

# The Power of Life Insurance

## Do your clients have living benefits?



Most people know life insurance can provide financial protection and continuity during one of life's most difficult times – the death of a loved one. At Midland National, we believe your clients should get more from their life insurance policy and have access to benefits they can use while they are living.<sup>6</sup> We call these features **accelerated death benefits for critical, chronic and terminal illnesses.**

The unexpected can and does happen. How do your clients plan to pay for extended nursing care for a chronic condition or the high cost of treatment if they are diagnosed with a critical illness like cancer? If they plan to use their own funds, keep the potential costs in mind. Here are some of the costs your clients might expect to pay:

- Private room in a nursing home –\$91,250 per year<sup>1</sup>
- Assisted living facility (private one bedroom) – \$43,200 per year<sup>1</sup>
- Average out of pocket expenses for cancer patient – \$712 per month<sup>2</sup>

### Did you know?

- In 2012, 117 million Americans – almost 1 out of every 2 adults – had at least one chronic illness.<sup>3</sup>
- Someone in the United States has a stroke every 40 seconds.<sup>4</sup>
- About every 34 seconds, someone in the United States has a heart attack.<sup>5</sup>

### Examples\*



Raymond, a husband and father of two, suffers a severe heart attack at age 54. He elects to accelerate a portion of his death benefit using the critical illness coverage on his life insurance policy to cover his medical expenses and help with his mortgage.



Caroline, at age 80, becomes chronically ill and enters a nursing home. She elects to accelerate a portion of her death benefit using the chronic illness coverage to help pay for her nursing home stay and other expenses.



Marsha's doctor has told her she has less than two years to live. Using the terminal illness coverage on her life insurance policy, she chooses to access a portion of her death benefit so she can take a vacation with her family.

### How do your clients qualify for accelerated death benefits?

A physician must provide written certification that the insured is critically, chronically or terminally ill.

**Critical Illness:** Conditions that may qualify for the critical illness benefit include heart attack, cancer, stroke, major organ transplant, and kidney failure. The policyowner is allowed an election for each occurrence of a specified medical condition. The policyowner must file the claim within 12 months of the date of the critical illness event.

**Chronic Illness:** One is considered chronically ill if he or she is 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 (can vary by jurisdiction).

**Terminal Illness:** One is considered terminally ill if he or she has been diagnosed with a medical condition which results in a life expectancy of 24 months or less (can vary by jurisdiction).

Refer to the *Accelerated Death Benefit Endorsements* brochure (16466) or the *Accelerated Death Benefit Riders* brochure (11931) for more details on these benefits.

**Accelerated Death Benefits can vary from case to case. In order to make sure your clients have the most objective information, it is important that you know the Dos and Don'ts of marketing Accelerated Death Benefits on Midland National products.**

**Don't:** Place undue emphasis on values in the Changing Needs supplement in the LifeSolutions illustration software.

**Do:** Use the values in the Changing Needs supplement to help educate the policyowner about dynamics of the benefit. Disclose that the values represent an example based on non-guaranteed values and actual values at the time of election could be higher or lower.

**Don't:** Describe Midland National's accelerated death benefits as like or similar to Long-Term Care, Health Insurance, or Disability Insurance.

**Do:** Emphasize this is a benefit where the company provides a payment now in exchange for a reduction in the total death benefit and is subject to eligibility requirements. This is often referred to as an 'acceleration' of the death benefit. This benefit is not long-term care insurance nor is it intended to replace long-term care insurance. This benefit is not health or disability insurance and is not intended to replace health or disability insurance.

**Don't:** State that the full amount of the death benefit can be accelerated.

**Do:** Emphasize that the amount of death benefit that can be accelerated is limited, and that this limit varies between terminal, chronic and critical benefits. In general, the more severe the condition (such as terminal), the more death benefit can be accelerated, up to a maximum of \$1,000,000.

**Don't:** State that the payment amount will be the same as the death benefit reduction.

**Do:** Be clear that the actual payment amount will be less than the amount we will reduce the policy's death benefit. For example, on a critical illness acceleration, if the policyowner receives a payment for \$20,000, the death benefit amount of the policy will be reduced by \$50,000. The actual amounts and reductions will be clarified at the time of an actual claim for accelerated benefits.

**Don't:** Present the benefit as being paid to the insured.

**Do:** Be clear the benefit is paid to the policyowner based on the insured's qualifications. The policyowner may choose not to elect the benefit, even if the insured meets the qualifications.

**Don't:** State that any medical condition will qualify for an election of an acceleration of benefits.

**Do:** Emphasize that the company will require a physician's certification attesting that the insured suffers from the specific qualification definitions as outlined in the endorsement or rider form. Emphasize that the endorsement or rider form requires specific conditions be met that may not be the same as other companies, and that may be different than what is customary in different states. For more information, refer to the Accelerated Death Benefit Endorsements brochure (16466) or the Accelerated Death Benefit Riders brochure (11931) for more details on these benefits.

\*Stories are for example purposes only. Eligibility requirements apply for qualification of benefits.

1. Source: Genworth 2015 Cost of Care Survey, March 2015. Median cost is quoted.
2. Source: Cancer's Growing Burden: The High Cost of Care," USA Today, Feb. 12, 2012.
3. Centers for Disease Control and Prevention. Retrieved May 29, 2015, from <http://www.cdc.gov/chronicdisease/overview/index.htm>
4. American Heart Association. Retrieved April 3, 2012, from <http://www.heart.org>
5. Centers for Disease Control and Prevention. Retrieved April 3, 2012, from <http://www.cdc.gov/stroke/facts.htm>.
6. Subject to eligibility requirements.

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. An administrative fee is required at time of election for a chronic or terminal illness.

**Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California Form 20501 that includes this comparison.**

Accelerated Benefit Endorsement for Critical, Chronic and Terminal Illness (form series TR169), Accelerated Benefit Endorsement for Chronic and Terminal Illness (form series TR153, TR155, TR184), Accelerated Death Benefit - Chronic Illness, (form TR193, CA only); Accelerated Death Benefit Rider - Chronic Illness (form TR137B, FL only); Accelerated Death Benefit Rider - Terminal Illness (form series TR138A, FL only), Accelerated Death Benefit Endorsement - Terminal Illness (form series TR154, TR156, TR185) are issued by Midland National Life Insurance Company, Administrative Office, Sioux Falls, SD. Products, features, riders, endorsements or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Availability of benefits may differ by state.

Payment of Accelerated Death Benefits for chronic illness paid under the Endorsement is intended for favorable tax treatment under Section 101(g) of the Internal Revenue Code. Accelerated death benefit payments due to chronic illness are subject to limits imposed by the federal government and any amounts received in excess of these limits are includible in gross income. Clients should seek assistance from a qualified tax adviser for assistance with any questions they may have.