.

BENEFIT ACCESS ACCOUNT

An account called a “benefit access account” is automatically established for each beneficiary receiving a lump-sum benefit payment of \$10,000 or more. The payment received by your beneficiary will be placed in this account. (Beneficiaries receiving less than \$10,000 will receive a single payment by check.)

Your beneficiary may withdraw the entire amount of the account at once, or only a portion at a time (minimum of \$500), leaving the balance to accumulate interest. Your beneficiary will also receive information about other ways to receive payment if he or she wishes.

ASSIGNMENT OF BENEFITS

If you wish, you may also “assign” your basic life insurance benefits to any individual as a gift. This is different from designating a beneficiary. The person who is “assigned” benefits then legally owns the insurance policy—you no longer have the right to change beneficiaries—and the benefit is taxed differently. Assignment is usually done for tax purposes. You may want to consult a tax adviser if you wish to learn more about this option.

A copy of the assignment request must be filed with your benefits department and approved by the insurance company.

WHEN YOUR COVERAGE ENDS

Your basic life insurance coverage ends when the earliest of the following occurs:

- ▶ The plan is terminated.
- ▶ If you stop making required contributions, the last day of the month for which you paid them.
- ▶ The date of your death.
- ▶ The date your employment ends.
- ▶ The date you are no longer eligible.
- ▶ The date you retire, if you do not meet the plan’s specific definition of a retired employee.

You may continue your basic life insurance coverage when you are not working for the company, under certain circumstances. If your employment ends due to a reduction in the work force, the company may provide you with continued coverage, according to current company policy, for three months after the end of the last month in which the reduction in work force occurred.

Your coverage also will be continued while you are on a leave of absence that’s authorized under the company’s family and medical leave policy.

COVERAGE FOR DISABLED EMPLOYEES

If you become disabled (while you are covered for life insurance), your coverage will be continued for six months. It may be continued for more than six months if you are receiving company-paid continuation of your salary, or you are receiving

benefits under the Peabody Long-Term Disability Plan for Salaried Employees. Your coverage amount will depend on your age and disability date as follows.

If you became disabled on or before January 1, 1996

If you were under age 65 on January 1, 1996: Your life insurance coverage amount will be equal to two times the amount of your basic annual salary as of the day before you became disabled. At age 65, your coverage amount will be reduced to 25% of the amount of your basic annual salary as of the time you became disabled. If this percentage is more than \$10,000, it will be reduced to \$10,000 at age 70.

If you were age 65 or older on January 1, 1996: Your basic life insurance coverage amount is equal to 60% of your basic annual salary as of the day you became disabled. If this amount is more than \$10,000, it will be reduced to \$10,000 at age 70.

However:

- ▶ ***If you were already age 70 on January 1, 1996, and you were hired on or after January 1, 1983:*** Your basic life insurance coverage amount will be 30% of your basic annual salary. This amount is subject to a minimum of \$7,500 and a maximum of \$30,000.
- ▶ ***If you were already age 70 on January 1, 1996, and you were hired before January 1, 1983:*** Your coverage amount will remain at 60% of your basic annual salary as of the date you became disabled.

If you became disabled after January 1, 1996

If you became disabled after January 1, 1996, your basic life insurance coverage amount will be equal to the amount that was in effect immediately before the date your disability began (that is, one times basic annual salary). At age 65, or when you become eligible for disability retirement, your basic life insurance will be equal to 25% of your basic annual salary at the time you became disabled. If this amount is more than \$10,000, it will be reduced to \$10,000 at age 70.

If your basic life insurance is reduced or discontinued, you may be able to convert these coverage amounts to an individual policy issued by the insurance company. Please see the section called *Converting to an individual policy*.

COVERAGE FOR RETIRED EMPLOYEES

If you are at least age 55, have 10 or more years of service when you retire, and had life insurance coverage immediately before your retirement date, you may continue to participate in the plan.

Your coverage amount depends on your age and when you retired according to the following schedule:

If you retired on or before January 1, 1996

If you retired on or before January 1, 1996, and you are under age 65: You may do either of the following:

- ▶ Choose a coverage amount equal to 60% of your basic annual salary as of the day before you retired. In this



If you are at least age 55, have 10 or more years of service when you retire, and had life insurance coverage immediately before your retirement date, you may continue to participate in the plan.



If your basic life insurance is reduced or discontinued, you may be able to convert these coverage amounts to an individual policy issued by the insurance company.

case, the company pays the entire cost of the coverage.

- ▶ Continue to be covered for two times the amount of your basic annual salary as of the day before you retired. In this case, you must pay the entire cost of the coverage. At age 65, your coverage amount will be reduced to 60% of your basic annual salary.

If you retired on or before January 1, 1996, and you are age 65 or older: Your coverage amount is equal to 60% of your basic annual salary as of the day before you retired. If you are age 70 or older and were hired on or after January 1, 1983, this coverage amount further reduces to 30% of your basic annual salary as of the day before you retired, subject to a minimum coverage amount of \$7,500 and a maximum coverage amount of \$30,000.

If you retire after January 1, 1996
If you retire after January 1, 1996, and you are under age 70, your coverage amount is equal to 25% of your basic annual salary as of the day before you retire..

If you retire after January 1, 1996, and you are age 70 or older, your coverage amount is equal to one of the following, whichever is less:

- ▶ 25% of the amount of your basic annual salary as of the day before you retire.
- ▶ \$10,000.

If your basic life insurance is reduced or discontinued, you may be able to convert these coverage amounts to an individual

policy issued by the insurance company. Please see the section called *Converting to an individual policy*.

CONVERTING TO AN INDIVIDUAL POLICY

If your basic life insurance coverage ends because your employment ends, or if your coverage is reduced because you are a retired employee or disabled employee at age 65, you may buy individual coverage up to the amount of coverage you had before it ended or was reduced. You will not need to provide evidence of your good health.

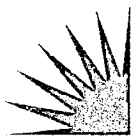
You must submit your application for the individual policy to the insurance company and make the required premium payment within 31 days of the date your employment ended or your coverage was reduced.

If our basic life insurance plan is changed or ended, you can convert your coverage under the conditions described in the policy issued by your insurance carrier.

If you die within the 31-day period after your coverage ends but before your individual policy is issued, your benefit will be paid to your beneficiary.

Contact your benefits department for information about how to convert your coverage.

Supplemental Life Insurance



In addition to the basic term life insurance benefit, eligible employees also have the option of adding supplemental term life coverage. The cost of coverage is determined by the amount of coverage you choose, your age and whether or not you smoke.

ELIGIBILITY AND ENROLLMENT

If you are a full-time salaried employee, or a permanent part-time employee working a regular schedule of 20 or more hours per week, you are eligible to participate in the supplemental life insurance plan.

If you choose to purchase supplemental life insurance, you must pay the full amount of the insurance premium. Your supplemental life insurance coverage does not become effective until you properly enroll and authorize contributions to be deducted from your paycheck. Your coverage begins on the date you sign an enrollment form, if you do so within 31 days of the date you're hired.

Your coverage may not become effective immediately if you are not actively at work due to illness or injury on the date your coverage would otherwise begin, or if your coverage choice requires evidence of good health, as explained under *Delayed effective date* and *Requirements for evidence of good health*.

Disabled and retired employees are not eligible to enroll in the supplemental life plan. However, employees who retire or become disabled after they enroll may continue their coverage under provisions explained on pages 14 and 15.

CHANGING YOUR COVERAGE AMOUNT

If you do not enroll for supplemental life insurance coverage within 31 days after you start work, or if you choose supplemental life insurance coverage and later wish to increase or decrease your coverage amount, you may do so during the annual enrollment period with changes effective January 1. You may also change your coverage amount if you have a change in family status, provided you submit the proper change forms within 31 days of the event. You may increase your supplemental life insurance coverage one level (or change from no coverage to one times basic annual salary) at these times subject to the provisions described under *Requirements for evidence of good health* and *Delayed effective date for coverage*. You may decrease your coverage to any level at these times.

You may also change your coverage amount during the plan year if you have a qualifying change in family status. Situations that qualify as a change in family status are:

- ▶ An employee's marriage or divorce.
- ▶ The birth or adoption of an employee's child.
- ▶ The death of an employee's spouse or children.



Eligible employees also have the option of adding supplemental term life coverage. The cost of coverage is determined by the amount of coverage you choose, your age and whether or not you smoke.

KEY POINTS



You may choose supplemental life insurance equal to one, two, three or four times your basic annual salary, rounded to the next \$100, subject to a maximum coverage amount of \$1 million.



Supplemental life insurance coverage that is more than two times your annual basic salary requires evidence of good health if the coverage amount is more than \$250,000.

- Relocation by the employee to another site that has different benefit plans than those available to and chosen by the employee at his or her original location.
- Other events related to family status that are permitted by law.

"Change in family status" does not include termination of employment or a reduction in hours that causes you to lose your eligibility for coverage by the plan.

YOUR SUPPLEMENTAL LIFE INSURANCE BENEFITS

You may choose supplemental life insurance equal to one, two, three or four times your basic annual salary, rounded to the next \$100, subject to a maximum coverage amount of \$1 million. This maximum is separate from the maximum listed under *Basic life insurance*.

When your basic annual salary changes, the amount of your supplemental life insurance also changes. If your salary changes on the first day of the month, your new life insurance amount will take effect the same day; otherwise, it will take effect the first day of the following month. This change is subject to the provisions under *Delayed effective date for coverage*.

REQUIREMENTS FOR EVIDENCE OF GOOD HEALTH

You have a wide variety of coverage choices under the supplemental term life insurance plan. However, the insurance company restricts the amount of coverage any one employee can choose without having to provide evidence of good health.

Supplemental life insurance coverage that is more than two times your annual basic salary requires evidence of good health if the coverage amount is more than \$250,000. In other words, if your basic annual salary is more than \$125,000, you will be required to provide evidence of good health in order to choose a coverage level higher than two times your basic annual salary.

If your basic annual salary is less than \$125,000, you will be required to provide evidence of good health only if your coverage amount exceeds \$250,000.

Coverage in excess of these limits will not be effective until you complete a health questionnaire and the insurance company approves your application.

DELAYED EFFECTIVE DATE OF COVERAGE

If you are not actively at work due to illness or injury on the date your coverage would normally begin or be increased, your coverage (or the increase in coverage) will not be effective until you return to work. Coverage amounts of more than \$10,000 will not be effective until you have been actively at work for 30 days.

SPECIAL BENEFIT FOR TERMINAL OR CATASTROPHIC ILLNESS

If you become terminally ill or develop a catastrophic medical condition, you may choose to receive a portion of your supplemental life insurance in advance of your death. You can use this amount to help defray the costs associated with your condition.

“Terminal illness” means a medical condition that can be expected, in at least 80% of cases, to result in death within 24 months, and for which there is no known medical treatment that would extend the patient’s life.

“Catastrophic medical condition” means a medical condition that requires extraordinary medical intervention, such as continuous artificial life support, without which a patient would die. It also means medical conditions that require organ transplants or any condition that usually requires continuous confinement in a long-term nursing home.

This special benefit is subject to the following conditions:

- ▶ You may choose to receive up to 50% of your supplemental life insurance amount, up to a maximum of \$100,000 and a minimum of \$2,500. The percentage you choose to receive may be in any multiple of 5%.
- ▶ You must be diagnosed by a physician as having a terminal illness or catastrophic medical condition. The insurance company may require a second opinion and examination.
- ▶ You may receive this benefit only once in your lifetime. The remaining part of your supplemental life insurance will be paid to your beneficiary when you die. This special benefit may be reduced by any amounts charged by the insurance company for interest and administration fees.
- ▶ You may not receive this benefit if you’ve previously made an assignment of benefits or irrevocable beneficiary designation.

NAMING YOUR BENEFICIARY

You may designate anyone as the beneficiary of your supplemental life insurance. You may change your beneficiary at any time by filling out a form from your benefits department.

The change will become effective when the completed form is received by your benefits department. It will be effective as of the date you signed the request, regardless of whether you are alive at the time the department receives it. However, any benefits that have been paid before the department receives the change form will remain the property of the person who received them, and will not be paid to the new beneficiary.

PAYMENT OF BENEFITS

Full payment of your coverage amount will be made to your beneficiary (or beneficiaries) upon your death. This payment will be made in one lump sum unless your beneficiary chooses another payment option that may be offered by the plan.

If you do not designate a beneficiary, or if your beneficiary dies before receiving your benefit payment, your benefit will be paid instead in the following order:

- ▶ To your spouse.
- ▶ If you have no living spouse, to your children in equal shares.
- ▶ If you have no living children, to your parents in equal shares.
- ▶ If you have no living parents, to your estate.



If you become terminally ill or develop a catastrophic medical condition, you may choose to receive a portion of your supplemental life insurance in advance of your death.



You may designate anyone as the beneficiary of your supplemental life insurance. Full payment of your coverage amount will be made to your beneficiary (or beneficiaries) upon your death.



An account called a "benefit access account" is automatically established for each beneficiary receiving a lump-sum benefit payment of \$10,000 or more.



You may continue your coverage while you are on a leave of absence that's authorized under the company's family and medical leave policy, provided you continue to pay the required contributions.

If you die, your beneficiary should contact your benefits department to file a claim. Your beneficiary must provide a certified copy of the death certificate.

BENEFIT ACCESS ACCOUNT

An account called a "benefit access account" is automatically established for each beneficiary receiving a lump-sum benefit payment of \$10,000 or more. The payment received by your beneficiary will be placed in this account. (Beneficiaries receiving less than \$10,000 will receive a single payment by check.)

Your beneficiary may withdraw the entire amount of the account at once, or only a portion at a time (minimum of \$500), leaving the balance to accumulate interest. Your beneficiary will also receive information about other ways to receive payment if he or she wishes.

ASSIGNMENT OF BENEFITS

If you wish, you may also "assign" your supplemental life insurance benefits to any individual as a gift. This is different from designating a beneficiary. The person who is "assigned" benefits then legally owns the insurance policy—you no longer have the right to change beneficiaries—and the benefit is taxed differently. Assignment is usually done for tax purposes. You may want to consult a tax adviser if you wish to learn more about this option.

A copy of the assignment request must be filed with your benefits department and approved by the insurance company.

WHEN YOUR LIFE INSURANCE COVERAGE ENDS

Your life insurance coverage ends when the earliest of the following occurs:

- ▶ The plan is terminated.
- ▶ If you stop making required contributions, the last day of the month for which you paid them.
- ▶ The date of your death.
- ▶ The last day of the calendar month in which your employment ends.
- ▶ The date you are no longer eligible.
- ▶ The date you retire.

You may continue your coverage while you are on a leave of absence that's authorized under the company's family and medical leave policy, provided you continue to pay the required contributions. If you choose not to continue your coverage during your leave, you will not be required to provide evidence of good health to reinstate your coverage when you return to work.

IF YOU BECOME DISABLED

If you become disabled, your supplemental life insurance will continue for up to six months, provided you pay the required premiums.

If you become totally disabled before age 60, your supplemental coverage will be continued after this six-month period, with no premium payment required, until one of the following occurs:

- ▶ You are no longer disabled.

- You retire and begin receiving benefits from the company retirement plan.

You must notify the insurance company of your disability as soon as reasonably possible and no later than one year after you stop working. If you die during this one-year period, proof of disability must be submitted within one year of your death. If it is not possible to submit proof within these time periods, your claim will not be denied as long as proof is submitted as soon as reasonably possible. However, the deadline for submitting proof can't be extended for more than an additional year, unless you or your beneficiary are legally incapable of handling your affairs.

For purposes of this plan, "disabled" means that, for the first 12 months, you are unable to perform the main duties of your regular job. After 12 months, you will be considered disabled only if you are unable to perform the main duties of any job for which you are qualified by education, training or experience.

Each year you must submit proof that you continue to be disabled. This proof must be submitted during the three-month period before the anniversary of the date you first submitted proof of your disability.

If you became disabled on or before January 1, 1996, you are not eligible to participate in the supplemental life insurance plan.

CONVERTING TO AN INDIVIDUAL POLICY

If your supplemental life insurance coverage ends because your employment ends, or because you are a retired or disabled employee, you may buy individual coverage up to the amount of coverage you had before it ended. You will not need to provide evidence of good health.

You must submit your application for the individual policy to the insurance company and make the required premium payment within 31 days of the date your coverage ended.

If the supplemental life insurance plan is changed or ended, you can convert your coverage subject to the conditions described in the policy issued by your insurance carrier.

If you die within the 31-day period after your coverage ends but before your individual policy is issued, your benefit will be paid to your beneficiary.

Contact your benefits department for information about how to convert your coverage.



If you become disabled, your supplemental life insurance will continue for up to six months, provided you pay the required premiums.




If your supplemental life insurance coverage ends, you may buy individual coverage up to the amount of coverage you had before it ended.



Eligible employees will also receive an accidental death and dismemberment (AD&D) benefit. The company pays the full cost of this coverage.

Accidental Death and Dismemberment Insurance

 In addition to the basic term life benefit, eligible employees will also receive an accidental death and dismemberment (AD&D) benefit. The company pays the full cost of this coverage. Eligible employees may choose to add additional AD&D coverage, which is covered in a separate summary plan booklet.

ELIGIBILITY

If you are a full-time salaried employee, or a permanent part-time employee working a regular schedule of 20 or more hours per week, you are eligible for coverage under the AD&D plan. You will be automatically enrolled for AD&D insurance equal to three times your basic annual salary on your first day of employment.

If you are not actively at work due to illness or injury on the date your coverage would otherwise begin, your coverage will not be effective until you return to work.

Certain disabled and retired employees are also eligible, as explained in later sections.

YOUR AD&D BENEFITS

Your AD&D coverage amount is three times your basic annual salary, rounded up to the next \$100. For example, if you

were to die as a result of a covered accident and were earning \$20,010 a year, your beneficiary would receive \$60,100.

When your basic annual salary changes, the amount of your AD&D coverage also changes. If your salary changes on the first day of the month, your AD&D coverage will increase on the same day; otherwise, it will increase on the first day of the following month. However, if you are away from work due to a disability, your AD&D coverage will not be increased until you return to work.

REDUCTION OF COVERAGE AT CERTAIN AGES

Your AD&D coverage amount will be reduced when you reach certain ages, according to the following table:

Age	Percentage of Original Coverage Amount
75-79	65%
80-84	45%
85 and older	30%

COVERED LOSSES

You will receive all or a portion of your AD&D coverage amount if you suffer a covered loss within 365 days of an accident. These benefits are paid *in addition to* any other amount you receive under the life insurance plans.

The covered losses are:

- ▶ Death.
- ▶ Loss of a hand by severance through or above the wrist joint.
- ▶ Loss of a foot by severance through or above the ankle joint.

FOR LOSS OF	PERCENTAGE OF TOTAL COVERAGE AMOUNT
LIFE	100%
BOTH HANDS OR BOTH FEET	100%
SIGHT OF BOTH EYES	100%
ONE HAND AND ONE FOOT	100%
ONE HAND AND SIGHT OF ONE EYE	100%
ONE FOOT AND SIGHT OF ONE EYE	100%
SPEECH AND HEARING IN BOTH EARS	100%
ONE HAND OR ONE FOOT	50%
SIGHT OF ONE EYE	50%
SPEECH OR HEARING IN BOTH EARS	50%
HEARING IN ONE EAR	25%
THUMB AND INDEX FINGER OF SAME HAND	25%

- ▶ Complete and irrevocable loss of sight, speech or hearing.
- ▶ Loss of a thumb and index finger on the same hand at or above the joint where they join the hand.

The table above shows the percentage of your AD&D coverage amount that the plan pays for each type of covered loss.

If you sustain multiple injuries in one accident, only one benefit amount, the largest, will be paid for all of your injuries.

PARALYSIS BENEFIT

You will receive all or a portion of your AD&D coverage amount if you suffer certain types of covered paralysis within 365 days of an accident. These benefits are paid in addition to any amount you receive under the life insurance plan. The table below shows the percentage of your AD&D coverage amount that the plan pays for each type of covered paralysis.

“Paralysis” means complete and irreversible paralysis. “Arm” means the entire arm, and “leg” means the entire leg.

TYPE OF PARALYSIS	PERCENTAGE OF TOTAL COVERAGE AMOUNT
Quadriplegia (paralysis of both arms and both legs)	100%
Paraplegia (paralysis of both legs)	75%
Hemiplegia (paralysis of the arm and leg of one side of the body)	50%
Uniplegia (paralysis of one arm or leg)	25%



If you sustain multiple injuries in one accident, only one benefit amount, the largest, will be paid for all of your injuries.



*If you suffer a covered
accidental dismemberment or
accidental paralysis, you are
eligible for rehabilitation
benefits.*

If you suffer more than one type of paralysis or other injury due to the same accident, only one benefit amount, the largest, will be paid.

EXPOSURE AND DISAPPEARANCE

The plan covers losses caused by unavoidable exposure to the elements, such as severe weather, just as it does any other accidental loss.

Also, if you disappear because the vehicle in which you were a passenger disappears, sinks or wrecks and your body is not found within one year, you will be considered to have suffered loss of life, and the appropriate AD&D benefits will be paid to your beneficiary.

COMA BENEFIT

If you are rendered comatose within 90 days of an accident, and remain in the coma for a period of 30 or more consecutive days, the plan will pay a monthly benefit of 1% of your AD&D coverage amount to your beneficiary. This coma benefit does not apply to the first 30 days of the coma. This benefit will end on the earliest of the following dates:

- ▶ The date you come out of the coma.
- ▶ The date you die.
- ▶ The date the total payments from the plan equal 100% of your AD&D coverage amount.

For the purposes of this benefit, "comatose" or "coma" means a deep state of unconsciousness from which you can-

not be awakened, even by powerful stimulation. A physician must verify that you are indeed comatose before your beneficiary will receive this benefit.

REHABILITATION BENEFIT

If you suffer a covered accidental dismemberment or accidental paralysis, you are eligible for rehabilitation benefits. The plan will reimburse you for covered rehabilitative expenses that you incur within two years after the date of the accident that caused your injury or paralysis. The maximum amount of reimbursement under this benefit is \$10,000 for all injuries caused by one accident.

Covered rehabilitative expenses are expenses that meet both of the following conditions:

- ▶ They are medically necessary services, performed under the supervision and order of a doctor, for the purposes of your rehabilitation.
- ▶ They do not exceed the usual level of charges for similar treatment, supplies or services in the area where the charges occur. (For a hospital room and board charge, this means the most common charge for a semi-private room).

Charges that would not have been made if you did not have this insurance are excluded. Additionally, expenses that are paid by workers' compensation or other similar laws are excluded.

SEAT BELT BENEFIT

If you die as the result of an automobile accident, and you were wearing a properly fastened, original, factory-installed seat belt when the accident occurred, the plan will pay your beneficiary an additional benefit of 10% of the principal sum to a maximum of \$35,000. This will be paid in addition to the accidental death and dismemberment benefit for loss of life.

The accident report or the investigating officer must verify, in writing, that you were wearing your seat belt at the time of the accident.

EXCLUSIONS AND LIMITATIONS

The plan will not cover any losses that are caused by:

- ▶ Sickness, disease of infections of any kind (except bacterial infections due to an accidental cut or wound, or botulism and ptomaine poisoning).
- ▶ War or act of war (or other international armed conflict), whether declared or not.
- ▶ Suicide, attempted suicide or any intentionally self-inflicted injury, while sane.
- ▶ Riding as a passenger in (including getting in or out of) any aircraft not intended or licensed for the transportation of passengers.
- ▶ Full-time active duty in the armed forces of any country or international authority, except the National Guard or organized reserve corps duty.

NAMING YOUR BENEFICIARY

You may designate anyone as the beneficiary of your AD&D benefits, and you may change your beneficiary at any time by obtaining a form from your benefits department.

The change will become effective when your benefits department receives the completed form. It will be effective as of the date you signed the request, regardless of whether you are alive at the time the benefits department receives it. However, benefits that have been paid before the company receives the change form will remain the property of the person who received them, and will not be paid to the new beneficiary.

PAYMENT OF BENEFITS

All benefit payments will be made automatically to you or your beneficiary as specifically designated for this insurance, otherwise as designated under the group life policy. If you have suffered a covered accidental dismemberment, paralysis, or loss of speech, hearing or sight, the benefit will be paid to you. If you suffer loss of life or are in a coma, the benefit will be paid to your designated beneficiary.

If you do not designate a beneficiary, or if your covered beneficiary dies before your benefit payment is made, your benefit will be paid instead in the following order:

- ▶ To your spouse.
- ▶ If you have no living spouse, to your children in equal shares.



You may designate anyone as the beneficiary of your AD&D benefits, and you may change your beneficiary at any time by obtaining a form from your benefits department.



Your coverage will be continued while you are on a leave of absence that's authorized under the company's family and medical leave policy.



If you become disabled, you may remain covered for AD&D benefits.

- ▶ If you have no living children, to your parents in equal shares.
- ▶ If you have no living parents, to your brothers and sisters.
- ▶ If you have no brothers and sisters, to your estate.

If you suffer a loss that is covered by the AD&D plan, you should contact your benefits department to file a claim. A medical report must be supplied.

If you die, your beneficiary should contact your benefits department to file a claim. Your beneficiary must provide a certified copy of the death certificate, including the coroner's report, if applicable.

The insurance company must be notified of a loss within 20 days, or as soon as reasonably possible. Written proof of the loss must be sent to the insurance company within 90 days of the loss or as soon as reasonably possible. In any event, your claim must be submitted within one year of the loss unless you are legally incapable of handling your affairs.

The insurance company has the right to require a physical examination and an examination of records of anyone making a claim.

WHEN YOUR COVERAGE ENDS

AD&D coverage ends on the earliest of the following dates:

- ▶ The plan is terminated.
- ▶ Your employment ends.
- ▶ The date of your death.

- ▶ The date you cease to be an eligible disabled employee (as described under *Coverage for disabled employees*), unless you return to active employment.
- ▶ The date you retire, except as described under *Coverage for certain retired employees*.
- ▶ The date you are no longer eligible.

Your coverage will be continued while you are on a leave of absence that's authorized under the company's family and medical leave policy.

AD&D coverage may not be converted to an individual policy.

COVERAGE FOR DISABLED EMPLOYEES

If you become disabled, you may remain covered for AD&D benefits if all of the following apply to you:

- ▶ You are receiving company-paid continuation of your salary, or you are receiving benefits under the company's long-term disability plan for salaried employees.
- ▶ You were covered for AD&D insurance benefits immediately before your disability date.
- ▶ You are under age 65.

Your coverage amount will be equal to three times your basic annual salary (rounded to the next \$100) as of the date immediately before your disability began. AD&D coverage will end when you reach age 65.

**COVERAGE FOR CERTAIN
RETIRED EMPLOYEES**

You are eligible for AD&D benefits at retirement if both of the following apply to you:

- ▶ You retired on or after January 1, 1970, but before January 2, 1996.
- ▶ On your retirement date you have 10 or more years of service and are at least age 55 but under age 65.

Your coverage amount will be equal to three times your base annual salary (rounded to the next \$100) in effect on the day before you retired. Your AD&D coverage will end when you turn 65.

For all other employees, AD&D coverage will end at retirement.

Key Terms

BASIC ANNUAL SALARY

Fifty-two times your base weekly pay. It does not include overtime, commissions, special allowances or salary for foreign service, awards from any special compensation or similar plan, and payments from any other employee benefit plan.

BENEFICIARY

The person you designate to receive payment of your life insurance or accidental death benefit.

COMPANY

Peabody Holding Company, Inc., and its subsidiaries and affiliates.

However, the plan does not cover:

- ▶ Former salaried employees of Eastern Associated Coal Corp. or NuEast Mining Corp. who are retired employees with an effective date before March 1, 1990, as described in these definitions.
- ▶ Disabled salaried employees of Eastern Associated Coal Corp. or NuEast Mining Corp. who are receiving benefits under the Eastern Gas and Fuel Associates long-term disability plan on March 31, 1987.

EMPLOYEE OR ACTIVE EMPLOYEE

Any full-time salaried or permanent part-time employee of the company who is scheduled to work at least 20 hours per week, or is considered to be a full-time salaried employee while on vacation, prepaid retirement or assignment by the company, and who is not a disabled employee or retired employee.

This definition does not include any temporary employees, or any person who is a non-resident alien and who receives no income from the company that constitutes income from sources within the United States as defined by Section 861(a)(3) of the Internal Revenue Code.

FAMILY AND MEDICAL LEAVE

An approved leave of absence protected under the Family and Medical Leave Act of 1993 (FMLA).

INJURY

Bodily harm caused by an accident.

INSURANCE COMPANY

For basic life and supplemental life insurance: General American Life Insurance Company.

For accidental death and dismemberment coverage: AIG Life Insurance Company.

PLAN

The Peabody Group Health and Life Plan for Salaried Employees.

RETIRED EMPLOYEE

A former salaried employee who has separated from service with the company due to retirement, and begins to receive a retirement benefit under a retirement plan maintained by the company within 31 days. To be considered a retired employee for the purposes of the plan, you must be age 55 with at least 10 years of service.

SPOUSE

Your legal partner in marriage by a civil or religious ceremony. Common-law marriage is not recognized by the plan.

SURVIVING SPOUSE

Your spouse surviving after your death, who at the time of your death was living with you or supported by you.

Plan Administration Information

PLAN NAME

The Peabody Group Health and Life Plan for Salaried Employees.

TYPE OF PLAN

Life insurance, accidental death and dismemberment, medical, dental and vision care benefits. Medical, dental and vision care benefits are described in separate summary plan description booklets.

EMPLOYER IDENTIFICATION NUMBER

The employer identification number assigned to the company by the Internal Revenue Service is 13-2871045.

PLAN NUMBER

501

PLAN FISCAL YEAR

January 1 to December 31

PLAN SPONSOR

Peabody Holding Company, Inc., and its subsidiaries and affiliates.

You may direct correspondence to:

Peabody Holding Company, Inc.
701 Market Street, Suite 700
St. Louis, Missouri 63101-1826

PLAN ADMINISTRATOR

Peabody Holding Company, Inc.
701 Market Street, Suite 700
St. Louis, Missouri 63101-1826

CLAIMS ADMINISTRATOR

For basic and supplemental life insurance:
General American Life Insurance Company
13045 Tesson Ferry Road
St. Louis, Missouri 63128

For accidental death and dismemberment insurance:
AIG Life Insurance Company
One Alico Plaza
Wilmington, Delaware 19801

AGENT FOR SERVICE OF LEGAL PROCESS

The agent for service of legal process varies by state. To determine the appropriate agent for your location, you may contact:


Peabody Holding Company, Inc.
701 Market Street, Suite 700
St. Louis, Missouri 63101-1826
(314) 342-3400

KEY POINTS



*As a participant in this plan, you
are entitled to certain rights
under the Employee Retirement
Income Security Act of 1974
(ERISA).*

Your ERISA Rights

 As a participant in this plan, you are entitled to certain rights under the Employee Retirement Income Security Act of 1974 (ERISA).

ERISA provides that all plan members shall be entitled to:

- ▶ Examine, without charge, at the plan administrator's office and at other specified locations, all plan documents, including insurance contracts and copies of all documents filed by the plan with the U.S. Department of Labor, such as detailed annual reports and plan descriptions.
- ▶ Obtain copies of all plan documents and other plan information upon written request to the plan administrator. The plan administrator may make a reasonable charge for copies.
- ▶ Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary annual report.

In addition to creating rights for plan participants, ERISA imposes duties upon the people who are responsible for the operation of the plan. The people who operate your plan, called "fiduciaries" of the plan, have a duty to do so prudently and in the interest of you and other plan participants and beneficiaries.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA. If your claim for a benefit is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the plan administrator review and reconsider your claim.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the plan administrator and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$100 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or federal court.

If you believe that plan fiduciaries misuse the plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees—for example, if it finds your claim is frivolous.

If you have any questions about your plan, you should contact the plan administrator.

If you have any questions about this statement or about your rights under ERISA, you should contact the nearest area office of the U.S. Labor Management Services Administration, Department of Labor.

IF YOUR CLAIM IS DENIED

If any portion of a claim is not paid, or if you do not understand or do not agree with the handling of a claim, there are several things that you can do to appeal the decision. Most of your questions can be answered quickly and efficiently if you call or write the insurance company.

If your claim for a plan benefit is denied or reduced, you or your beneficiary will be notified in writing within 90 days unless special circumstances require extra time for processing. If such a time extension is necessary, you will receive written notice before the end of 90 days. This notice will tell you why additional time is needed and the date you can expect a final decision. This decision must be made within 90 days after the end of the initial 90-day period.

If a claim is denied, you or your beneficiary will receive a notice that includes:

- ▶ The specific reason for the denial.
- ▶ A specific reference to the plan provisions on which the denial is based.
- ▶ A description of any additional material or information necessary for you to substantiate your claim and an explanation of why such material is needed.

- ▶ An explanation of the plan's claim review procedures.

The insurance company intends to respond to claims promptly. However, if you do not receive a response within 90 days, allowing reasonable time for mailing, you may proceed to the claim review stage.

Within 60 days after receiving notice that your claim has been denied, or if you do not receive a timely response as described above, you or your authorized representative (such as an attorney) may submit a written request for review. This request should be directed to the insurance company at the address shown in the *Plan administration information* section under "claims administrator."

In your request, state the reasons you believe the claim should not have been denied, and submit any additional supporting information, material or comments you consider appropriate. You may review any pertinent documents related to the claim.

The insurance company will make a decision on the review within 60 days after receiving your request. If special circumstances require an extension of time for processing, you will be notified within 60 days. A decision will be made as soon as possible, but no later than 120 days after you first make the request for review.

The decision will be in writing and will include specific references to the plan provision on which it is based. All decisions by the insurance company will be final.

AMENDING THE PLAN

The plan is adopted with the intention that it will be continued for the benefit of present, future and retired employees of the company. However, the company reserves the right to terminate the plan, change required contributions, or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided. This may cause employees and retired employees to lose all or a portion of their benefits under the plan, but will not affect the right of any employee or retiree to be reimbursed for any covered loss that he or she has already incurred, or to which he or she has already become entitled under the plan.

This means that an employee or retiree cannot have a lifetime right to any plan benefit or to the continuation of this plan simply because this plan or a specific benefit is in existence at any time during the employee's employment or retirement. This plan will comply with all requirements of the law and will be changed, if necessary, in order to meet any such requirements.

