

# Frequently Asked Questions

## How much do these riders cost?

The Accelerated Benefit Riders are offered for no additional premium; however, the accelerated benefit is reduced by an amount calculated based on American National's evaluation of the insured's future expected mortality at the time the benefit is exercised as well as an administrative fee of up to \$500 assessed when the benefits are elected.

## What factors affect the amount of the actuarial discount?

The following factors will affect the amount of the actuarial discount relative to the eligible death benefit.

- **Accelerated Benefit Interest Rate:** The greater the interest rate, the larger the actuarial discount will be. The accelerated benefit interest rate is determined by American National subject to a maximum value defined in the riders.
- **Severity of the Qualifying Medical Condition:** The severity of the qualifying medical condition will determine the mortality table used by us to determine the actuarial discount. The terminal illness version will use a standard mortality table for terminally ill insureds, determined by us, in computing the actuarial discount. The chronic and critical illness versions will use a custom mortality table, determined by us, based on our evaluation of the qualifying insured's specific health condition. In general, the terminal illness version is expected to result in the smallest actuarial discount. Qualifying medical conditions with higher future expected mortality rates will result in smaller actuarial discounts than conditions with lower future expected mortality rates. It is possible that minor qualifying conditions will result in an accelerated benefit amount that is equal to or only slightly greater than the cash value associated with the eligible death benefit.
- **Future Premiums:** The greater the premium required to keep the eligible death benefit in force, the greater the actuarial discount will be.
- **Future Anticipated Dividends:** The actuarial discount will be decreased by the present value of future anticipated dividends, if any, for your policy.
- **Cash Value Associated with Eligible Death Benefit:** In general, larger cash values will result in smaller actuarial discounts as larger cash values are correlated with lower future premium requirements. In addition, the cash value associated with the eligible death benefit determines the minimum benefit amount payable.
- **Type of Life Insurance Accelerated:** In most cases, the actuarial discount will be much larger on term coverage than on permanent coverage.

## Are there any benefit limitations?

Yes. Accelerated benefits will not be paid for conditions resulting from self-inflicted injury or attempted suicide. Accelerated benefits will not be paid for qualifying events that occur prior to the issue date.



## What are the procedures for making a claim?

### Reporting:

You must provide notice and written proof that a covered insured has suffered a qualifying medical condition (this must be done within 365 days of the qualifying event for the Accelerated Benefit Rider for Critical Illness) along with records of the insured's medical history, diagnoses, and treatments. In your request, you will tell us what percentage of the policy you wish to accelerate. In the event of multiple partial accelerations, proof of qualification must be provided at each claim.

### Offer:

If we determine that benefits are payable, we will provide you with an accelerated benefit election form which will include an offer for an accelerated benefit payment based upon your request.

### Election:

You will have fifteen days following the receipt of the accelerated benefit election form to accept our offer of an accelerated benefit payment. You will be under no obligation to accept this offer.

## What happens if the insured dies before the owner receives the accelerated benefit amount?

If the insured dies after reporting the claim, but before you receive the accelerated benefit amount, then we will rescind the offer to pay an accelerated death benefit and pay the death benefit pursuant to the terms of the policy.

## May I accelerate only a portion of the eligible death benefit?

Yes. You may accelerate whatever percentage of the policy you choose, subject to the maximum total death benefit available for acceleration. There is no minimum amount to accelerate and you may take multiple partial accelerations. Although proof of qualification must be provided at each time of claim, recertification is not necessary should you elect installment payments. The policies are also eligible for full acceleration.

## Is the check made out to me or does it need to be payable to the medical provider?

The check is made out to the policy owner and can be used for any purpose you choose. It's your money to spend how you want.

## What are the tax consequences if I receive payment under these riders?

The receipt of an accelerated benefit payment may be a taxable event. The tax law pertaining to accelerated benefits can be complicated. You should consult your tax advisor regarding the tax status of any benefits paid under these riders. The qualifying conditions for the terminal and chronic illness riders were designed to comply with the Internal Revenue Code requirements for favorable tax treatment under §101(g).

Generally, the accelerated death benefit may be treated like a regular life insurance death benefit. The amount of an accelerated benefit payment due to chronic illness that may receive favorable tax treatment is limited by IRS Section 7702B (Treatment of Qualified Long-Term Care Insurance). You should consult with your tax advisor to determine how these limits apply to your situation. We cannot manage these benefit limits for you.

Accelerated benefit payments under the Accelerated Benefit Rider for Critical Illness may receive favorable tax treatment under Internal Revenue Code Section 105(b) and 105(c). Consult your tax advisor to determine the applicability to your individual situation.

## If I have the Accelerated Benefit Riders, do I need long term care insurance?

The Accelerated Benefit Riders are not a long term care policy. Everyone's financial situation and needs will be different. If you elect an accelerated benefit, your life insurance policy will decrease or terminate.

## Will receipt of an Accelerated Benefit lump sum distribution impact my eligibility for government benefits?

An Accelerated Benefit payment may affect your eligibility for government benefits. The rules for eligibility for government benefits such as Medicaid, supplemental security income, etc. can be very stringent with very low maximums as far as income and assets are concerned. Many of these rules vary from state to state. Consult an independent advisor to determine the impact on your eligibility before applying for Accelerated Benefits.

## Can I get an illustration of the accelerated benefit amount?

Yes, our illustration software provides a supplemental illustration showing a hypothetical example of the range of values for the accelerated benefit amount based on the non-guaranteed policy values shown in the accompanying basic illustration.

## Important Information

Receipt of Accelerated Benefits may affect your eligibility for Medicaid, supplemental security income, or other government benefits or entitlements. Please consult an independent advisor to determine the impact on your eligibility before applying for accelerated benefits.

Receipt of an Accelerated Benefit may be a taxable event. You should consult a tax advisor regarding the tax status of any benefit paid to you under this Rider.

Neither American National Insurance Company nor its representatives give legal or tax advice. Agents can only discuss general benefits of conversion and must refer clients to their tax advisor or attorney for tax or legal advice.

These riders may not be available in all states or with all life insurance policies offered by American National Insurance Company. Please see your agent for more information.

For use with Policy Form Series: IUL14, EXEC-UL, EXEC-ULU, PWL-CSO, PWLU-CSO, ART12 (Forms may vary by state)

For full details regarding the Accelerated Benefit Riders, please refer to Policy Form Series: ABR14-TM, ABR14-CH, and ABR14-CT (Forms may vary by state).

\*The Signature Indexed Universal Life Insurance policy is not a registered security or stock market investment and does not directly participate in any stock or equity investment or index. When an individual purchases the policy, the individual is not buying an ownership interest in any stock or index.

Not FDIC/NCUA insured   Not a deposit
Not insured by any federal government agency
No bank/CU guarantee   May lose value

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Living Benefits... When You Need Them Most

# Accelerated Benefit Riders

## Overview and Frequently Asked Questions



The Accelerated Benefit Riders Issued By



*The Accelerated Benefit Riders provide living benefit options for no additional premium!*



For many years insurance was purchased to provide death benefit protection for surviving family members. However, insurance did not help when an insured was struck down by a debilitating Critical, Chronic or Terminal illness. American National Insurance Company now offers protection from a qualifying illness when you are not able to work and have medical bills piling up.

American National's Accelerated Benefits Riders for Critical, Chronic and Terminal illness can provide you a partial benefit that will allow you to keep the remainder of your policy. Multiple partial benefits are available if a partial benefit is taken. For example if 25% of the death benefit is accelerated, 75% of the death benefit would remain and could be accessed later, if needed.

The partial or full accelerated death benefit may be paid in a lump sum or applied to an annuity that will provide income for a specified period. There is an administrative charge, not to exceed \$500<sup>2</sup>, associated with acceleration.

## Qualifying Conditions:

### Terminal Illness Rider (Form Series: ABR14-TM)

- If an eligible insured has an illness or condition that is expected to result in death within 24<sup>3</sup> months or less.
- Available on all rate classes

### Chronic Illness Rider (Form Series: ABR14-CH)

- If an eligible insured is unable to perform 2 of 6 activities of daily living for a period of at least 90 days or requires constant supervision to protect from threats to health or safety due to severe cognitive impairment.
- The ADLs include bathing, continence, dressing, eating, toileting, and transferring.

### Critical Illness Rider (Form Series: ABR14-CT)

- If an eligible insured experiences a critical illness<sup>4</sup>.
- See rider for complete list of critical illnesses and definitions. Covered critical illnesses may include:
  1. Heart Attack
  2. Stroke
  3. Invasive Cancer
  4. End Stage Renal Failure
  5. Major Organ Transplant
  6. ALS
  7. Blindness
  8. Paralysis
  9. Arterial Aneurysms
  10. Central Nervous System Tumors
  11. Major Multi-System Trauma (Major injury to three or more organs or systems)
  12. AIDS
  13. Severe Disease of Any Organ (resulting in significantly altered life expectancy)
  14. Severe Central Nervous System Disease (Parkinson's, Huntington's, Multiple Sclerosis, Encephalitis with long-term effects)
  15. Major Burns (>40% BSA, 3rd Degree)
  16. Loss of Limbs

## Accelerated Benefit Rider Availability:

### Available with the following Life Insurance Policies:

**Affinity 7 Whole Life** (Policy Form Series PWL-CSO, PWLU-CSO)

**Signature Indexed Universal Life\*** (Policy Form Series IUL14)

**ANICO® Executive Universal Life** (Policy Form Series EXEC-UL, EXEC-ULU)

**ANICO Signature Term™ Life** (Policy Form Series ART12)

*Forms may vary by state.*

### Minimum Death Benefit Requirements:

- Minimum \$25,000 for Terminal Illness Rider
- Minimum \$50,000 for Critical or Chronic Illness Rider

<sup>4</sup>Claims will not be processed until at least thirty days after the qualifying event has occurred

### Maximum Total Death Benefit Available for Acceleration

- \$2,000,000 for issue ages 0-65
- \$1,000,000 for issue ages 66+
- (including all eligible riders attached to the base policy)

### Rider Availability/Limitations:

- Added automatically to newly issued policies
- The chronic and critical illness versions may not be added to policies rated higher than table 4 or with flat extra rating greater than \$5.00 per thousand.

Policies with death benefits exceeding the maximum amount available for acceleration will still contain the Accelerated Benefit Riders; however, the owner will only be able to accelerate up to the maximum amount available for acceleration. For example, on a \$4,000,000 policy (where eligible), the owner will only be able to accelerate \$2,000,000 for an insured under 65.

## Death Benefit Eligible for Acceleration:

Primary Insured Riders are included in the Total Death Benefit to be accelerated on the Base Insured.

Paid Up Additions Rider (MLPUA)

ANICO Signature Term™ Rider (ARTR12; ULLTR13)

- The ANICO Signature Term™ Rider also covers other insured parties
- The Other Insured Party death benefits are available for acceleration only if the Other Insured experiences a qualifying condition.

Please note that the death benefit provided by a Children's Term Rider is not eligible for acceleration.

## Accelerated Benefit Amount

The accelerated benefit amount is computed using the following formula where the actuarial discount reflects the cost of paying a death benefit prior to the actual death of the Insured. The accelerated benefit amount will never be less than the cash value associated with the eligible death benefit.

### Eligible Death Benefit

- Actuarial Discount
- Administrative Fee (not to exceed \$500<sup>5</sup>)
- Pro-rata percentage of Outstanding Policy Debt<sup>6</sup>

### = Accelerated Benefit Amount

Please note the Owner must submit supporting documentation and medical records including certification from the appropriate health care practitioner that insured has one of the qualifying conditions.

If a partial benefit is requested such as 25% and there is outstanding policy debt, 25% of the debt would be deducted from the Accelerated Benefit Amount.

<sup>5</sup>The maximum administrative fee may vary by state.

<sup>6</sup>The amount of outstanding policy loans plus accumulated interest will be deducted only if the qualifying insured is the insured under the base policy.



## Payment Options<sup>7</sup>

The accelerated benefit amount will be paid as a lump sum to the owner. The lump sum may be received in periodic payments by applying the benefit to any non-life contingent settlement option available in the base policy. In the event multiple partial accelerations are requested, proof of qualification must be provided at each claim.

### If the accelerated benefit is paid for the insured under the base policy:

- The death benefit under the policy will be reduced by the amount of the partial acceleration
- A proportion of any policy debt will be paid from the accelerated benefit proceeds based upon the percentage of the policy accelerated
- All riders eligible for acceleration that were not part of the death benefit accelerated will remain the same except the Primary Insured Riders which will be reduced by the Policy Reduction Percentage
- The premiums will be recalculated based on the reduced death benefit
- A customer may request full acceleration of the policy subject to the discounted rules above so long as it does not exceed the \$2,000,000 limit for issue ages 0-65 and \$1,000,000 for issue ages 65. In doing so, the policy will fully terminate

### If the accelerated benefit is paid for any other insured party:

- The base policy will remain in effect
- The rider(s) covering the other insured will be reduced by the accelerated amount or terminate as though the other insured had died if it is a full acceleration of the benefit
- Will not affect the amount of policy debt

## Waiting Periods:

### Terminal Illness

- None

### Chronic Illness

- Must exist for 90 days prior to a claim if the illness resulted in the inability to perform at least 2 of 6 Activities of Daily Living

### Critical Illness

- Claims will not be processed until at least thirty days after the qualifying event has occurred

<sup>7</sup>Receipt of accelerated benefits may be a taxable event. You should consult a tax advisor regarding the tax status of any benefit paid to you under this rider. Receipt of accelerated benefits may affect your eligibility for Medicaid, supplemental security income or other government benefits or entitlements. You should consult an independent advisor to determine the impact on your eligibility before applying for accelerated benefits.



<sup>1</sup>The benefit is subject to an administrative fee of up to \$500 and an actuarial discount that will be assessed when the benefit is elected.

<sup>2</sup>The maximum administrative fee may vary by state.

<sup>3</sup>Some states may limit the definition of terminal illness to conditions that are expected to result in death within 12 months.