



Accelerated Death Benefit Endorsements

Financial Protection To Help With Critical, Chronic and Terminal Illness

Client Brochure

THIS IS NOT LONG TERM CARE INSURANCE, HEALTH INSURANCE, OR DISABILITY INSURANCE, NOR IS IT INTENDED TO REPLACE THESE PRODUCTS.
NOT TO BE USED IN CALIFORNIA.

Coverage for your *life*.

As common as they seem to be, illnesses wreak havoc on the lives of Americans every day, disrupting both family life and financial plans. A life-changing ordeal, illnesses can often cause financial disruption—from paying medical expenses to covering child care and the mortgage.

There is a way, though, to help protect your financial stability. Life insurance provides a death benefit to beneficiaries when the insured passes away. But what kind of protection do you have while alive? North American offers an accelerated death benefit feature on many of our products.

How It Works

Accelerated death benefits attached to a life insurance policy allow the policyowner to accelerate a portion of the death benefit,² in order to use the benefit while still living. There can be several triggers for this to occur: the insured (the person whose life is covered under the policy) is diagnosed with a critical, chronic or terminal illness. For those who qualify, this endorsement is added to your policy at no additional premium at the time of issue.³ Availability varies by state and product, and we will not simultaneously accelerate any portion of the policy's death benefit for more than one qualifying event under this endorsement. Talk to your agent for specific details.

Frequently Asked Questions

How do I qualify for an accelerated death benefit?

A physician must provide written certification that the insured meets the definition for a qualifying event which is a medical condition which results in a terminal, chronic or critical illness. Please contact your agent for complete details and definitions of benefits and conditions pertaining to this endorsement.

Critical Illness: Specified medical conditions that may qualify for the critical illness benefit include heart attack, cancer, stroke, major organ transplant, and kidney failure. Election of this benefit is required within 12 months of the Occurrence Date of a Specified Medical Condition and there can only be one election made for each occurrence of a specified medical condition.

Chronic Illness: Chronic illness is defined as being permanently unable to perform, for at least 90 consecutive days, without substantial assistance from another person, at least two Activities of Daily Living (bathing, continence, dressing, eating, toileting and transferring) or requires substantial supervision by another person to protect against threats to health and safety due to severe cognitive impairment. Severe cognitive impairment is defined as deterioration or loss of intellectual capacity that is measured by clinical evidence and standardized tests, which reliably measure impairment in:

- Short-term or long-term memory;
- Orientation to people, places or time;
- Deductive or abstract reasoning; and
- Judgment as it relates to safety awareness.

Did you know?

About every 43 seconds,
someone in the United States
has a heart attack.¹

Terminal Illness: Terminal illness is defined as the insured has been diagnosed with a medical condition which results in a life expectancy of 24 months or less (can vary by jurisdiction).

Please talk to your agent for specific details about qualifications.

How much of the policy death benefit can be accelerated?

The total amount of death benefit available for acceleration is \$1,000,000 per policy.

Critical Illness: The maximum amount of the death benefit that may be accelerated is 25% of the death benefit at the time of each election or \$50,000, whichever is less. All approved claims will receive a payment guaranteed to be 40% of the death benefit amount accelerated (for example, 40% of \$50,000 = \$20,000), less any amounts needed for debt repayments, regardless of the type of specified medical condition, policy age, gender or underwriting class. The minimum at each election is \$2,500.

Chronic Illness: The minimum amount of the death benefit that can be accelerated per election, except the final election, is 5% of the death benefit on the initial election date or \$50,000, whichever is less. The maximum amount per election is 24% of the death benefit or \$240,000, whichever is less. One election is available every 12 months.

Terminal Illness: The minimum amount of the death benefit that can be accelerated is 10% of the death benefit or \$100,000, whichever is less on the election date. The maximum amount that can be accelerated is 75% of the death benefit or \$750,000, whichever is less on the election date. Only one election can be made for terminal illness.

Please note that if the policy has policy debt (i.e., loans against the policy), policy debt must be reduced in the same proportion to the amount of death benefit accelerated. So a portion of the accelerated death benefit payment will be used to pay down policy debt. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated. See the answer to “How much does the accelerated death benefit cost?” The policy’s death benefit and policy values, such as account value, net cash surrender value, and policy loan value will be reduced in proportion to the amount of the death benefit that is accelerated.

Did you know?

Lung cancer is the leading cause of cancer death.⁴

Did you know?

Over 795,000 people in the United States have a stroke every year.⁵

How much does the accelerated death benefit cost?

There is no additional premium at time of issue for the accelerated death benefit feature. However, an administrative fee is required at the time of election for chronic and terminal illness benefits.⁷

How can these benefits be offered with no additional premium charge?

A payment the policyowner may receive will be less than the amount of death benefit accelerated because the benefit is paid prior to death. Because of the time value of money (present money has a higher value than future money), an actual payment made is discounted from the full death benefit accelerated. An actual payment depends on a number of factors such as life expectancy

and the interest rate environment at the time of election. A shorter life expectancy and/or a lower interest rate will lead to a higher payment.

- For a chronic illness election, a payment is discounted based on current interest rates, age at election, death benefit, the fund value at election, and the expected mortality for the chronically ill insured.
- For a terminal illness election, a payment is discounted based on current interest rates using an 18-month time period.
- For critical illness election, any payment a policyowner receives will be less than the amount of the death benefit that is accelerated – because the benefit is paid prior to the insured’s death. All approved claims will receive a payment guaranteed to be 40% of the death benefit amount accelerated (for example, 40% of \$50,000 = \$20,000), less any amounts needed for debt repayments.

Did you know?

Illnesses like heart disease, stroke, cancer, and diabetes are among the leading causes of death and disability in the United States, with as many as 7 out of 10 deaths resulting from chronic illness.⁶

Is it possible to qualify for a life insurance policy, but not the accelerated death benefit feature?

Yes. You will not qualify for critical or chronic illness coverage if your health is rated too far below a “standard” rating, or if you have a specific health condition that requires an extra premium charge known as a “medical flat extra.” Terminal illness coverage has the same criteria as the life insurance policy issued.

Can the endorsement be added after the policy is issued?

No. The accelerated death benefit endorsements are available only at the time of policy issue and are included automatically on all eligible policies, subject to eligibility requirements.

Is this feature available on all North American life insurance policies?

Terminal illness coverage is available on all applicable North American policies. Coverage for critical and chronic illness is not available on term policies and may not be available in your state. Talk to your North American representative about what’s available in your specific situation.

How often can the policyowner receive an accelerated payment per election period?

Benefits are paid as one lump sum.

Is there a waiting period to get the endorsement?

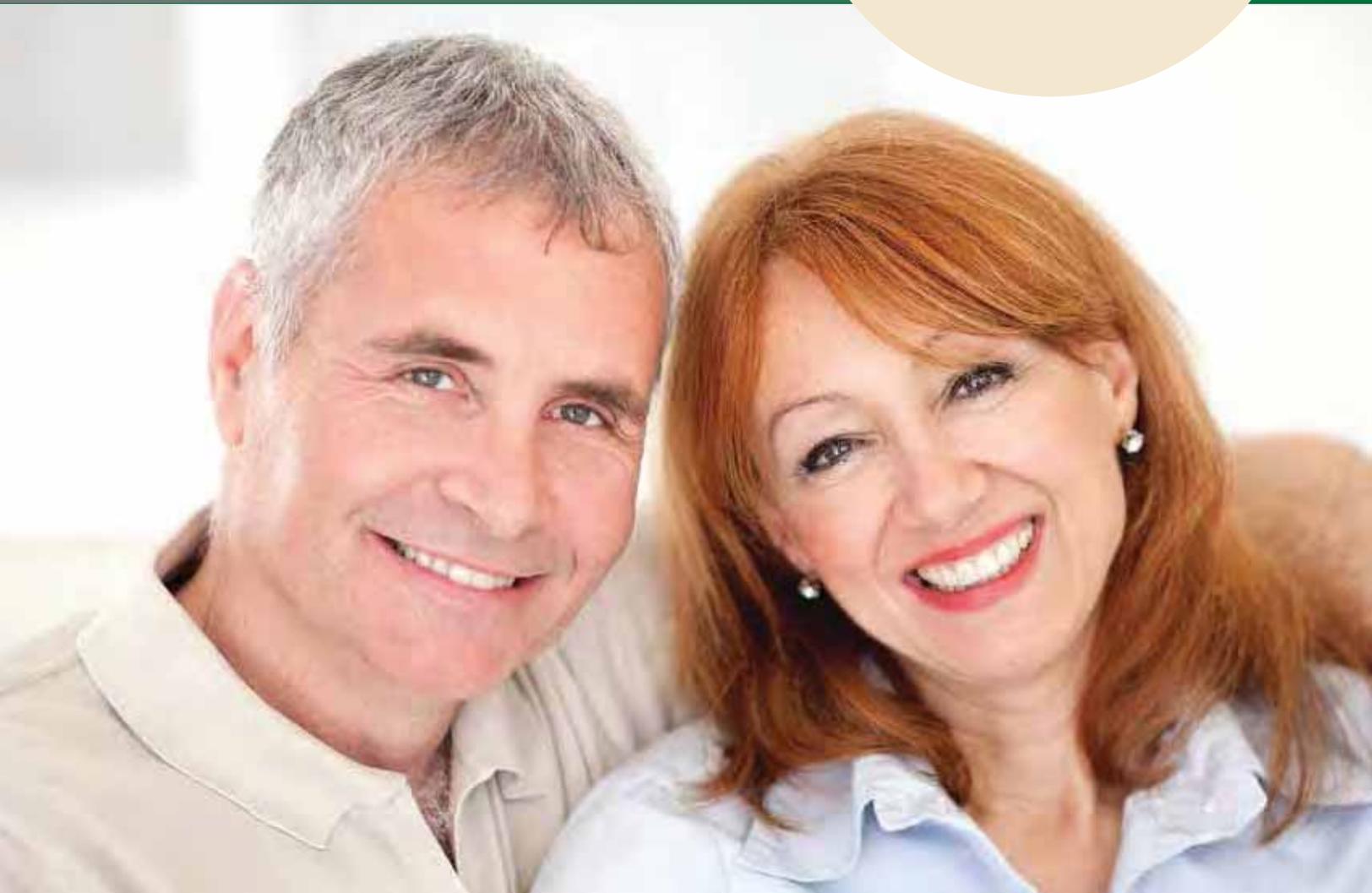
There is no waiting period once the policyowner elects to accelerate the death benefit, as long as the insured qualifies for the benefits as certified by a physician. Refer to the endorsement form for complete details.

Are there tax consequences?

Perhaps. The exact tax treatment may depend upon the benefits accelerated and how the policyowner chooses to use the benefits. Unlike conventional life insurance proceeds, amounts payable as accelerated death benefits could be taxable under some circumstances. We recommend that the policyowner consult his or her personal tax advisor prior to electing an accelerated death benefit under this endorsement, in order to assess the tax treatment in for that individual's circumstance.

Did you know?

In 2012, 117 million Americans – about 1 out of every 2 adults – had at least one chronic illness.⁶





Is there a limit to how much of the death benefit can be accelerated?

Yes. The maximum death benefit limit is \$1,000,000 per policy.

Do I have to spend the money on medical-related expenses?

North American does not require you to submit receipts for payment, and does not require you to use the money to cover specific costs. Unlike conventional life insurance proceeds, amounts payable as accelerated death benefits could be taxable under some circumstances. We recommend that you consult your personal tax advisor prior to electing an accelerated death benefit under this endorsement to assess the tax treatment in your individual circumstances.

Are these endorsements the same as long-term care insurance?

No. Accelerated death benefits for critical, chronic and terminal illness provide a portion of the life insurance policy's death benefit in advance, so the ultimate policy death benefit paid is reduced. Traditional long-term care insurance can be a standalone policy or optional rider with its own premiums. The money received as an accelerated benefit can be used for any purpose; there are generally no limitations or restrictions on benefits. The typical qualified long-term care policy generally has certain restrictions for payment or reimbursement of expenses based on criteria set forth in the policy.

Can policy loans still be taken while an accelerated death benefit election is in effect?

Following the election of critical or terminal illness benefits, loans may be obtained as described under the policy's loan provision.

Loans may also be obtained following each election of chronic illness benefits, except the final election. Following the final election, policy loans are not available.

If there is an outstanding loan on the policy, a portion of the accelerated death benefit payment will be used to repay the loan. Refer to the endorsement form for complete details.

Did you know?

Diabetes continues to be the leading cause of kidney failure, nontraumatic lower-extremity amputations, and blindness among adults.⁶

What happens if the insured recovers from a critical or chronic illness?

If the insured recovers from an illness, additional premium payments may be necessary. They should consult customer service for an in-force projection to help identify the premiums necessary to continue the policy for desired duration and/or performance goals.

Talk to your North American representative today about this valuable feature for your policy!



North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

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1 American Heart Association, "About Heart Attacks", July 2015. http://www.heart.org/HEARTORG/Conditions/HeartAttack/AboutHeartAttacks/About-Heart-Attacks_UCM_002038_Article.jsp

2 The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated.

3 The endorsement is subject to eligibility requirements. There is an administrative fee when the chronic or terminal illness benefit is elected.

4 Centers for Disease Control and Prevention. Retrieved Sept. 22, 2014, from <http://www.cdc.gov/cancer/lung>

5 Centers for Disease Control and Prevention. Retrieved Sept. 22, 2014, from <http://www.cdc.gov/stroke/facts.htm>

6 Centers for Disease Control and Prevention. Retrieved Sept. 22, 2014, from <http://www.cdc.gov/chronicdisease/overview/index.htm>

7 Administrative fee may vary by state.

North American Company does not give legal or tax advice. Please consult with and rely upon a qualified legal or tax advisor.

Texas applicants: Receipt of acceleration-of-life-insurance benefits may affect your, your spouse's or your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect you, your spouse's and your family's eligibility for public assistance.

Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness is issued on form series LR477; or state version by North American Company for Life and Health Insurance, Administrative Office, Sioux Falls, SD. Products, features, riders, endorsements or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

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