The Challenges of Chronic Illness

How Universal Life Insurance May Help - Client Brochure
Support for Chronic Illness

Most of us likely know someone who has a parent or loved ones who can no longer get by on their own due to chronic illness. You may even be facing this challenge within your own family. Many individuals with chronic illness need extensive care – either in their own home, their children’s home, or in independent living, assisted living or nursing facilities. It’s a difficult situation to face emotionally and financially.

As you think about your possible future needs and the impact those needs could have for you and your loved ones, North American’s universal life insurance can offer support. Of course, the primary purpose of life insurance is to provide death benefit protection. The death benefit can deliver financial comfort as your loved ones deal with final expenses and can provide a legacy for your beneficiaries. Additionally, at no additional premium cost, a living benefit feature (or an Accelerated Death Benefit) included with the policy can provide an advance payment of a portion of the death benefit if you are diagnosed with a chronic illness.

How It Works

For most of our permanent universal life and indexed universal life insurance products, to be eligible for an advance death benefit payment, the individual insured by the policy must be certified by a physician within the last 12 months as being:

- Permanently unable to perform, for at least 90 consecutive days, without substantial assistance from another person, at least two Activities of Daily Living;
- OR
- Requiring substantial supervision by another person to protect oneself from threats to health and safety due to Severe Cognitive Impairment.³

For Builder Plus IUL indexed universal life, to be eligible for an advance death benefit payment, the individual insured by the policy must be certified by a physician within the last 12 months as being:

- Unable to perform, for at least 90 days, without substantial assistance from another person, at least two Activities of Daily Living;
- OR
- Requiring substantial supervision by another person to protect oneself from threats to health and safety due to severe cognitive impairment.³

Once the advance benefit payment is received, you can use the monies any way you choose. North American does not require you to submit receipts for payment and does not require you to use the money to cover specific costs.

The benefit payment options under this feature provide you with the flexibility to manage the uncertainty of the chronic illness needs.

- For most of our permanent universal life and indexed universal life insurance products, benefits are paid in a lump sum ranging from a minimum of 5% of the death benefit amount (or $50,000) to a maximum of 24% (up to $240,000) on the initial election date based on your selection.
- For Builder Plus IUL indexed universal life, the maximum per election is 24% of the death benefit on the initial election date or $480,000.
- If desired, additional benefit payments may be elected once every 12 months as long as the residual death benefit is maintained. The residual death benefit is 5% of the initial death benefit or $10,000, if greater.

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 payment and the actual amount received will be less than the amount of the death benefit accelerated. The actual payment depends on a number of factors such as life expectancy and the interest rate environment at the time of the election. A fee is assessed for each election. If there is any policy debt, a portion of the accelerated death benefit payment will be used to reduce the policy debt.

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About 80% of older adults have at least one chronic disease, and 68% have at least two.¹

Activities of Daily Living

<table>
<thead>
<tr>
<th>Bathing</th>
<th>Eating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continence</td>
<td>Toileting</td>
</tr>
<tr>
<td>Dressing</td>
<td>Transferring</td>
</tr>
</tbody>
</table>

¹ Source: 2015 Health and Retirement Study (HRS) from The University of Michigan

² Source: LifeCare Solutions, LifeCare Solutions, Insurers’ Guide to the Chronic Care Market

³ Source: Protocol Definitions of Chronic Care Management, Health Care Systems, Inc.
**Hypothetical Example**

Let’s say you purchase a $500,000 North American universal life policy. When you are 85 years old, you become unable to perform several Activities of Daily Living due to chronic illness. You meet the certification requirements of the benefit and determine that it would be financially beneficial to accelerate 10% of the death benefit ($50,000) under your North American policy over the next several years.

Once you are approved for benefits, you receive $44,815 in accelerated benefits and the policy’s death benefit is reduced by 10%.

<table>
<thead>
<tr>
<th>Initial Death Benefit</th>
<th>Age at 1st Acceleration</th>
<th>Election Amount</th>
<th>Amount Received from 1st Acceleration</th>
<th>Death Benefit After 1st Acceleration</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500,000</td>
<td>85</td>
<td>$50,000</td>
<td>$44,815</td>
<td>$450,000</td>
</tr>
</tbody>
</table>

You provide certification and elect an additional 10% acceleration a year later and for the next two years for a total of four accelerations. The results of these accelerations are summarized below.

<table>
<thead>
<tr>
<th>Death Benefit After 1st Acceleration</th>
<th>Age at 2nd Acceleration</th>
<th>Election Amount</th>
<th>Amount Received from 2nd Acceleration</th>
<th>Death Benefit After 2nd Acceleration</th>
</tr>
</thead>
<tbody>
<tr>
<td>$450,000</td>
<td>86</td>
<td>$50,000</td>
<td>$45,188</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Death Benefit After 2nd Acceleration</th>
<th>Age at 3rd Acceleration</th>
<th>Election Amount</th>
<th>Amount Received from 3rd Acceleration</th>
<th>Death Benefit After 3rd Acceleration</th>
</tr>
</thead>
<tbody>
<tr>
<td>$400,000</td>
<td>87</td>
<td>$50,000</td>
<td>$45,551</td>
<td>$350,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Death Benefit After 3rd Acceleration</th>
<th>Age at 4th Acceleration</th>
<th>Election Amount</th>
<th>Amount Received from 4th Acceleration</th>
<th>Death Benefit After 4th Acceleration</th>
</tr>
</thead>
<tbody>
<tr>
<td>$350,000</td>
<td>88</td>
<td>$50,000</td>
<td>$45,893</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

Note: Amounts accelerated are rounded to the nearest dollar. The information presented is hypothetical and not intended to project or predict investment results. Hypothetical example is for form series LR477 and does not apply to Builder Plus IUL. For an example of Builder Plus IUL, talk with your North American representative.

Unfortunately, you pass away before your 89th birthday. While you were able to benefit from monies received from accelerating your policy’s death benefit during your lifetime, your beneficiaries still receive a $300,000 policy death benefit.

**Talk to your North American representative today about this valuable feature for your policy.**
About North American

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our website at www.NorthAmericanCompany.com to find out more about our company.

1 Chronic Disease Management (2018) obtained from www.ncoa.org/healthy-aging/chronic-disease/

2 Subject to eligibility requirements. An administrative fee is required at time of election for the Chronic Illness benefit. If there is any policy debt, a portion of the accelerated death benefit payment will be used to reduce the policy debt.

3 Severe Cognitive Impairment means deterioration or loss of intellectual capacity that is measured by clinical evidence and standard tests, which reliably measure impairment in short-term or long-term memory, orientation to person, place or time, deductive or abstract reasoning, and judgment as it relates to safety awareness.

4 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.
   • 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;
   • 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);
   • Dressing—the ability to put on and take off all items of clothing and any necessary braces, fasteners or artificial limbs;
   • 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;
   • Toileting—the ability to get to and from the toilet, getting on and off the toilet, and performing associated personal hygiene; and
   • Transferring—the ability to move into or out of a bed, chair or wheelchair.

ACCELERATED DEATH BENEFIT – CHRONIC ILLNESS IS NOT LONG TERM CARE INSURANCE NOR IS IT INTENDED TO REPLACE LONG TERM CARE INSURANCE.

Payment of accelerated death benefits paid under this endorsement is intended for favorable tax treatment under Section 101(g) of the Internal Revenue Code. Unlike conventional life insurance proceeds, amounts payable as accelerated death benefits could be taxable under some circumstances. We recommend that you consult your personal tax advisor prior to electing an accelerated death benefit under this endorsement to assess the tax treatment in your individual circumstances. Neither North American Company for Life and Health Insurance nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

Texas Applicants: Receipt of acceleration of life insurance benefits may affect your, your spouse's or your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect your, your spouse's and your family's eligibility for public assistance.

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Current cost of insurance rates and current interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. For costs and complete details, refer to the policy or call or write North American Company, Administrative Office, PO Box 5088, Sioux Falls, SD 57117-5088. Telephone: (877) 872-0757.

Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness is issued on form series LR477 and LR503 or state version 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.