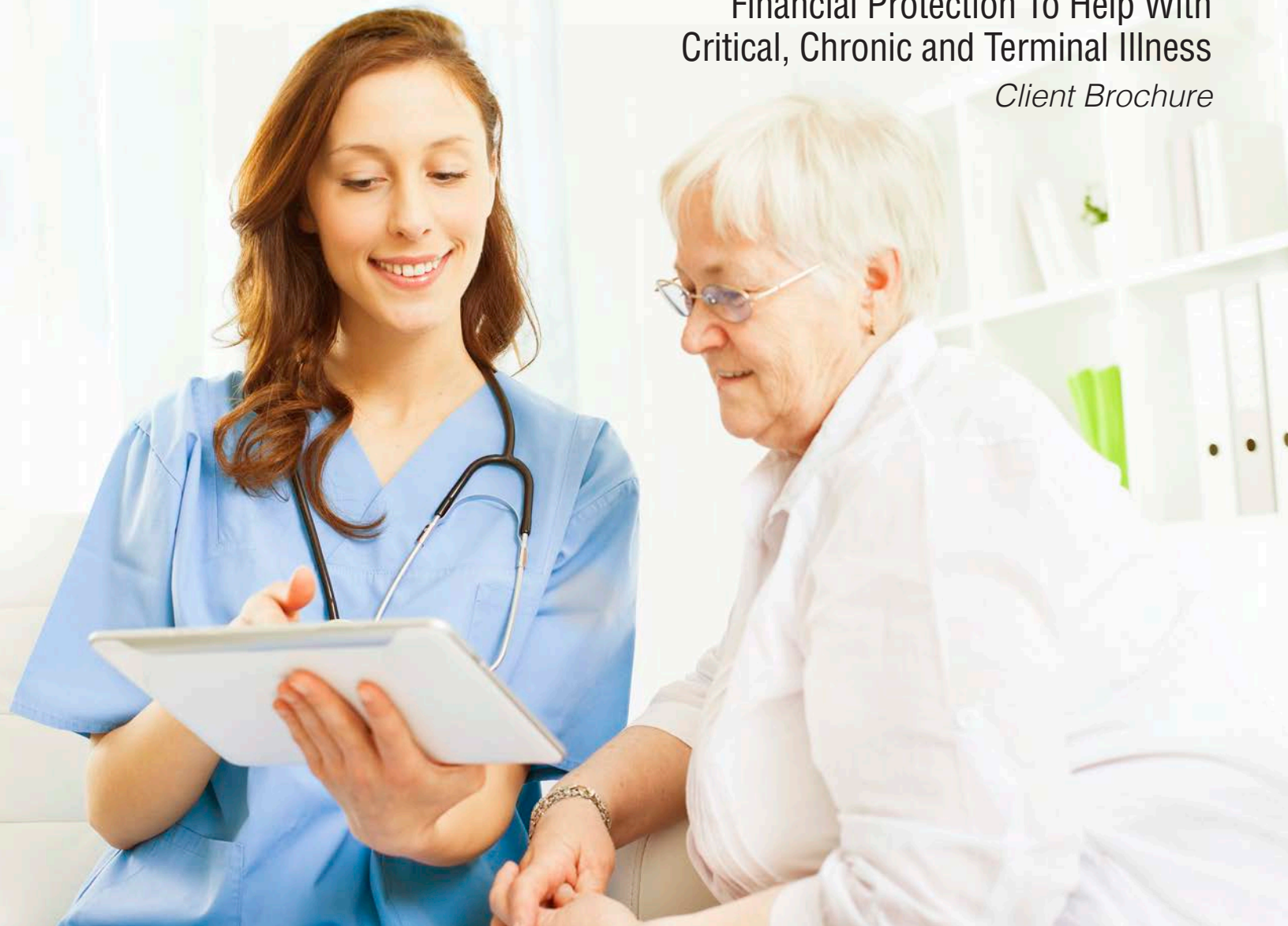


Accelerated Death Benefit Endorsements

Financial Protection To Help With
Critical, Chronic and Terminal Illness

Client Brochure



Life

This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy does not provide long-term care insurance subject to California long-term care insurance law. This policy is not a California Partnership for Long-Term Care program policy. This policy is not a Medicare supplement policy.

Coverage for your life.

As common as they seem to be, illnesses wreak havoc on the lives of Americans every day – disrupting both family life and financial plans. A life-changing ordeal, illnesses can often cause financial disruption— from paying medical expenses to covering child care and the mortgage.

However, there is a way to help protect your financial stability. Life insurance provides a death benefit to beneficiaries when the insured passes away. But, what kind of protection do you have while alive? North American offers an accelerated death benefit feature on many of our products.

How it works

Accelerated death benefits attached to a life insurance policy allow the policyowner to accelerate a portion of the death benefit, in order to use the benefit while still living. The acceleration of the death benefit pays an unrestricted cash benefit when the insured meets the criteria for benefits under the qualifying event as defined in the endorsements. There can be several triggers for this to occur: the insured (the person whose life is covered under the policy) is diagnosed with a critical, chronic or terminal illness. For those who qualify, these benefits are added to your policy with no additional premium. However, there is an administrative fee at time of election. 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. Talk to your life insurance representative for specific details.

Frequently Asked Questions

How do I qualify for an accelerated death benefit?

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

Critical Illness: Specified medical conditions that may qualify for the critical illness benefit include heart attack, cancer, stroke, major organ transplant, and kidney failure. Election of this benefit is required within 12 months of the Occurrence Date of a Specified Medical Condition and there can only be one election made for each occurrence of a specified medical condition.

Note: The proposed insured must be covered under an individual, group health insurance policy, health maintenance organization, or employer plan providing essential benefits in order to be eligible to have the Accelerated Death Benefit Endorsement for Critical Illness attached to their policy.

Did you know?

As a nation, 86% of our health care dollars goes to treatment of chronic diseases.¹

1. Center for Disease Control. Retrieved June 21, 2018, from <http://www.cdc.gov/chronicdisease/index.htm>

Did you know?

50.4% of nursing home residents have Alzheimer's Disease.²

Chronic Illness: Chronically ill means the insured has been certified through a written certification by a licensed health care practitioner within the prior 12 months as:

1. Expected to be permanently unable to perform, for at least 90 consecutive days, without substantial assistance from another person, at least two activities of daily living; or
2. Requiring substantial supervision by another person, to protect oneself from threats to health and safety due to severe cognitive impairment.

Activities of daily living include: bathing, continence, dressing, eating, toileting and transferring.

Terminal Illness: One is considered terminally ill if the insured has been certified through a written certification by a physician that the insured has been diagnosed with a medical condition which results in a life span of 24 months or less.

For complete details regarding the definitions and qualifications for each of these benefits, please refer to the endorsement forms or speak with your life insurance representative.

How much of the policy death benefit can be accelerated?

The total amount of death benefit available for acceleration is \$1,000,000 per policy.

Critical Illness: The maximum amount of the death benefit that may be accelerated is 25% of the death benefit at the time of each election or \$50,000, whichever is less. 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), less any amounts needed for debt repayments, regardless of the type of specified medical condition, policy age, gender or underwriting class. The minimum amount at each election is \$2,500.

Chronic Illness: The minimum accelerated death benefit for each claim, except the final election, is the smaller of 5% of the policy death benefit on the initial election date or \$50,000. The maximum accelerated death benefit for each claim is the smaller of 24% of the policy death benefit on the initial election date, or \$240,000. This amount may be smaller for a final election.*

Terminal Illness: The minimum accelerated death benefit amount that can be accelerated is 10% of the death benefit or \$100,000, whichever is less on the election date. The maximum accelerated death benefit is the smaller of 75% of the policy death benefit on the election date or \$750,000. Only one election can be made for terminal illness.*

Did you know?

In 2016 117 million Americans – had at least one chronic illness. One in four has two or more.²

*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. The accelerated death benefit may be limited when policy changes are made. Refer to the policy endorsements or speak with your life insurance representative.

2. Centers for Disease Control and Prevention. June 21, 2018, from <http://www.cdc.gov/chronicdisease/overview/index.htm>

Did you know?

Illnesses like heart disease, stroke, cancer, and diabetes are among the leading causes of death and disability in the United States, with as many as 7 out of 10 deaths resulting from chronic illness.²

What affect does acceleration of the death benefit have on the life insurance policy?

The death benefit of the life insurance policy will be reduced by the full amount that is accelerated, prior to the discount. The account value, cash value, and loan balance will be reduced by the same proportion as the death benefit. Please note that if the policy has policy debt (i.e., loans against the policy), policy debt must be reduced in the same proportion to the amount of death benefit accelerated. So a portion of the accelerated death benefit payment will be used to pay down policy debt. 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.

During a critical illness or chronic illness election period, the policyowner may not increase or decrease the specified death benefit amount or change the death benefit option, or take withdrawals; however, loans are available.

Chronic Illness Final Election — The final election occurs if all eligible death benefit minus the residual death benefit is accelerated. The residual death benefit is the greater of 5% of the death benefit on the initial election date or \$10,000. At the time of a final election, the benefit payment must first be applied to pay off any outstanding policy debt and loans are no longer available. All riders and endorsements, except this endorsement, attached to the policy will terminate, however, the Accidental Death Benefit, if any, will not be affected by the acceleration of death benefits under this endorsement.

Terminal Illness — After a terminal illness election, the policyowner is allowed to increase or decrease the specified death benefit amount or change the death benefit option and take withdrawals and/or loans.

How much does the accelerated death benefit cost?

There is no additional premium at issue for the accelerated death benefit endorsements. There is an administrative fee for each chronic illness benefit and the terminal illness benefit at time of election. There is no administrative fee for the election of the critical illness benefit. Also, the actual payment you receive in connection with any acceleration will be discounted and is lower than the death benefit amount accelerated.

2. Centers for Disease Control and Prevention. June 21, 2018, from <http://www.cdc.gov/chronicdisease/overview/index.htm>

Is it possible to qualify for a life insurance policy, but not the accelerated death benefit feature?

Yes. There are specific qualifications that must be met to receive the critical illness or chronic illness accelerated death benefit endorsements. However, if you qualify for life insurance coverage, then the terminal illness accelerated death benefit endorsement will be issued with the policy. Ask your life insurance representative to help determine which benefit availability in your case.

Can the endorsement be added after the policy is issued?

No. The accelerated death benefit endorsements are available only at the time of policy issue and are included on all eligible policies, subject to eligibility requirements.

Is this feature available on all North American life insurance policies?

No. Terminal illness coverage is available on all current North American policies. The critical illness and chronic illness benefit are not available on term products. Ask your life insurance representative to help determine which option is available in your case.





Is there a waiting period to get the endorsements?

There is no waiting period after you elect to accelerate the death benefit, as long as a licensed health care practitioner or physician certifies that the insured meets the qualifications for the benefit as defined in the endorsement.

Are there tax consequences?

Since the accelerated benefits are life insurance proceeds, they are generally tax-free, however there are circumstances that can make them taxable. Payment of accelerated death benefits paid under these endorsements by North American Company for Life and Health Insurance are intended to receive favorable tax treatment under section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)). Accelerated death benefit payments are subject to limits imposed by the federal government and any amounts received in excess of these limits are includible in gross income. You should seek assistance from a qualified tax adviser for assistance with any questions you may have. North American does not give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor.

Is the chronic illness endorsement the same as long-term care insurance?

No. The accelerated death benefit endorsement for chronic provide a portion of the life insurance policy's death benefit in advance, so the ultimate policy death benefit paid to the beneficiary is reduced. The acceleration of the death benefit pays an unrestricted cash benefit when the insured meets the criteria for benefits under the qualifying event as defined in the endorsements. Since you are accessing your death benefit before your death, the amount of the benefit accelerated will be more than the payout amount received.

Traditional long-term care insurance can be a stand-alone policy or optional rider with its own premiums. It provides long-term services and support by reimbursing policyholders for costs related to their illness both at home and at facilities such as assisted living communities and nursing homes. It can often pay for caregivers, housekeepers, therapists and nurses.

Accelerated death benefit for chronic illness is not long term care insurance and is not intended to replace long term care insurance. For a thorough comparison between accelerated death benefits and long-term care, please reference the *Comparing Accelerated Death Benefit for Chronic Illness and Long-Term Care Insurance* section of this brochure.

Do I have to pay premiums after electing a benefit?

When the chronic illness benefit is elected we waive monthly deductions (i.e., cost of insurance and other fees) after paying an accelerated death benefit for a chronic illness. We waive monthly deductions for the first \$1,000,000 of the policy's death benefit while a chronic illness election is in effect. Monthly deductions will stop being waived when a claim is no longer in effect.

For a critical illness election, monthly deductions will continue as described in your policy and are NOT waived during the election period. You may need to continue making premium payments.

For a terminal illness election, we waive all monthly deductions after paying the benefit to the policyowner.

What happens when the maximum accelerated benefit amount has been paid through the endorsement?

When the maximum accelerated benefit has been paid, the accelerated death benefit endorsement terminates. Termination will not affect accelerated death benefit payments for any qualifying event that occurred while the endorsements were in effect.

Comparing North American’s Accelerated Death Benefits for Chronic Illness and Long-Term Care Insurance

This comparison outlines the differences between chronic illness benefits provided by the Accelerated Death Benefit Endorsement for Chronic Illness that is issued with a life insurance policy by North American Company® and benefits provided by a typical qualified long-term care insurance policy. This overview is intended to help you understand these differences so you and your life insurance agent can determine which may be right for you.

North American’s endorsement is not intended to provide, and never will provide, Long-Term Care (LTC) insurance and should not be used to replace Long-Term Care insurance.

	North American’s Accelerated Death Benefit Endorsement for Chronic Illness	Typical Qualified LTC Insurance Policy (Not Provided in Connection with Life Insurance)
Description of Benefits	<p>North American’s endorsement advances payment of a portion of the Policy Death Benefit if the insured becomes chronically ill (as defined in the tax law) and satisfies other qualifying conditions. The Accelerated Death Benefit Payment is paid in a lump sum or periodic payments, as chosen by the policyowner, for the 12 month period of the insured’s chronic illness. The Accelerated Death Benefit Payment will be less than the portion of the Policy Death Benefit that is accelerated (i.e., the Accelerated Death Benefit) due to the imposition of an actuarial discount and administrative fee.</p>	<p>The typical qualified LTC policy (as defined in section 7702B of the Internal Revenue Code) provides LTC benefits upon the insured’s chronic illness. Most qualified LTC policies are designed to pay or reimburse only qualified LTC services.³ Also, such policies generally pay LTC Benefits only if the insured is confined in certain types of facilities (such as a nursing home or assisted living facility) or is receiving home care from providers that satisfy criteria set forth in the policies.</p>
Qualifying Conditions for Benefit Payment	<p>A Licensed Health Care Practitioner (as defined in the tax law) must certify that:</p> <p>(1) The insured is expected to be permanently unable to perform for at least 90 consecutive days, without Substantial Assistance⁴ from another person, at least two Activities of Daily Living⁵ (ADLs); OR</p> <p>(2) The insured requires Substantial Supervision⁶ by another person to protect oneself from threats to health and safety due to Severe Cognitive Impairment.⁷</p>	<p>The qualifying event for receipt of benefits under typical qualified LTC insurance policies is similar to that described for the Accelerated Death Benefit Endorsement. Such policies usually do not require the condition to be permanent. However, they typically provide benefits only to the extent of expenses actually incurred for qualified LTC services. Also, benefits generally are available only if the insured is confined to certain facilities or receiving home care from providers that satisfy criteria set forth in the policies. It is necessary for the policy owner to submit proof with respect to these costs. (Some qualified LTC policies pay an indemnity benefit that does not reimburse specified costs for qualified LTC services, but such policies are less common and generally more costly.)</p>

	North American's Accelerated Death Benefit Endorsement for Chronic Illness	Typical Qualified LTC Insurance Policy (Not Provided in Connection with Life Insurance)
Underwriting	North American Company will only issue the life insurance policy based on an acceptable underwriting record with respect to the insured's health. Also, the Chronic Illness Supplemental Application Form relating to coverage of chronic illness will be required to assist in determining eligibility for this benefit at the time of the application for life insurance.	The insured's health is underwritten specifically for factors that might affect LTC need. Results can affect premiums or cause the insurer to decline to issue the coverage.
Amount of Benefits	The maximum Accelerated Death Benefit for each claim (based on a certification of chronic illness) is the smaller of 24% of the Policy Death Benefit on the Initial Election Date or \$240,000. The Accelerated Death Benefit Payment is the present value of the Accelerated Death Benefit (i.e., Policy Death Benefit that is being accelerated). An actuarial discount based on mortality, interest and other factors will be applied, so that the amount of the Accelerated Death Benefit Payment will be less than the reduction in Policy Death Benefit resulting from such payment. The maximum Accelerated Death Benefit that can be requested is \$1,000,000.	Under typical qualified LTC policies, a daily maximum benefit amount and maximum lifetime benefit for coverage may be selected at the issuance of the policy, and the policy is priced accordingly. For example: a policy may provide a daily benefit of \$150/day for 36 months. Prospective policy owners must be offered an inflation protection option for a separate charge that, if selected, increases daily and lifetime benefit maximums to keep up with increases in the cost of care.
Elimination Period	A claim may be filed after 90 consecutive days have elapsed from the date on which the insured was certified as chronically ill and otherwise satisfied the Qualifying Event criteria set forth in the endorsement.	Qualified LTC policies vary with respect to whether they impose an elimination period requirement. An elimination period or "waiting period" is the period of time you must wait before receiving benefits after you qualify for care and otherwise are eligible to receive benefits. Elimination period options are generally 0, 30, 90 or 100 days. For policies that include elimination periods, expenses incurred during the elimination period are not reimbursable.

	North American’s Accelerated Death Benefit Endorsement for Chronic Illness	Typical Qualified LTC Insurance Policy (Not Provided in Connection with Life Insurance)
Cost	<p>There is no additional premium to have the endorsement available on your life insurance policy. If you choose to elect an Accelerated Death Benefit, an administrative fee will apply when the Accelerated Death Benefit Payment is made. Also, the actual benefit payment received in connection with any acceleration (i.e., the Accelerated Death Benefit Payment) will be reduced by an actuarial discount and thus will be lower than the amount by which the Policy Death Benefit is reduced.</p>	<p>Premiums vary widely based on the daily maximum benefit, maximum benefit coverage period, inflation protection, or other options.</p>
Taxation of Benefits	<p>Under Section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)), accelerated benefits due to an insured’s chronic illness generally are excludable from income for federal tax purposes, and thus such benefits generally are not subject to income tax.⁸ This favorable income tax treatment applies only to the extent of the tax law’s “per diem limitation,” which typically equals an inflation-indexed amount published by the IRS each year. The endorsement provides Accelerated Death Benefit Payments that generally are intended to receive favorable tax treatment to the extent of the per diem limitation under Section 101(g). Certain exceptions apply, however, where this favorable treatment does not apply (e.g., in the case of certain policies purchased in a business context or where a policy has been sold).</p>	<p>Where a qualified LTC policy reimburses expenses incurred for qualified LTC services, benefits usually will be excludable from income under Section 104(a)(3) of the Internal Revenue Code (26 U.S.C. Sec. 104(a)(3)). Where a policy provides indemnity benefits (i.e., that do not reimburse specific expenses), benefits generally are excludable from income to the extent of the per diem limitation.</p>

	North American’s Accelerated Death Benefit Endorsement for Chronic Illness	Typical Qualified LTC Insurance Policy (Not Provided in Connection with Life Insurance)
<p style="text-align: center;">Effect on Death Benefit and Other Policy Values</p>	<p>The Policy Death Benefit is reduced by the Accelerated Death Benefit that is requested. Since the death benefit is being paid early, the portion of the Policy Death Benefit that is accelerated will be discounted and reduced, so that the Accelerated Death Benefit Payment paid will be less than the reduction in the Policy Death Benefit that occurs due to such payment. The Policy’s cash value and loan balance will be reduced on a pro rata basis (based on the percentage reduction in the Policy Death Benefit). If the Policy remains in force, any remaining Policy Death Benefit that is not accelerated will be paid to the beneficiary upon due proof of death of the insured. For example, if a Final Election of an Accelerated Death Benefit under the endorsement occurs, a residual Death Benefit will be paid to the beneficiary in a lump sum upon due proof of death of the insured.</p>	<p>Qualified LTC policies usually have no death benefit or cash value. For an additional premium charge, some policies provide a return of premium benefit upon the insured’s death (and in rare cases upon policy surrender).</p>

3. Qualified Long-Term Care Services are defined by the IRS as: necessary diagnostic, preventative, therapeutic, curing, treating, mitigating, rehabilitative services and maintenance and personal care services required by a chronically ill individual and provided pursuant to a plan of care prescribed by a licensed health care practitioner. Source: Internal Revenue Code § 7702B(c)(1).

4. Substantial Assistance – means hands-on assistance and standby assistance. Hands-on assistance means the physical assistance of another person without which the individual would be unable to perform the ADL. Standby assistance means the presence of another person within arm's reach of the individual that is necessary to prevent, by physical intervention, injury to the individual while the individual is performing the ADL (such as being ready to catch the individual if the individual falls while getting into or out of the bathtub or shower as part of bathing, or being ready to remove food from the individual's throat if the individual chokes while eating).

5. Activities of Daily Living – are the following basic human functional abilities which measure the Insured's ability to live independently without Substantial Assistance from another person: Eating, Bathing, Contenance, Dressing, Toileting, and Transferring.

6. Substantial Supervision – means continual supervision (which may include cuing by verbal prompting, gestures, or other demonstrations) by another person that is necessary to protect the Severely Cognitively Impaired individual from threats to his or her health or safety (such as may result from wandering).

7. Severe Cognitive Impairment – means a loss or deterioration in intellectual capacity that is (a) comparable to (and includes) Alzheimer's disease and similar forms of irreversible dementia, and (b) measured by clinical evidence and standardized tests that reliably measure impairment in the individual's short-term or long-term memory, orientation as to people, places, or time, and deductive or abstract reasoning.

8. NEITHER NORTH AMERICAN COMPANY NOR ITS AGENTS GIVE TAX ADVICE. Any statements relating to taxes contained herein cannot be relied upon for any purpose, including for avoiding penalties under the Internal Revenue Code.

Prior to electing to buy the Accelerated Death Benefit, you should seek assistance from a qualified tax adviser. Receipt of Accelerated Death Benefits may affect eligibility for public assistance programs, such as Medi-Cal or Medicaid. Prior to electing to buy an Accelerated Death Benefit, you should consult with the appropriate social services agency concerning how receipt of Accelerated Death Benefits may affect that eligibility.

The Accelerated Death Benefit Endorsement for Critical Illness (Form LR498, CA only); The Accelerated Death Benefit Endorsement for Chronic Illness (Form LR492, CA only); Accelerated Death Benefit Endorsement for Terminal Illness (form series LR464, LR466 & LR488) are issued by North American Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD. 57193

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

AN ACCELERATED DEATH BENEFIT FOR CRITICAL ILLNESS IS NOT HEALTH INSURANCE NOR IS IT INTENDED TO REPLACE HEALTH INSURANCE.



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