



National Life
Group®

Accelerated Benefits Riders

TERMINAL ILLNESS, CHRONIC ILLNESS, ALZHEIMER'S DISEASE,
CRITICAL ILLNESS, OR CRITICAL INJURY

Product Guide

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Introduction

Life Insurance is a powerful financial tool that can be used to meet many needs. Most importantly, life insurance is used to provide a death benefit to help secure the financial security of your client's family or business at death. Accelerated Benefits Riders are intended to be marketed as a supplemental benefit. Using these benefits reduces the amount of death benefit available under the policy. Receipt of benefits is based on a completed application for benefits and documentation of the Terminal Illness, Chronic Illness, Critical Illness, or the Critical Injury that support the requirements for the benefits set forth in the rider.

We address more than just the concern of dying too soon. What about the risk of becoming ill or sustaining a critical injury? To help address these, our policies offer Accelerated Benefits Riders.

These riders provide the option of receiving a portion of the policy death benefit on a discounted basis, while the insured is still living.

Accelerated Benefits Riders

- Terminal Illness
- Chronic Illness
- Critical Illness or Critical Injury
- Alzheimer's Disease

Living Benefits:

Our living benefits story strengthens your business with the ability to help provide your clients with protection from the costs associated with a serious illness or injury.



Simple solutions for life, whether you die too soon,
become ill or live too long.

Quick Reference

Additional Premium Required	No.
Additional Underwriting	We underwrite Chronic Illness, Critical Illness, Critical Injury, and Alzheimer's Disease riders when added to the policy. This is typically at issue for individual life contracts and after the first death for survivorship policies.
Restrictions on Use of Benefit	No. With the exception of MA. ¹
Illness or Injury Covered	Terminal Illness, Chronic Illness, Critical Illness, Critical Injury, Alzheimer's Disease, and Lewy Body Dementia.
Qualifications	<p>Terminal Illness: 24 month life expectancy (12 months in CT, PA, and VT for LSW) (12 months in CT, NY, and PA for NL)</p> <p>Chronic: Unable to perform 2 out of 6 Activities of Daily Living, or cognitive impairment.</p> <p>Alzheimer's Disease: A qualifying diagnosis of Alzheimer's disease or Lewy Body Dementia.</p> <p>Enhanced Critical Illness 2015: ALS (Lou Gehrig's disease), Aorta Graft Surgery, Aplastic Anemia, Blindness, Cancer, Cystic Fibrosis, End Stage Renal Failure, Heart Attack, Heart Valve Replacement, Major Organ Transplant, Motor Neuron Disease, Stroke, Sudden Cardiac Arrest.</p> <p>Critical Illness: ALS (Lou Gehrig's disease), Blindness, Cancer, End Stage Renal Failure, Heart Attack, Major Organ Transplant, Stroke.</p> <p>Critical Injury: Coma, Paralysis, Severe Burns, Traumatic Brain Injury.</p> <p>Covered critical illnesses and covered critical injuries may vary by state.</p>
Activities of Daily Living	Bathing, continence, dressing, eating, toileting, transferring.
Waiting period	<p>Terminal: No waiting period.</p> <p>Chronic: 30-day waiting period.</p> <p>Critical Illness or Injury: Waiting period may vary by state. Typically - policy must be in-force for 30 days.</p> <p>Alzheimer's Disease or Lewy Body Dementia: 30-day waiting period.</p>
Maximum Lifetime Benefit Per Insured	<p>The maximum lifetime benefit may vary by state. Please have your clients consult their personal tax advisor to determine the tax status of any benefits paid.</p> <p>Terminal Illness, Chronic Illness, Alzheimer's Disease, or Lewy Body Dementia: \$1,500,000</p> <p>Critical Illness or Critical Injury: \$1,000,000</p>
Payout	<p>Payout limit is based on a discounted value of the death benefit.</p> <p>Refer to the Exercising Accelerated Benefits Riders section of this guide for information on how discounted value is determined.</p>
Maximum Annual Accelerated Benefit per insured/per calendar year IRS per diem limit	<p>Terminal: No annual limit.</p> <p>Chronic: NL \$138,700 for the current year. / LSW - 2% of net death benefit per month, or 24% annually up to available IRS per diem limit.</p> <p>Critical Illness, Critical Injury, Alzheimer's Disease, or Lewy Body Dementia: No annual limit.</p>
Product and State Availability	Generally, Accelerated Benefits Riders are available on all products. ² All are available in most states. Run illustrations for product and state specifics.
Available on policies in qualified plans	Based on plan type.

Please have your clients consult their personal tax advisor to determine the tax status of any benefits paid.

¹ There are no restrictions on benefit usages with the exception that in the state of Massachusetts, ABR benefits for chronic illness can only be used to pay for expenses incurred for Qualified Long-Term Care services, which are defined as the necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed healthcare practitioner.

² Critical Illness or Critical Injury not available on ART prior to 2018 Term Series.

Accelerated Benefits Riders

The Accelerated Benefits Riders are no-additional-cost riders that can be added to our life insurance policies to help protect the insured from the potential financial devastation if diagnosed with an illness that is terminal, chronic or critical or a critical injury.

These may be added either at, or after issue, except for the Alzheimer's Disease rider, which is not currently available after issue.¹ Adding after issue may be subject to additional underwriting.

Always view the National Life Group Illustration System, or go to www.NationalLife.com, to check for state and product availability.

Using the Accelerated Benefits Riders

The cost of treating Alzheimer's disease or Lewy Body Dementia, chronic, critical, or terminal illness, or critical injury could be financially devastating. Depending on the amount of care needed, a spouse or child may need to work reduced hours – or even stop working altogether – in order to provide care. Benefits from these riders could be used to reimburse them for loss of income.

There is no restriction placed on the use of the benefits received, with the exception of Chronic Illness in Massachusetts. Benefits could be used for anything, such as:

- Making structural changes to a home to accommodate the illness
- Compensating a non-licensed care provider
- Travel, business, or everyday expenses

The amount of Accelerated Benefits available is based on a discounted death benefit amount (not the face value of the policy). The benefit is available up to a maximum lifetime limit, which applies to all policies under a single insured.

An illustration of the discounted death benefit amount given various assumptions can be found through the National Life Illustration System.

Terminal Illness

The Accelerated Benefits Rider for Terminal Illness accelerates the death benefit, on a discounted basis, for a terminal illness.

An insured has a terminal illness if they have been diagnosed and are suffering from a terminal illness that will result in death within 24 months (typically) of certification of the terminal illness by a physician.

There is no waiting period for benefits paid under the Terminal Illness Rider.

Benefit Limits:

We will accelerate the discounted death benefit, not to exceed a maximum amount of \$1,500,000 under all contracts and all riders made over the entire lifetime of the insured.

There is no annual limit and the benefit is received as a lump sum.

¹ Riders cannot be added after issue in the state of New York.

Chronic Illness

The Accelerated Benefits Rider for Chronic Illness accelerates the death benefit, on a discounted basis, for a Chronic Illness.

An insured has a Chronic Illness if they have been certified (within the past 12 months for LSW) by a licensed health care practitioner, as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living for a period of at least 90 consecutive days due to a loss of functional capacity, or if they require substantial supervision to protect oneself from threats to health and safety due to severe cognitive impairment for this same period of time.

The insured does not have to be in a licensed health care facility to receive payment. This is not a reimbursement plan or a disability policy. Once eligibility has been determined, benefit payments are made directly to the policy owner and the policy owner can apply for benefits every 12 months.

NL Chronic Illness

- Policy needs to be in force for 30 days in order to accelerate.
- The benefit can be received as a lump sum if desired (up to the IRS per diem limit)

LSW Chronic Illness Rider

- Rider needs to be in force for 30 days in order to accelerate.
- The discounted death benefit is calculated as 2% of the net death benefit each month or 24% annually, up to the annual limit of \$360,000.

Benefit Limits:

National Life Insurance Company or Life Insurance Company of the Southwest will accelerate the discounted death benefit, not to exceed a maximum amount of \$1,500,000 under all contracts and all riders made over the entire lifetime of the Insured.

The annual IRS per diem limit that can be accelerated is \$138,700 for the current year for NL and 2% of net death benefit per month, or 24% annually up to the available IRS per diem limit for LSW.

Activities of Daily Living (ADLs) – Defined

1. Bathing: Ability to wash oneself on a routine basis by sponge bath or in a tub or shower including getting into and out of a tub or shower.
2. Continence: Ability to maintain control of bowel or bladder function or, when unable to maintain control, the ability to perform associated personal hygiene, including caring for catheter or colostomy bag.
3. Dressing: Putting on or taking off all items of clothing and any necessary braces, fasteners, or artificial limbs.
4. Eating: Feeding oneself from a plate, cup, or table, or by feeding tube or intravenously.
5. Toileting: Getting to and from the toilet, off and on the toilet and performing associated personal hygiene.
6. Transferring: Moving in or out of a bed, chair, or wheelchair.

Substantial supervision means hands-on assistance or stand-by assistance.

Cognitive impairment is defined as deterioration or loss in intellectual capacity measured by clinical evidence and standardized tests which judge the areas of memory, orientation, and reasoning.

Alzheimer's Disease

The Accelerated Benefits Rider for Alzheimer's Disease accelerates the death benefit, on a discounted basis, for a qualifying diagnosis of Alzheimer's Disease or Lewy Body Dementia.

A qualifying diagnosis is needed of Alzheimer's disease or Lewy Body Dementia, determined by a Specialist. In addition, a Specialist needs to provide certification of both:

- A score of less than 20 out of 30 on Mini-Mental State Exam (MMSE), or an equivalent of this score under a widely accepted test of cognitive function.
- Clinical impairment of at least two of the following:
 - Orientation to people, places, or time.
 - Registration (ability to learn and remember new information).
 - Attention and calculation (reasoning and handling of complex tasks).
 - Visuospatial abilities.
 - Language functions.

In determining whether an Insured has experienced a Qualifying Event, National Life Group may consider both the certification and the records of the Insured's medical history, diagnosis, and treatments to ensure that the records support the certification. All other forms of dementia are not covered by this rider but may be covered by the chronic illness rider.

The rider will not be available if the client has a first-degree relative (mother, father, or siblings) with a history of Alzheimer's disease.

Benefit Limits:

We will accelerate the discounted death benefit, not to exceed a maximum amount of \$1,500,000 under all contracts and all riders made over the entire lifetime of the insured.

There is no annual limit and the benefit is received as a lump sum.

Critical Illness

The Accelerated Benefits Rider for Critical Illness accelerates the death benefit, on a discounted basis for a Critical Illness.

An insured qualifies under the Critical Illness for:

- Diagnosis of ALS (Lou Gehrig's disease)
- Aorta Graft Surgery*
- Aplastic Anemia*
- Blindness**
- Cancer***
- Cystic Fibrosis*
- End Stage Renal Failure
- Heart Attack
- Heart Valve Replacement*
- Major Organ Transplant
- Motor Neuron Disease*
- Stroke
- Sudden Cardiac Arrest*

When determining the discounted death benefit, the mortality factor is based on the severity of the Critical Illness.

*Not qualified in NY.

**Not qualified in CT, IL, KS, MD, MA, MN, NJ, NY, OH, PA, UT, VA, WA.

***Invasive Cancer CA only.

No benefit will be paid for a qualifying event that directly results from self-inflicted injury or attempted suicide.

The rider needs to be in force for 30 days prior to the insured experiencing or being diagnosed with the qualifying event in order to accelerate, unless resulting from an accidental injury. Any claim for benefits must be filed within 365 days following a qualifying event.

Benefit Limits:

For Critical Illness we will accelerate, income tax-free, the discounted death benefit, not to exceed a maximum amount of \$1,000,000 under all contracts made over the entire lifetime of the insured.

There is no annual limit.

Critical Injury

The Accelerated Benefits Rider for Critical Injury accelerates the death benefit, on a discounted basis, for a Critical Injury.

An insured qualifies under the Critical Injury rider for:

- Coma
- Paralysis
- Severe burns
- Traumatic brain injury

When determining the discounted death benefit, the mortality factor is based on the severity of the Critical Injury.

No benefit will be paid for a qualifying event that directly results from self-inflicted injury or attempted suicide.

The rider needs to be in force for 30 days prior to the insured experiencing or being diagnosed with the qualifying event in order to accelerate, unless resulting from an accidental injury.

The benefit is received as a lump sum.

Any claim for critical illness or critical injury benefits for a given Qualifying Event must be filed within 365 days following the occurrence of such Qualifying Event.

Benefit Limits:

Critical Injury for National Life Insurance Company or Life Insurance Company of the Southwest, as applicable, will accelerate, income tax-free, the discounted death benefit, not to exceed a maximum amount of \$1,000,000 under all contracts made over the entire lifetime of the insured.

There is no annual limit.

Underwriting

Underwriting for the riders usually happens at the same time the policy is being underwritten. If not added at issue, conversions, or survivorship policies, the riders are underwritten at the time they are added to the policy.

For Survivorship policies, Accelerated Benefits Riders are only available after the first death, subject to underwriting.

Converting Term to Permanent

Conversion of Term policies to Permanent policies is a contractual right. The conversion of any Accelerated Benefits Riders on the Term policy is not a contractual right. Although our current practice is to convert the riders, it is up to the discretion of the company.

Qualifying Under Multiple Riders

If the insured qualifies under more than one rider, the policy owner has the option to choose which one to accelerate.

For instance, if the insured qualifies under Chronic Illness and Terminal Illness riders, the policy owner may want to elect Terminal because it would pay a higher benefit in a lump sum.

For LSW, benefits are not available under Chronic Illness if the insured is eligible for any other Accelerated Benefits Rider.

If the policy owner were to elect Chronic Illness benefits, and a year later the insured were to qualify for Terminal Illness benefits, the policy owner would be able to accelerate the rest of their death benefit up to the maximum lifetime benefit. All previous payments under the Chronic Illness would count towards the Terminal Illness maximum lifetime benefit.

Exercising Accelerated Benefits Riders

Submitting a Claim

The policy owner can submit a claim directly or through the policy owner's NLIC or LSW insurance agent, as applicable.

To report an Accelerated Benefits Rider claim call Customer Relations at **800-732-8939**, or send an email to the claims department at **claims@NationalLife.com**.

Advise the Claims Department of the following:

- Name of insured
- Policy number
- Nature of the illness or injury of the insured
- Onset date of the illness or injury
- Advise which rider: Terminal Illness, Chronic Illness, Critical Illness, Critical Injury, or Alzheimer's Disease

It is important to note that NLIC and LSW reserve the right to have the insured examined by a physician of its choice to affirm the qualifying condition, if necessary.

Once claim forms and medical records are received and an opinion is provided by a Sr. Underwriting Consultant, the claims examiner will determine whether the insured qualifies for the benefits for which the policy owner applied.

In the event of a Critical Illness or Critical Injury, the claims examiner will consult with NLIC's or LSW's Medical Director to categorize the effect of the qualifying event on the insured's future mortality.

Discounting: How the Benefit Payments are Calculated

When a benefit is elected, the actual benefit received is based on a calculation that discounts the death benefit.

The discounting calculation reflects the "Present Value" of the policy's death benefit and remaining premiums owed under the policy.

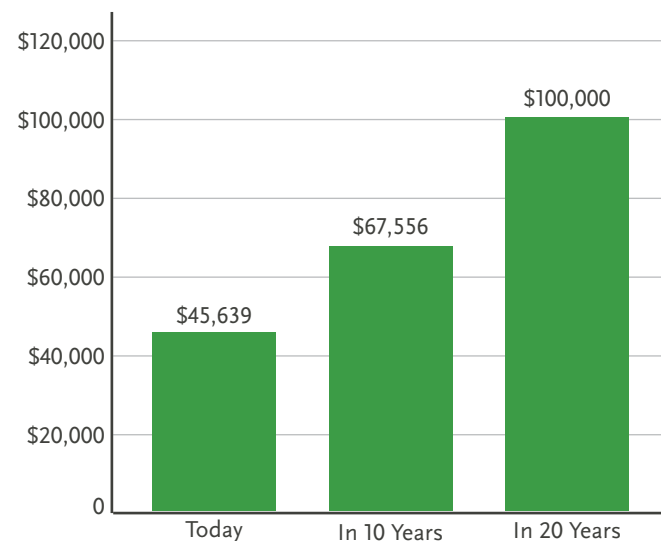
Present Value Concept

How much would you have to invest today to receive \$100,000 at some point in the future? That depends on when the money will be received and the interest rate.

For example, let's look at the present values of \$100,000 received 20 years from now, 10 years from now, or today. These calculations use an interest rate of 4%. The actual interest rate earned on any particular investment will vary:

- If you want to receive \$100,000 in 20 years, you need to invest \$45,639 today assuming a 4% interest rate.
- If you want to receive \$100,000 in 10 years, you need to invest \$67,556 today assuming a 4% interest rate.
- This is known as the present value concept, or the current value of a future sum of money.

Present Value of \$100,000 to be Received



Calculating Benefit Amount

Calculating the benefit amount involves several things including: the death benefit, mortality, premiums, cash value, any loans on the policy and applicable charges.

1. Death Benefit

The first step is to determine the present value of the policy's death benefit. This is similar to the example above which calculated the present value of \$100,000 to be received at some point in the future. However, a death benefit isn't received at a fixed point in the future.

The point at which the death benefit is received depends on the mortality of the insured.

High mortality means the money is likely to be received sooner than later and so it has a higher present value than low mortality. Because mortality generally increases with age, the present value of the death benefit also tends to increase with age.

2. Premiums

The next step is to calculate the remaining premiums that are due on the policy (if any), for company reimbursement on their "present value".

The calculation is different depending on whether the policy is Whole Life, Universal Life or Term.

After finding the future value of required premiums, the benefit amount is calculated, generally as:

3. Subtract the present value of premiums from the present value of the death benefit.

4. An administrative fee is then assessed and subtracted. The fee varies by state.

5. Subtract any loans or debt on the policy.

Calculation Recap

$$\begin{array}{r}
 \text{Present value of death benefit} \\
 - \text{Present value of remaining premiums} \\
 - \text{Fees and loans} \\
 \hline
 \text{Benefit}
 \end{array}$$

Life Expectancy vs. Present Value of Death Benefit

The higher the mortality, the higher the present value of the death benefit will be. This is why terminal illness has the highest benefit amount.

Premiums Paid vs. Present Value of Required Premiums

On flexible premium products, the more well-funded a policy is, the less premiums will be due in the future, which will result in a higher payout.

When illustrating term products, the projected ABR benefits later in, or after, the level term period can be lower than the benefits projected earlier in the level term period. This is an outcome of the present value calculations. The present value of the future premiums gets larger relative to the present value of the death benefit because of the increasing post-level term premiums. Therefore, the projected accelerated benefits go down.

Another note on term ABR projections: For critical illness and injury benefit projections, minor illness or injury projections are often very low or 0. This is because the life expectancy impact of this severity level is slight. In the discounting process, this small mortality change contributes to low projected benefits.

Full Acceleration — What Happens To My Policy?

If a full, lump sum benefit is elected; the death benefit will be fully accelerated, the discounted death benefit will be paid to the policy owner, and the policy will terminate.

Partial Accelerations

All Accelerated Benefits Riders are eligible for partial acceleration.

A partial acceleration is an option for a policy owner who wants to receive part of their benefit while still maintaining a death benefit.

If a partial acceleration is requested, it will follow the same guideline as a full acceleration with some differences. The partial percentage of the full amount requested will be reduced from the original death benefit, as well as the discounted benefit.

For instance, assume the policy has a \$500,000 death benefit. The policy owner needs to accelerate their death benefit to pay for medical bills, but only wants to accelerate half and still maintain a death benefit.

To illustrate this concept, assume after the discounting calculation, the full benefit is \$400,000. The policy owner would receive 50% of that, or \$200,000.

The policy death benefit would also be reduced by 50%, or \$250,000.

The policy owner would receive a \$200,000 benefit, and a \$250,000 death benefit would still be available under the policy.

Examples

Full Acceleration – Terminal Illness, Critical Illness, Alzheimer’s Disease, and Critical Injury

Death Benefit:	\$500,000
Benefit after Discounting:	\$400,000
Payment to client is:	\$400,000

Lump Sum – Policy Terminates

Partial Acceleration – Terminal Illness, Critical Illness, Alzheimer’s Disease, and Critical Injury

Death Benefit:	\$500,000
Client wants to accelerate:	50%
Full Benefit after Discounting:	\$400,000
Benefit Received for 50% Acceleration:	\$200,000
Policy Reduced by 50% of original policy value:	\$250,000

Remaining Death Benefit: \$250,000

Partial Acceleration – Chronic

Death Benefit:	\$500,000
Gross Death Benefit at 24% partial acceleration: (\$500,000 x .24)	\$120,000
Discounted Value of \$120,000 of the Death Benefit:	\$96,000
Benefit Payment:	\$96,000

Remaining Death Benefit: \$380,000 (\$500,000 – \$120,000)

Accelerated Benefits Riders Product Availability

For second-to-die policies all Accelerated Benefits Riders are not available until after the first death, subject to underwriting and state availability.

There are state special limitations on the availability of all riders depending on the amount of coverage the insured has on existing policies with us. Please contact the home office for details.

Check rider availability for each product you are considering through the National Life Group Illustration System or online at www.NationalLife.com

For BasicSecure NL, FlexLife NL and TotalSecure NL, New York has a minimum face amount requirement of \$100,000 to allow ABR-Chronic II.

	Terminal	Chronic	Chronic for NY	Critical	Alzheimer's Disease
BasicSecure	✓	✓	✓	✓	✓
BasicSecure NL	✓	✓	✓	✓	✓
FlexLife NL	✓	✓	✓	✓	✓
FlexLife	✓	✓	No	✓	✓
PeakLife NL	✓	✓	✓	✓	✓
SummitLife	✓	✓	✓	✓	✓
NL Term	✓	✓	✓	✓	✓
LSW Term	✓	✓	No	✓	✓
TotalSecure	✓	✓	No	✓	✓
TotalSecure NL	✓	✓	✓	✓	✓



Life Changes. Protect It.

For more information on our Accelerated Benefits Riders:

Call the National Life Sales Desk: 1-800-906-3310

Visit us on NLGroup U at www.NationalLife.com

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.