

Life



Accelerated Death Benefit Endorsements

Marketing brochure for universal life and indexed universal life insurance products



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

Critical illness

Coverage for a critical illness allows the owner to accelerate a portion of the death benefit 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 issued with the policy:

- Maximum issue age of 75 or less; 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:
 - Typical clinical symptoms (chest pain may or may not be present);
 - Characteristic electrocardiogram (ECG or EKG) changes; or
 - 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 T1N0M0.
- 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.

Benefit amount

Accelerated death benefit amount—The minimum accelerated amount is \$2,500 of the death benefit. The maximum per election is 25% of the death benefit or \$50,000, whichever is less.

Critical Illness Payment: Any payment an owner 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) - regardless of the severity of illness, insured's age, or gender or underwriting class.

The dollar amount accelerated for critical illness assumes the policy has no outstanding loans. A portion of the accelerated death benefit payment will be used to reduce the outstanding loan.



Chronic illness

Coverage for chronic illness allows the owner to accelerate a portion of the death benefit 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 issued with the policy.

- Maximum issue age of 80 or less; 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.

For Florida applicants

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, for at least 90 days without substantial assistance from another person, at least two Activities of Daily Living due to loss of functional capacity; or
- Requiring substantial supervision for protection from threats to health and safety due to severe cognitive impairment. Diagnosis of severe cognitive impairment must be made by a licensed medical practitioner.
- Severe cognitive impairment means a deficiency in a person's short-term or long-term memory, orientation to person, place or time, deductive or abstract reasoning, or 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 death benefit on the initial election date or \$50,000, whichever is less. The maximum per election is 24% of the death benefit 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 death benefit 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. A portion of the accelerated death benefit payment will be used to repay any policy debt in effect on the election date.

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

The impact on the policy for a final election is:

- Repayment of all debt on the policy, if applicable; and
- All rider(s) attached to the policy will terminate (except any accidental death benefit rider); and
- All future monthly deductions will be waived; and
- Loans or withdrawals are no longer available.

Terminal illness

Coverage for a terminal illness allows the owner to accelerate a portion of the death benefit 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.

Benefit amount

The minimum accelerated death benefit amount is 10% of the death benefit or \$100,000, whichever is less on the election date. The maximum the owner may accelerate is 90% of the death benefit 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. A portion of the accelerated death benefit payment will be used to repay any policy debt in effect on the election date.

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 death benefit to accelerate, subject to the minimum and maximum election amounts listed for each benefit above. The maximum death benefit that can be accelerated per policy is \$2,000,000.

Coordination of accelerated benefits

We will not simultaneously accelerate any portion of the policy's death benefit 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.

Reduced policy death benefit

The policy death benefit will be reduced by the death benefit accelerated.

Discounting method

The death benefit will be reduced by the amount the policyowner chooses to accelerate for a chronic or terminal illness. However, the actual amount paid to the policyowner will be less than the amount of death benefit accelerated. This is because a discount is applied to accelerated death benefits. The discount depends on the specifics of the policy (including the insured's age and premium class, among other factors), as well as interest rates at the time the acceleration is requested.

Administrative fee

We charge an administrative fee for a terminal illness election and for each chronic illness election after applying the discount to the accelerated death benefit amount. The current and maximum administrative fee is \$200 for a terminal illness election (\$100 in Florida). The current fee for each chronic illness election is \$200 (\$100 in Florida.) There is no administrative fee when the critical illness benefit is elected.

Debt repayment amount

Policy debt must be reduced in the same proportion to the amount of death benefit accelerated. A portion of the accelerated death benefit proceeds (after discounting) will be used to pay down policy debt.

Discounting method: terminal illness

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

Policy provisions

Monthly deductions

Critical illness — For a critical illness election, monthly deductions are NOT waived. However, we will suspend lapse checking for the six months immediately following each election. Lapse checking will resume when not in the critical illness election period and the grace period stated in the policy will be used to determine if the policy is in the grace period. Following an election, monthly deductions will continue as described in the policy and will be based on the reduced specified amount.

Chronic illness — While a chronic illness election is in effect (12 months following the election date), we waive monthly deductions for the first \$2,000,000 of the policy's death benefit amount in effect immediately prior to the initial election date. We resume monthly deductions when an election is no longer in effect. However, we will suspend lapse checking if at least 50% of the death benefit on the initial election date has been accelerated (which means the policy is in Protected Status). If the policy resumes monthly deductions at any point, the new cost of insurance charges for the remaining portion will be as if the policy had been originally issued at the reduced specified amount.

Terminal illness — For a terminal illness election, we waive monthly deductions after paying the benefit.

Withdrawals and policy loans¹

Critical illness

Withdrawals are not available during the critical illness election period. If the policy is not in the critical illness election period, the policyowner may take withdrawals as described in the policy. The election of a critical illness does not impact the ability to take policy loans.

Chronic illness

While a chronic illness election is in effect or if the policy is in protected status, the policyowner cannot take withdrawals. Policy loans may be taken during an election period – except after a final election. Following a final election, policy loans are not available. If the policy is not in the chronic illness election period and the policy is not in protected status, the policyowner may take withdrawals as described in the policy.

Terminal illness

Withdrawals and policy loans remain available after electing to accelerate the death benefit for terminal illness.

Reduced death benefit

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

If the policy is still in the surrender charge period, the surrender charge calculated for the policy will be based on the new specified amount. The products that we offer this endorsement on are assessed a decrease charge under a normal specified amount reduction, but this decrease charge is not assessed for benefits elected under this endorsement. However, the surrender charge will be based on the reduced specified amount.

Policy changes

While a critical or chronic illness election is in effect or the policy is in protected status, the policyowner may not increase or decrease the specified face amount of death benefit or change the death benefit option.

Prior to the election of accelerated death benefits for critical or chronic illness, the policyowner can elect to increase the specified amount or change from a Level Death Benefit option to an Increasing Death Benefit option while this endorsement is in effect. However, if the evidence of insurability is no longer satisfactory to qualify for this endorsement, the total policy death benefit eligible for acceleration will be limited to the death benefit amount before the increase or change in death benefit option.

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) attached to the policy will terminate on the final election date. 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.

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 death benefit

If the owner has elected a policy provision, endorsement, or rider that restricts making any changes to the death benefit, 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 death benefit will be paid as described in the policy.

Reinstatement

If the policy is reinstated, this endorsement will be reinstated 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 illness accelerated 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 policies being converted after the fifth policy year, the insured can submit evidence of insurability by completing the application for internal exchange to apply for the chronic and critical illness benefit. The new policy must meet the qualifications listed in the eligibility section for each benefit. A change in health will not affect base policy rates; only the availability of the chronic and critical illness benefit.

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



1. In some situations loans and withdrawals may be subject to federal taxes. North American Company does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness (form series LR508), Accelerated Death Benefit Endorsement for Chronic and Terminal Illness (form series LR507), and Accelerated Death Benefit Endorsement for Terminal Illness (form series LR506) 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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