

NOT FOR USE IN CALIFORNIA

# Accelerated Death Benefit Endorsements

Life Insurance Endorsements for Critical, Chronic  
and Terminal Illness - *Marketing Guide*



**North American Company**  
for Life and Health Insurance  
Since 1886

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240NM 4/17

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

## Critical Illness

Coverage for a critical illness allows the policyowner to accelerate a portion of the death benefit when the insured is diagnosed with a qualifying critical illness. Specific medical conditions that may qualify for the critical illness benefit include heart attack, different types of cancer, stroke, major organ transplant, and kidney failure.

### 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 policyowner 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 or more rapid rise and fall of isoenzyme of creatine kinase with muscle and brain subunits (CK-MB) 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 indicating ischemia; or
  - c. Coronary artery intervention.
- 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:
  - I. Premalignant (for example essential thrombocythemia and polycythemia rubra vera);
  - II. Non-invasive;
  - III. Cancer in situ;
  - IV. Having borderline malignancy; or
  - V. 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** – defined as death of brain tissue due to inadequate blood supply or hemorrhage within the skull resulting in permanent neurological deficit with persisting clinical symptoms or traumatic brain injury or persistent, disabling clinical symptoms still present more than 30 days after the initial event. Transient Ischemic Attack (TIA) is not covered.
  4. **Major Organ Transplant** – defined as the undergoing as a 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 complete endorsement form LR477 may be viewed in the *Riders and Endorsements* section at [www.NorthAmericanCompany.com](http://www.NorthAmericanCompany.com).

## Benefit Amount

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

**Payment Amount** — Any accelerated death benefit 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. The payment will be made in a lump sum. See the Discounting Method section on page five for additional information.

The policyowner may file a claim for each qualifying specified medical condition that the insured incurs, and receive up to a maximum of \$20,000 for each approved claim. 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 an outstanding loan. There can only be one election made for each occurrence of a specified medical condition.

## Chronic Illness

Coverage for a chronic illness allows the policyowner 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 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 permanently unable to perform at least two Activities of Daily Living (ADLs) without substantial assistance from another person for at least 90 consecutive 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. 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 death benefit on the initial election date or \$50,000, whichever is less. The maximum per election is 24% of the death benefit or \$240,000, 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** — A payment the policyowner may receive will be less than the amount of the death benefit accelerated. See the Discounting Method section on page five. A payment is reduced by a discounting method, an administrative fee (if applicable), and any applicable policy debt repayment. 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.

**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.

## Terminal Illness

Coverage for a terminal illness allows the policyowner 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 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. This timeframe may vary by jurisdiction.

## 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 policyowner may accelerate is 75% of the death benefit or \$750,000, 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 license. A physician cannot be the insured, the policyowner, or a member of their 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 policyowner and us. We will pay for any additional medical opinions.

## Electing Benefits

To elect benefits under this endorsement, the policyowner 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 policyowner to choose the amount of 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 \$1,000,000.

## Coordination of Accelerated Death 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 policyowner must discontinue any existing accelerated death benefit payments in order to elect the other accelerated death benefit under this endorsement.

## 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.

For critical illness, 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. An approved claim 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.

## Administrative Fee

We charge an administrative fee for the terminal illness election and for each chronic election after applying the discount to the accelerated death benefit amount. The maximum administrative fee is \$200 and varies by jurisdiction. 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. (See example under "Impacts to Policy.")

## Monthly Deductions

**Critical Illness** — For a critical illness election, monthly deductions are NOT waived. However, we will suspend lapse checking for the six months following each election.

**Chronic Illness** — While a chronic illness election is in effect (12 months following the election date), we waive monthly deductions for the first \$1,000,000 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).

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

## Withdrawals and Policy Loans<sup>1</sup>

### 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. Please refer to endorsement form LR477 for detailed information.

## 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.

## Impacts to Policy Provisions

### Impact to Death Benefit, Specified Amount and Account Value

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% ( $\$20,000/\$100,000$ ).

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.

### Impact to Death Benefit Guarantees<sup>2</sup>

If the policy or any rider includes an additional account used to determine whether the policy will lapse, the additional account will be reduced in proportion to the death benefit accelerated. The specified amount used in the calculation of the additional account will also be reduced by the same percentage.

## 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 this endorsement) 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 this endorsement.

In the case of the chronic illness benefit, after the initial election date, no new riders can be added to the policy. However, the critical illness benefit allows for additional endorsements or riders to be added after the initial election date.

## Provisions, Riders or Endorsements that Restrict Changes to the Death Benefit

If the policyowner has elected a policy provision, endorsement, or rider that restricts making any changes to the death benefit, the policyowner may not elect accelerated benefits under this endorsement.

## Cancellation in Case of Death

If the insured dies after the policyowner elects to receive an accelerated death benefit, but before the accelerated death benefit payment is made, the election will be cancelled and the death benefit 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.

## Term Conversions

When a term policy is converted within the first five policy years, accelerated death benefit coverage can be applied for without any additional underwriting requirements if: a) the original term policy was issued with an underwriting class that qualifies for these benefits, and b) the current age of the insured satisfies the age limit for these benefits. For converted policies beyond the fifth policy year, the insured can submit evidence of insurability to request both the chronic and critical illness benefits.

When a term policy is converted on or after policy year six, accelerated death benefit coverage can be applied for if the insured fully completes the Application for Policy or Certificate Conversion, Change or Reinstatement (a.k.a. Policy Change Application), and meets the eligibility requirements for these benefits.

The agent must provide an Accelerated Benefit Summary and Disclosure (a.k.a. Accelerated Benefit Endorsement Disclosure Notice) to the policyowner at time of application for conversion. The agent must return a signed and dated copy to North American along with the conversion application form in the states of Massachusetts and Virginia.



| *Life*

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Since 1886

**Notice for agents who conduct business in California:** Accelerated benefits are offered through separate endorsements in the state of California. Please refer to the Marketing Guide (240NM-X) and Consumer Brochure (502NM) for information specific to accelerated death benefits in California.

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.

2 Subject to premium payment requirements.

Indexed Universal Life products are not an investment in the “market” or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness (form series LR477); Accelerated Death Benefit Endorsement for Chronic and Terminal Illness (form series LR465 and LR487); Accelerated Death Benefit Endorsement – Terminal Illness (form series LR466 and LR488); or state variation, are issued by North American Company for Life and Health Insurance, Administrative Office, One Sammons Plaza, 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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