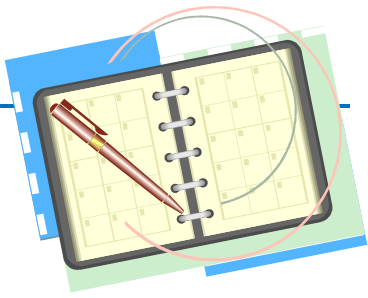


Accelerated Life Benefits Work Group

Accelerated Death Benefits (ADB) In Life Insurance Policies

October 3, 2012

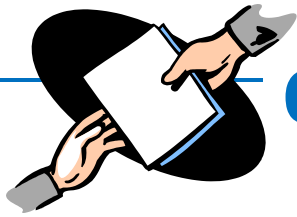
Jim Walker– Life & Health Product Review



AGENDA

- OVERVIEW
- PURPOSE
- TYPES
- TRIGGERS
- CASH BENEFITS
- COSTS

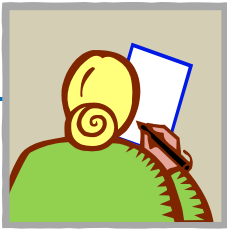




OVERVIEW of Accelerated Death Benefits

- A Benefit of Many Life Insurance Policies:
 - Part of the Main Policy, or
 - A Rider to the Policy
- Allows “Death Benefits” Prior to Death
- Must be Triggered by an Event:
 - Terminal Illness
 - Medical Incapacity
- Payment Methods:
 - Lump Sum
 - Monthly Payments





PURPOSE of Accelerated Death Benefits

- Benefits to Living Policyholder – Not Beneficiary
- Help Pay for Life-Saving Treatment
- Help Pay for End of Life Care

Created In Response to:

- The AIDS Epidemic and Need for Expensive Drugs
- Longevity Concerns and Related Costs
- Marketplace Competition for Liquidity





TYPES of Life Insurance (with ADBs)

- **Universal Life** – Life insurance with flexible premiums, adjustable death benefits, non-guaranteed cash values and current and maximum insurance costs.
- **Variable Life** – A flexible, adjustable life policy with premium allocations made by the owner into subaccounts that are typically mutual funds.
- **Whole Life** – Life insurance with level premiums payable for life or a specified period (i.e. 20-years or to age 65) and guaranteed cash values.
- **Term Life** – Life insurance for a specified term with lower initial but increasing premiums and typically no cash values.
- **Group Life** – Any of the above sold to groups such as employees, unions, trusts or for debt protection (credit life). Term and whole life are the most prevalent group life coverage.





TRIGGERS for Accelerated Death Benefits

- Terminal Illness (Death Expected within 2 years)
- Acute Illness Needing Extensive Treatment
 - AIDS
 - Heart Disease, etc.
- Catastrophic Illness (i.e. Organ Transplant)
- Long-Term Care Due to Incapacity
- Permanent Confinement to Nursing Home





CASH BENEFITS provided for ADBs

Insurance companies differ on how much cash can be paid, the method of payment, and associated fees. Some variables include:

- The percentage of total death benefits paid (25% to 100%)
- Payment Method (Lump sum, monthly withdrawal)
- Options for Payment (The policyholder may have a choice)

It is essential that the policyholder read their specific policy language.





COSTS of using Accelerated Death Benefits

Insurance companies charge for this benefit in addition to the insurance premium or extra premium for the rider; some examples include:

- An administrative fee
- Deducting benefit amount as a policy loan and charging interest
- Reducing the total benefit amount, aka 'Discounting'
- Adding an additional premium to the policy





Questions?

