



# Now Available in CA: Accelerated Death Benefit Endorsement for Chronic Illness

Effective 1/6/15

North American Company is pleased to announce that the Accelerated Death Benefit Endorsement for Chronic Illness is now available in the state of California.

Applications dated on/after January 6, 2015 are eligible to receive this new endorsement. Note: See Supplement to Life Application Form L-3212 section below.

## **About the Chronic Illness Endorsement**

North American Company's endorsement advances payment of a portion of the Policy Death Benefit if the insured becomes chronically ill.

- Up to 24% of the Death Benefit or \$240,000 may be accelerated on an annual basis, with a per policy maximum benefit of \$1,000,000.
- The benefit is paid out upon qualification and the payment is an indemnity rather than a reimbursement. So it is not limited by actual costs incurred.
- North American Company waives monthly deductions during the chronic illness period and funds may be used for any purpose. After 50% or more of the death benefit has been accelerated, we permanently suspend lapse checking.
- The Accelerated Death Benefit Payment will be less than the portion of the Policy Death Benefit that is accelerated due to use of an actuarial discount and an administrative fee.

## **Chronic Illness Definition**

To qualify as chronically ill, a Licensed Health Care Practitioner must provide written certification that within the prior 12 months the insured is chronically ill. The insured is considered chronically ill if he/she:

- Is expected to be permanently unable to perform, for at least 90 consecutive days, at least two Activities of Daily Living (ADLs) without significant assistance, or suffers a Severe Cognitive Impairment. The ADLs include bathing, continence, dressing, eating, toileting or transferring.

— or —

- Suffers a Severe Cognitive Impairment, such that the insured requires substantial supervision by another person to protect him or herself from threats to health and safety due to a severe cognitive impairment.



### **Availability**

The endorsement is available with the following products:

- Custom Guarantee<sup>®</sup> UL
- Guarantee Builder IUL<sup>®</sup>
- Builder IUL<sup>®</sup>
- Survivorship GIUL

### **Supplemental Application (Form L-3212)**

The Supplement to Life Application will be used to determine eligibility for the chronic illness endorsement. This form is required to be completed, signed and submitted with the General Purpose application. In addition to medical questions, the supplemental application contains a question regarding replacement of long term care insurance.

### **Replacements**

When purchasing a life insurance policy with accelerated death benefits for chronic illness, clients may want to replace an existing policy. We will not be accepting replacements of certain products in California. We will NOT accept replacements for the following.

- Life Insurance policy with Accelerated Death Benefits for Chronic Illness
- Life Insurance policy with long term care rider that provides long term care services
- Stand-Alone Long Term Care policy
- Long Term Care Partnership Insurance Policy
- Hybrid Policy that includes both a life insurance benefit and long term benefit where the long term care benefit is not optional

If the policy is an internal replacement and the policy has a chronic illness endorsement, the client would need to request the chronic illness endorsement be removed from the old policy before applying for a new policy that has the chronic illness accelerated benefit.

**Concerning Long-Term Care Insurance:** North American's accelerated death benefit endorsements are not intended to provide, and do not provide, the same benefits for services as long term care insurance. They are not long term care insurance, are not intended to replace long term care insurance, and do not eliminate the need for long term care coverage. If the L-3212 Supplemental Application received indicates a replacement for long-term care insurance is intended, then the application will be considered "not in good order."

### **Accelerated Death Benefit Summary and Disclosure Statement (Form L-3199CAL)**

This disclosure form is required to be provided to the applicant at time of application. A second copy is required to be signed by both the applicant and agent and submitted with the application.



### **Required Consumer Brochure (Form NAM-3013)**

Agents offering, marketing, or selling accelerated death benefits in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California (Form NAM-3013) that includes this comparison.

### **In-house Applications**

Applications currently pending may add the endorsement with completion of the following forms:

- A newly completed General Purpose application
- Supplement to Life Application
- The above Accelerated Death Benefit Summary and Disclosure Statement Form
- Other applicable forms

### **Inforce Policies**

North American Company will not add this endorsement to any inforce policies. However, when a policy is terminated that previously had the endorsement, we will reinstate the endorsement upon approval of the policy reinstatement.

### **Term Conversions**

This Endorsement is available at the time of conversion. Submit the L-3212 Supplement to Life Application and a signed copy of the Accelerated Death Benefit Disclosure Form along with the Policy Change form.

### **Guaranteed Exchange Privilege (Custom Guarantee<sup>®</sup> UL)**

If the policyowner did not previously have the Accelerated Death Benefit Endorsement — Chronic Illness on their Custom Guarantee policy, they must complete, sign and submit the following documents to apply for this benefit when performing an exchange under the Guaranteed Exchange Privilege:

- Traditional application for the product
- Supplement to Life Application (Form L-3212)
- Accelerated Death Benefit Summary and Disclosure Statement (Form L-3199CAL)

### **Backdating**

A policy can never be dated before the approval date of the product for the state of issue. Policies may be backdated up to November 26, 2014 and still receive the endorsement.

### **Death Benefit Option Changes and Increases**

If a policy has this Endorsement and the policyowner requests an increase in the Specified Amount or a change from a Level Death Benefit Option to an Increasing Death Benefit Option, the Supplement to Life Application and a signed copy of the Accelerated Death Benefit Disclosure Form will be required to be submitted, along with the Policy Change Application. If



evidence of insurability for the Endorsement on the increased portion of the death benefit is declined, your client will be required to sign an amendment.

### **SimpleSubmit<sup>SM</sup> Electronic Applications**

Custom Guarantee UL will not be available on Simple Submit in the state of California. Traditional paper applications will be accepted. We will strive make this product available on the Simple Submit process and will advise the field when we have more information.

### **Illustration Software**

A NACIS software update will be available on or around January 6, 2014.

### **Marketing Materials**

Agents marketing or selling accelerated death benefits for chronic illness in California are required to describe the differences between benefits provided under an accelerated death benefit and benefits provided under long-term care insurance. Please be sure to provide your clients with the Accelerated Death Benefit consumer brochure that includes information on these differences.

Payment of Accelerated Death Benefits for chronic illness paid under this Endorsement is intended for favorable tax treatment under Section 101(g) of the Internal Revenue Code. Accelerated death benefit payments due to chronic illness are subject to limits imposed by the federal government and any amounts received in excess of these limits are includible in gross income. Clients should seek assistance from a qualified tax adviser for assistance with any questions they may have.

New and updated marketing materials include:

- Accelerated Death Benefit consumer brochure (NAM-3013)
- Accelerated Death Benefit marketing guide (NAM-2146)
- Consumer brochures and marketing guides for universal life and indexed universal life products

**For more information, contact Sales Support at 800-800-3656 ext. 10411 or [salesupport@nacolah.com](mailto:salesupport@nacolah.com).**

Custom Guarantee (policy form series LS170), Guarantee Builder IUL (policy form series LS175), Builder IUL (policy form series LS172), Survivorship GIUL (policy form series LS171), and the Accelerated Death Benefit for Chronic Illness (form number LR492 used in CA only) are issued by North American Company for Life and Health Insurance, Administrative Office, Sioux Falls, SD 57193. Products, features, issue ages, endorsements or riders may not be available in all jurisdictions. Limitations or restrictions may apply.