

Chronic and Critical Accelerated Death Benefit Riders – How do they Work?

Chronic Illness Accelerated Death Benefit Rider:

This benefit rider allows the policyowner to accelerate the death benefit if the insured becomes chronically ill. Chronically ill is defined as being unable to perform two of the six activities of daily living (bathing, continence, dressing, eating, toileting and transferring) without assistance from another person, or being severely cognitively impaired for at least 90 consecutive days.

After a 90 day waiting period, the policyowner can accelerate up to 24% of the initial death benefit amount annually. The benefit can also be accessed monthly up to 2%; quarterly up to 6% or semi-annually up to 12% of the death benefit.

The maximum lifetime benefit is 90% of the death benefit or \$500,000, whichever is less.*

The policy must be in force two years before benefits are available

Critical Illness Accelerated Death Benefit Rider:

This benefit rider allows the policyowner to accelerate the death benefit if the insured becomes critically ill. A critical illness is one of the qualifying events: heart attack, stroke, ALS (Lou Gehrig's disease), diagnosis of certain cancers, kidney failure and major organ transplant.

After a 30 day waiting period, the policy owner can access the death benefit up to the maximum total amount of lifetime benefits for an Insured under all Accelerated Death Benefit Riders, which is \$500,000.

What factors are taken into account for both chronic and critical illness riders when determining the amount to payout?

- The amount of death benefit accelerated and the future premiums that would be due.
- The Company's assessment of the life expectancy of the insured, which is based on age and overall medical condition at time of claim.
- Accelerated benefit interest rate in effect (used to determine the present value of future benefits and premiums).
- Any administrative fees assessed.
- Cash surrender value of the policy or rider, if applicable.

Therefore, the more severe/life threatening your condition, the shorter your life expectancy and the more benefit you will receive.

How do I know how much I will receive if I suffer from a chronic illness or critical illness?

There is not a set amount. The illustration/quote gives you an idea, but the final number will be determined based on each individual and the factors shown above at the time of the critical or chronic event.

If I take a "partial" election (instead of the full amount available), can I have access to rest of the benefit at a later date?

Yes. You do not have to take the full election at initial claim time; you can take another election up to one year after the qualifying event.

If I accelerate 90% for a critical or chronic illness, will I still have life insurance (death benefit) inforce?

Yes! This means, at minimum, 10% of the death benefit will remain.

For example, if someone has a \$100,000 death benefit and accelerates 90% due to a critical or chronic illness, the insured still has a \$10,000 death benefit remaining. The less you accelerate, the more death benefit you will have remaining.

*In the state of IL, maximum lifetime benefit is 75% of the death benefit or \$500,000, whichever is less. For the chronic illness benefit, the policy must be inforce 30 days before benefits are effective.

CHRONIC ILLNESS ACCELERATED DEATH BENEFIT RIDER

The following is an example of the Chronic Illness benefit (note, we rounded the numbers to whole dollars):

Example – Ellen, age 60, has a 20 year term policy issued in August, 2006. In January of 2010 she qualified to receive the chronic illness benefit as she could not perform 2 out of 6 activities of daily living. Ellen opted to elect the maximum amount she could receive as a monthly benefit (up to 2% of initial death benefit). Her condition was severe and her life expectancy was estimated to be 4 years.

Initial Death Benefit:	\$300,000
Monthly Premiums:	\$162/month
Total Premiums Paid:	\$6,804

Chronic Illness Amount Paid:	\$5,000/month (2% x 300,000 = \$6,000; after taking the factors above into account, the benefit = \$5,000/month)
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Here is how this policy would look after the client received 24 months of payments (total benefits of \$120,000):

Remaining Death Benefit after 2 years:	\$156,000 (death benefit will reduce monthly as the chronic illness benefit is paid out)
Monthly Premiums after 2 years:	\$84/month (premiums will reduce monthly as the chronic illness benefit is paid out)

CRITICAL ILLNESS ACCELERATED DEATH BENEFIT RIDER EXAMPLE
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The following are two examples of the Critical Illness benefit (note, we rounded the numbers to whole dollars):

Example 1 – Mary, age 70, has a 10 year term policy issued April, 2008. In May, 2010, Mary was diagnosed with breast cancer. She opted to elect 90%. Her breast cancer was severe and life expectancy was estimated to be 3.4 years.

Initial Death Benefit:	\$200,000
Monthly Premiums:	\$189/month
Total Premiums Paid:	\$4,725

Critical Illness Amount Paid:	\$130,500 (90% x 200,000 = 180,000; after taking the factors above into account, the benefit = \$130,500)
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Remaining Death Benefit after election:	\$20,000
Monthly Premiums after election	\$19/month

If Mary chose to elect a partial benefit of 50% of the benefit available, the information would be as follows:

Critical Illness Amount Paid:	\$65,250
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Remaining Death Benefit after election:	\$110,000
Monthly Premiums after election:	\$104/month

Example 2 – Tim, age 40, has a 30 year term policy issued in June, 2007. In March, 2010, Tim suffered a heart attack. Tim opted to elect 90%. The heart attack was considered moderate in severity and Tim’s life expectancy was estimated to be 26.25 years.

Initial Death Benefit:	\$400,000
Monthly Premiums:	\$88/month
Total Premiums Paid:	\$2,816

Critical Illness Amount Paid:	\$114,000 (90% x 400,000 = 360,000; after taking the factors above into account, the benefit = \$114,000)
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Remaining Death Benefit after election:	\$40,000
Monthly Premiums after election:	\$9/month

The maximum total amount of lifetime benefits that can be accelerated for any Insured under all Critical and Chronic Illness and other Accelerated Death Benefit Riders is \$500,000.

Actual experience will vary based on the client’s policy, age, condition, etc for all hypothetical examples shown in the material.

The above examples will also have changes in policy values, surrender values and other values, as applicable, based on the election of the benefits.

Alliance Solutions Advantage Term (ICC09 TL12 0709, TL12 0709) is a term life insurance policy, Alliance Solutions Universal Life (UL01 1005) and WRL Freedom Global IULSM (IUL03 1208) are universal life insurance policies issued by Western Reserve Life Assurance Co. of Ohio, Columbus, OH. Policy and rider form numbers may vary, and may not be available in all jurisdictions. Insurance eligibility and premiums are subject to underwriting. In most states, an exception for life insurance coverage is suicide while sane or insane during the first two years the coverage is in force. In the event of suicide, the Company’s liability may be limited to only the return of premiums paid. In Missouri, suicide is no defense to payment of benefits unless the Company can show the insured intended suicide when he/she applied/enrolled for coverage.

Critical Illness Accelerated Death Benefit Rider (Form #CRT01 1005) & Chronic Illness Accelerated Death Benefit Rider (Form #CRN01 1005). Rider form numbers may vary and may not be available in all jurisdictions. The policy’s benefits, values and premiums will be reduced proportionally in accordance with the benefits advanced under these riders. Benefits accelerated under any of these riders may be subject to taxation. Therefore, a qualified tax advisor should be consulted regarding any possible tax consequences. The 30 and 90 day waiting periods listed respectively under the Critical and Chronic Illness Accelerated Death Benefit Riders may vary by jurisdiction. Riders and Rider Benefits have certain limitations, definitions and exclusions. For complete details, including terms and conditions of each rider and exact coverage provided please refer to the policy.

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