

# Accelerated death benefit endorsements for term life

Life insurance endorsements for chronic and terminal illness  
*Marketing guide*

NOT FOR USE IN CALIFORNIA



North American automatically includes an accelerated death benefit feature at policy issue for no additional premium on all applicable ADDvantage® Term policies. This feature pays benefits if the owner elects to accelerate the face amount and the insured qualifies for the benefit, as described in this brochure and in the endorsement form. The Accelerated Death Benefit Endorsements for Term Life may cover chronic and terminal illness as outlined below.

## Critical illness

Coverage for a critical illness allows the owner to accelerate a portion of the face amount when the insured is diagnosed with a specified medical condition.

### Eligibility

All of the following criteria must be met for the proposed insured to qualify for the critical illness benefit to be attached to the policy:

- Maximum issue age of 75 or less (see product marketing guides for details); and
- Insured is rated at Table 2 or better; and
- No medical flat extras (non-medical flat extras are acceptable).

### Qualifications

A physician must provide written certification that the insured has incurred one of these specified medical conditions. Please keep in mind that the owner must file the claim within 12 months of a qualifying event.

**1. Heart attack**—defined as death of heart muscle due to inadequate blood supply that has resulted in evidence of myocardial infarction based on typical rise and gradual fall of Troponin and other biochemical markers of myocardial necrosis with at least one of the following:

- a. Typical clinical symptoms (chest pain may or may not be present);
- b. Characteristic electrocardiogram (ECG or EKG) changes; or
- c. Coronary artery intervention.

This does not include:

- a. Angina;
- b. Elevated biochemical cardiac markers as a result of intra arterial cardiac procedures including, but not limited to, coronary angiography and coronary angioplasty, in the absence of new Q waves; or
- c. ECG changes suggesting a prior myocardial infarction, which do not meet the definition of heart attack described above.

**2. Cancer**—defined as any malignant tumor positively diagnosed with histological confirmation and characterized by the uncontrolled growth of malignant cells and invasion of tissue. The term malignant tumor includes leukemia, lymphoma, and sarcoma.

The following are not covered:

- a. All cancers which are histologically classified as any of the following:
    - Premalignant;
    - Non-invasive;
    - Cancer in situ;
    - Having borderline malignancy; or
    - Having low malignancy potential.
  - b. All tumors of the prostate unless histologically classified as having a Gleason score greater than 6 or having progressed to at least clinical TNM classification T2N0M0.
  - c. Any skin cancer, other than malignant melanoma, that has been histologically classified as having caused invasion beyond the epidermis (outer skin layer).
  - d. Thyroid Cancer classified as TINOMO.
3. **Stroke** —(cerebrovascular accident) defined as a definite diagnosis of an acute cerebrovascular event caused by intra-cranial thrombosis, hemorrhage, or embolism with acute onset of new neurological symptoms and new objective neurological deficits on clinical examination, persisting for at least 96 hours following the date of diagnosis. These new symptoms and deficits must be corroborated by diagnostic imaging testing.

The following are not included:

- a. Transient ischemic attacks;
  - b. Brain damage due to an accident or injury, infection, vasculitis, and inflammatory disease;
  - c. Vascular disease affecting the eye or optic nerve;
  - d. Ischemic disorders of the vestibular system; or
  - e. Chronic cerebrovascular insufficiency.
4. **Major organ transplant** —defined as being the recipient of a transplant of bone marrow or a complete heart, kidney, liver, lung, or pancreas, or inclusion on the United Network of Organ Sharing (UNOS) waiting list. Transplant of any other organs, parts of organs, tissues, or cells is not covered.

5. **Kidney failure** —defined as chronic and end stage renal failure (failure of both kidneys to function effectively) diagnosed and managed by a nephrologist, as a result of which regular dialysis is necessary.

The specimen endorsement form LR508 may be viewed in the *Riders and Endorsements* section at [northamericancompany.com](http://northamericancompany.com).

## Benefit amount

**Accelerated death benefit amount** —The minimum accelerated amount is the lesser of 10% of the face amount on the election date, or \$100,000. The maximum amount per election is 90% of the face amount up to \$1,000,000.

**Payment amount** —Any payment the owner may receive will be less than the face amount accelerated. See the discounting method section on page five. A payment is reduced by a discounting method and an administrative fee. The payment will be made in a lump sum.

The owner may file a claim for each qualifying specified medical condition that the insured incurs. There can only be one election made for each occurrence of a specified medical condition.



## Chronic illness

Coverage for chronic illness allows the owner to accelerate a portion of the face amount when the insured is diagnosed with a chronic illness as defined below.

### Eligibility

All of the following criteria must be met for the proposed insured to qualify for the chronic illness benefit to be attached to the policy.

- Maximum issue age of 80 or less (see product marketing guides for details); and
- Insured is rated at Table 4 or better; and
- No medical flat extras (non-medical flat extras are acceptable).

### Qualifications

A physician must provide written certification that within the last 12 months the insured is chronically ill. This medical certification is valid for 12 months. The insured is considered to be chronically ill if he or she:

- Is unable to perform at least two activities of daily living (ADLs) without substantial assistance from another person for at least 90 days; or
- Requires substantial supervision by another person to protect oneself from threats to health and safety due to severe cognitive impairment.

The activities of daily living are bathing, continence, dressing, eating, toileting, and transferring.

Activities of daily living are those basic human functional abilities, which measure the insured's ability for self care, to live independently without substantial assistance from another person as described below.

1. Bathing—the ability to wash oneself by sponge bath, or in either a tub or shower, including the task of getting into or out of the tub or shower;
2. Continence—the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag);

3. Dressing—the ability to put on and take off all items of clothing and any necessary braces, fasteners, or artificial limbs;
4. Eating—the ability to feed oneself by getting food into the body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously;
5. Toileting—the ability to get to and from the toilet, getting on and off the toilet, and performing associated personal hygiene; and
6. Transferring—the ability to move into or out of a bed, chair, or wheelchair.

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.

### Benefit amount

**Accelerated death benefit amount**—The minimum accelerated death benefit amount per election, except the final election, is 5% of the face amount on the initial election date or \$50,000, whichever is less. The maximum per election is 24% of the face amount or \$480,000, whichever is less. One election is available every 12 months. A new application for election of accelerated benefits must be completed for each election.

**Payment amount**—Any payment the owner may receive will be less than the face amount accelerated. See the discounting method section on page five. A payment is reduced by a discounting method and an administrative fee. The payment will be made in a lump sum.

**Final election**—A final election occurs if all of the available face amount in the policy is accelerated, excluding the residual death benefit. The residual death benefit is equal to 5% of the face amount on the initial election date, or \$10,000 if greater. The residual death benefit only applies to accelerated death benefits for chronic illness.



## Terminal illness

Coverage for a terminal illness allows the owner to accelerate a portion of the face amount when the insured is diagnosed with a terminal illness.

### Eligibility

Terminal illness coverage has the same criteria as the life insurance policy issued, with the maximum issue age of 85. The proposed insured will be eligible for terminal illness coverage even if the insured is ineligible for critical or chronic coverage.

### Qualification

For terminal illness, the physician must provide written certification that the insured has a life expectancy of 24 months or less, or 12 months in Florida. This timeframe may vary by jurisdiction.

### Benefit amount

The minimum accelerated death benefit amount is 10% of the face amount or \$100,000, whichever is less on the election date. The maximum the owner may accelerate is 90% of the face amount or \$1,000,000, whichever is less. We allow only one election per policy for terminal illness. The payment will be paid in a lump sum.

## Physician certification

In order to qualify for benefits, a physician must provide written certification that the insured is critically, chronically, or terminally ill. The diagnosing physician must be a licensed medical doctor or licensed doctor of osteopathy operating within the scope of the state license issued within the United States. A physician cannot be the owner, the insured, or a member of the insured's or owner's immediate family.

We may require a second opinion by a company-designated physician. If there is disagreement between the first physician and the second physician, a third medical opinion will be provided by a physician that is chosen through a mutual agreement between the owner and us. We will pay for any additional medical opinions.

## Electing benefits

To elect benefits under this endorsement, the owner must complete an application for election of accelerated benefits form, which includes a section for the physician's certification mentioned above. The application for election also allows the owner to choose the face amount to accelerate, subject to the minimum and maximum election amounts listed for each benefit above. The maximum face amount that can be accelerated per policy is \$2,000,000.

## Coordination of accelerated death benefits

We will not simultaneously accelerate any portion of the policy's face amount for more than one qualifying event of critical, chronic, or terminal illness under this endorsement. The owner must discontinue any existing accelerated death benefit payments in order to elect the other accelerated death benefit under this endorsement.

## Discounting method

An accelerated death benefit payment (the payment) the owner may receive will be less than the face amount accelerated. This payment is reduced by a discounting method and an administrative fee.

## Reduced policy face amount

The policy face amount will be reduced by the face amount accelerated.

## Discounting method for critical and chronic illness

### Impact of illness on mortality

It is important to remember that many factors will determine whether a Critical Illness or Chronic Illness benefit is payable as well as the amount of any benefit payable. The impact an illness has on future mortality is one of the key factors in determining the amount and availability of benefits along with other factors such as age, and the amount of the death benefit and premiums normally payable under the policy. Certain illnesses, including even some forms of cancer, may actually have a minimal impact to future mortality and result in no benefit being payable. We assess the impact of an illness to mortality in our sole discretion using our established underwriting guidelines.

## Quotes – Accelerated benefit summary report

North American's Web Illustration software provides theoretical benefit payments for critical and chronic illness accelerated death benefit elections according to three generic impacts to the insured's life expectancy. They are described as minor, moderate, and severe impact on future mortality. It is important to note that the actual result of the time of election underwriting process may fall anywhere within this range (i.e. anywhere between minor to severe). With minor to moderate impact on future mortality, the accelerated benefit payment may be zero or minimal.

- Minor: Based on health conditions that are reasonably expected to have very little or no effect on the insured's lifespan.
- Moderate: Based on health conditions that are reasonably expected to shorten the insured's lifespan by a meaningful amount.
- Severe: Based on health conditions that are reasonably expected to shorten the insured's lifespan

## Hypothetical example

The hypothetical example below assumes \$24,000 is accelerated. It is representative of various products and ages and is intended to show how the benefit payment can vary across the severity of future mortality impact due to critical and chronic conditions. Please run an actual illustration to obtain sample payouts for a particular product and insured.

Attained age at acceleration	Minor impact on future mortality	Moderate impact on future mortality	Severe impact on future mortality
60	\$0	\$12,000	\$20,000
70	\$0	\$13,000	\$21,000
80	\$0	\$14,000	\$22,000

## Benefit payment amount

An accelerated death benefit payment the owner may receive will be less than the face amount accelerated. The following occurs when a owner elects to accelerate the death benefit.

1. The policy face amount is reduced by the accelerated amount.
2. The benefit payment is determined by reducing the accelerated amount by:
  - a. An actuarial discount.
    - For terminal illness elections, the discount is based on current interest rates using an 18-month time period.
    - For critical and chronic illness elections, the discount amount is determined through an underwriting process at the time of election. See the Underwriting at time of election section below.
  - b. An administrative fee. See the Administrative fee section below.

## Underwriting at time of election

For critical and chronic illness election, the actuarial discount is based primarily upon our evaluation of the insured's life expectancy. A shorter life expectancy will result in a larger payment and a longer life expectancy will result in a smaller payment which may be as low as zero dollars (please see Impact of illness on mortality section above). Our evaluation of the insured's health may be based upon several sources including our underwriting manual, published survival rates from medical data, reinsurer review, medical records, and any other underwriting techniques in use at the time of election. The benefit payment will be reduced by the value of all future premiums the company expected to receive on the accelerated amount prior to the death of the insured, as well as lost investment income.



## Discounting method: terminal illness

For a terminal illness election, a payment is discounted based on current interest rates using an 18-month time period.

## Administrative fee

We charge an administrative fee for a terminal illness election and for each critical or chronic illness election. The current and maximum administrative fee is \$200 for a terminal illness election. The current fee for each critical and chronic illness election is \$250, and the maximum is \$500. The administrative fee may vary by jurisdiction.

## Waiver of premium

For a terminal illness election, we waive all premiums after paying the benefit.

For chronic and critical illness elections, we do NOT

waive premiums, nor suspend lapse checking. However, future premiums payments are reduced because they are based upon the remaining face amount. The policy fee is not reduced.

## Impact to face amount

The face amount will be reduced in proportion to the face amount that is accelerated. For example, if the face amount before election is \$100,000 and the accelerated death benefit is \$20,000, the face amount will be reduced by 20 percent (\$20,000/\$100,000).

## Other riders and endorsements

Upon election of accelerated death benefits, all existing riders and endorsements will continue to be effective, subject to the terms and conditions of each rider or endorsement. The exception is under a final election

for chronic illness; in this case, all other riders and endorsements (except for the Accelerated Death Benefit Endorsement for Term Life) attached to the policy will terminate. However, any accidental death benefit rider on the policy, if any, will not be affected by the accelerated death benefits under the Accelerated Death Benefit Endorsement for Term Life.

After the initial election of a critical or chronic illness accelerated death benefit, no additional endorsements or riders may be added to the policy.

## Provisions, riders, or endorsements that restrict changes to the face amount

If the owner has elected a policy provision, endorsement, or rider that restricts making any changes to the face amount, the owner may not elect accelerated benefits under the endorsement. This includes any restrictions specified by a policy provision or another rider or endorsement.

## Cancellation in case of death

If the insured dies after the owner elects to receive an accelerated death benefit, but before the accelerated death benefit payment is made, the election will be canceled and the face amount will be paid as described in the policy.

## Reinstatement

The endorsement may be reinstated following a policy lapse unless the maximum accelerated death benefit has been paid under this endorsement.

## Limitations

Accelerated death benefits are not available if the law requires the benefit to meet the claims of creditors, whether in bankruptcy or otherwise, or a government agency requires the benefit in order to apply for, obtain, or keep a government benefit or entitlement.

## Term conversions

By current company practice, when a term policy is converted to a permanent policy within the first five policy years, we may add the chronic and/or critical benefit without any additional underwriting requirements as long as the policy meets the qualifications listed in the eligibility section of each benefit.

This conversion privilege is current company practice and not a guaranteed feature or benefit. Neither the chronic nor critical illness benefits will be available if the policyowner has already exercised one of them on the term policy.

For converted policies beyond the fifth policy year, the insured can submit evidence of insurability to apply for both the chronic and critical illness accelerated benefit. A change in health will not affect base policy rates; only the availability of the accelerated death benefit endorsement.

The agent must provide an accelerated death benefit disclosure form to the owner at time of application for conversion.

ADDvantage Term (policy form series LS174), Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness for Term Life (form series LR508), Accelerated Death Benefit Endorsement for Chronic and Terminal Illness for Term Life (form series TR507), and Accelerated Death Benefit Endorsement for Terminal Illness for Term Life (form series TR506) are issued by North American Company for Life and Health Insurance, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Products, features, endorsements, riders or issue ages may not be available in all states and jurisdictions. Limitations or restrictions may apply.

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