

# Living Benefits: Changing Real Lives

Bonnie Thomas:  
**\$234,364.24**



## What is a Living Benefit?

In insurance terms, Living Benefits are Accelerated Benefit Riders (ABRs)<sup>1</sup> which provide the option of receiving a partial or full accelerated life insurance benefit if the insured experiences a qualifying medical condition.

Robert Sanchez:  
**\$733,062.00**



Rachael Roberts:  
**\$51,860.10**



## What can a Living Benefit mean to a family?

To an individual or family facing the trials of a critical, chronic, or terminal illness, a Living Benefit can mean the freedom to make choices, provide for a family, and peace of mind.

Isabella Martinez:  
**\$120,522.74**



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# Accelerated Benefit Riders

Your Guide to Living Benefits



Living Benefits... When You Need Them Most.



## What is a Living Benefit?

American National's Living Benefits are Accelerated Benefit Riders (ABRs) which provide the potential to receive a partial or full accelerated life insurance benefit if the insured is diagnosed with a qualifying medical condition.

- **Partial Acceleration** is paid in lieu of a portion of the policy's death benefit.
- **Full Acceleration** is paid in lieu of the policy's death benefit. In the case of a full acceleration, the policy will be terminated after acceleration is paid.

The Accelerated Benefit Riders can provide an unrestricted cash benefit when it is needed to help you at a critical time and help protect the money you have saved for retirement and other life needs.



This brochure is not intended for distribution or promotion of riders available in California. Please see brochure 10743-CA for information on Accelerated Benefit Riders available in California.

# The Accelerated Benefit Riders provide living benefit options for no additional premium.<sup>1</sup>

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 offers you the potential to access part of your life insurance death benefit in the event you suffer a qualifying illness and may not be able to work.

American National's Accelerated Benefits Riders for Critical, Chronic, and Terminal illness may provide you a full acceleration of your life insurance policy or 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.

## Terminal Illness

Imagine for a moment that you go to the Doctor for a routine test and the Doctor tells you that you have at most six months to live. Let that sink in. It would feel like you had been kicked in the gut by a mule. It would be like sitting on a stool and having someone pull it out from under you. And that same feeling will be experienced by every family member and every friend you have. How do you deal with it? And how do you deal with the fact you will be unable to return to work to provide for your family; be unable to pay all the mounting medical bills that will come in addition to life's daily expenses? Instead of being the care-giver for your family, your family becomes your care-giver. How do you pay for all that?

## Chronic Illness

Chronic Illness is a health condition or disease that is persistent or otherwise long lasting. Chronic Illness causes about 70% of deaths in the U.S. and approximately 45% of Americans suffer from at least one chronic disease.<sup>2</sup> With numbers like this, the majority of Americans will experience a debilitating Chronic Illness sometime in their life. When that happens, your financial world is turned upside-down. How do you pay for that?

## Critical Illness

In 2016, nearly 800,000 Americans between ages 35 and 64 were hospitalized.<sup>3</sup> It is not only older Americans who are susceptible to Critical Illness. As younger people also suffer from cancer, heart attacks, and strokes. Whether you are young or old, the same issues can arise. You could become unable to work full-time, require family members to miss work to provide care, and face astronomical medical bills. Where will the help come from?

<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. The maximum administrative fee may vary by state.

<sup>2</sup>Raghupathi, Wullianallur and Viju Raghupathi. "An Empirical Study of Chronic Diseases in the United States: A Visual Analytics Approach" 1 Mar. 2018, <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5876976/#>

<sup>3</sup>Preventing 1 Million Heart Attacks and Strokes. VitalSigns.CDC. (n.d.). May 2017. Retrieved from <https://www.cdc.gov/vitalsigns/million-hearts/index.html>



Certainly, carrying disability insurance and/or long term care insurance is ideal for such situations and should be considered by everyone but not everyone can afford to purchase such coverage or keep the coverage in place for the rest of their lives.

For those individuals who need life insurance coverage and are seeking protection in the event of Chronic, Critical, and Terminal Illnesses, American National's Accelerated Benefit Riders may be an option to potentially provide an additional financial resource if someone becomes afflicted by a qualifying illness that results in a greatly reduced life expectancy.

The benefit these riders provide is not tied to medical bills incurred but is instead tied to the face amount of the policy, the cash value at the time a claim is made, and the reduction in future life expectancy as a result of the illness. There is no restriction on how you may use the funds you receive.

When computing the amount of available benefit, American National discounts the future premiums due under the policy. If someone has a Life expectancy of 24 months, the death benefit would only be reduced by a small amount to account for the loss of two premium paying years. However, if someone has a debilitating condition, but a ten year life expectancy, the death benefit would be reduced by a larger amount to account for the loss of 10 premium paying years.

For example, if someone who is 50 years old has a heart attack and is back at work in three months there would not be a substantial available benefit since the life expectancy was not dramatically impacted. However, if that 50 year old has a very severe heart attack that results in a 33% chance of living for five years, their life expectancy would be dramatically diminished resulting in a larger available benefit.

Accelerated Benefit Riders can be a safety net if a qualifying illness arises and results in a significantly reduced life expectancy. ABRs are not a substitute for long term care insurance but can provide a potential source of funds under the proper circumstances.

## Qualifying Conditions:

<p><b>Terminal Illness Rider</b></p>	<ul style="list-style-type: none"> <li>• If an eligible insured is diagnosed with an illness or condition that is expected to result in death within 24 months or less. (12 months in CT, FL, NY)</li> <li>• Available on all rate classes</li> </ul>
<p><b>Chronic Illness Rider</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• The ADLs include bathing, continence, dressing, eating, toileting, and transferring.</li> </ul>
<p><b>Critical Illness Rider</b></p>	<ul style="list-style-type: none"> <li>• If an eligible insured is diagnosed with a critical illness<sup>1</sup>.</li> <li>• See rider for complete list of critical illnesses and definitions. Covered critical illnesses may include:             <ol style="list-style-type: none"> <li>1. Heart Attack</li> <li>2. Stroke</li> <li>3. Invasive Cancer</li> <li>4. End Stage Renal Failure</li> <li>5. Major Organ Transplant</li> <li>6. ALS</li> <li>7. Blindness</li> <li>8. Paralysis</li> <li>9. Arterial Aneurysms</li> <li>10. Central Nervous System Tumors</li> <li>11. Major Multi-System Trauma (Major injury to three or more organs or systems)</li> <li>12. AIDS</li> <li>13. Severe Disease of Any Organ (resulting in significantly altered life expectancy)</li> <li>14. Severe Central Nervous System Disease (Parkinson's, Huntington's, Multiple Sclerosis, Encephalitis with long-term effects)</li> <li>15. Major Burns (&gt;40% BSA, 3rd Degree)</li> <li>16. Loss of Limbs</li> </ol> </li> </ul>

<p><b>Minimum Death Benefit Requirements:</b></p>	<p><b>Maximum Total Death Benefit Available for Acceleration</b></p>
<ul style="list-style-type: none"> <li>• Minimum \$25,000 for Terminal Illness Rider</li> <li>• Minimum \$50,000 for Critical or Chronic Illness Rider</li> </ul>	<ul style="list-style-type: none"> <li>• \$2,000,000 for issue ages 0-65</li> <li>• \$1,000,000 for issue ages 66+ (including all eligible riders attached to the base policy)</li> </ul>

<sup>1</sup>Claims will not be processed until at least thirty days after the qualifying illness has occurred

## Rider Availability/Limitations:

- 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
- Accelerated benefits will not be paid for conditions resulting from self-inflicted injury or attempted suicide.<sup>1</sup>
- No accelerated benefit will be paid for any qualifying event that occurs on or before the date of issue of the base policy.

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 65 and under.

## Additional New York Resident Availability/Limitations:

- The critical illness rider is not available.
- A supplemental application is required to determine eligibility for the chronic illness rider.
- For chronic illness, New York requires a Licensed Health Care Practitioner's certification that the condition requires continuous care for the remainder of the insured's life.
- The maximum benefit that may be paid to you in a calendar year under the Chronic Illness rider may not exceed the annualized per diem amount that is in effect for long term care services. Please see 26 USC 7702B(d)(4) to determine the amount currently in effect for the current year.

## 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 (Form Series: MLPUAR (Forms may vary by state))
- ANICO Signature Term Rider - The ANICO Signature Term Rider also covers other insured parties (Form Series: ARTR18; SIGTERM NY; ULLTR13; ULLTR13(NY) (Forms may vary by state))
- 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>2</sup>)
- Pro-rata percentage of Outstanding Policy Debt<sup>3</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>1</sup>NY does not have an exclusion for self-inflicted injury or attempted suicide.

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

<sup>3</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.

# Living Benefits: Changing Real Lives

**The following are actual cases of individuals filing a claim for accelerated benefits on their life insurance policies. The product, amounts in force, amount requested and final disposition are all factual but the names and the specific situation has been changed to protect the recipients.**

## Bonnie Thomas: \$234,364.24



Bonnie Thomas was a mother of three whose husband Bill was a salesperson for a small manufacturing company. Bonnie worked for an automobile dealership in the title transfer department and had been there for 12 years. In 2011, Bill and Bonnie had a good year financially and decided to meet with a financial advisor who advised them to purchase life insurance to provide for the family in the event of untimely death. Bill and Bonnie decided that they would each apply for a \$250,000 20-Year Term insurance policy from American National that they could convert to a permanent policy in the future. One of the features they liked were the Accelerated Benefit Riders that may pay a benefit if they had a qualifying Chronic, Critical, or Terminal illness that impacted future life expectancy.

Six months later Bonnie began experiencing frequent indigestion, bloating, and severe heartburn but thought it was due to her love for spicy foods. Several months later Bonnie's indigestion became worse and she started suffering from nausea and vomiting. Bonnie visited the doctor who ordered multiple tests including a stomach biopsy. These tests showed that Bonnie had stomach cancer with mastitis of the liver in which Bonnie's liver had been almost totally displaced by the tumor. The news was devastating. They cried the entire weekend and told the children Mom was very ill. Bonnie started treatment and was so sick that she was unable to work and Bill was forced to take time from his job to take care of her. Their lives would never be the same.

Bonnie and Bill went through their savings in months, medical bills continued to pile up, and Bonnie became stressed over the financial hemorrhaging her illness was causing. Bill talked with their financial advisor who suggested they submit a claim for the Accelerated Benefit from Bonnie's term life policy. They applied and ten days later they were e-mailed their offer for \$234,364.24. They were elated with the offer and immediately accepted. In calculating the offer, the American National doctor determined that Bonnie had a 4.2% chance of living for five years. Bonnie's claim was filed for critical illness but the offer was based upon a terminal illness benefit.

**Continued on next page.**

# Living Benefits: Changing Real Lives

## Bonnie Thomas: \$234,364.24 (continued)

Due to the significantly reduced life expectancy, Bonnie received the maximum payout.

Bill later said that when the check came in it was like Christmas in July. They were able to get current in all their bills which reduced the massive stress Bonnie was feeling. Their children had suffered through this with them so they were able to buy each of the kids some special treats to raise their spirits and they began planning a family trip to Disney World. Bill was able to fly-in Bonnie's mom and brother who she had not seen in years. They laughed, they cried and, in a ten day visit, made memories that would last forever.

Bonnie went downhill over the next four months and never made it to Disney World but Bill took the kids six months

after Bonnie passed. The Accelerated Benefit Rider funds allowed the family to concentrate on making memories with the family rather than having to stress over money. Bill later said that he would not trade the ability to make Bonnie's last days positive and happy for any amount of money.

In their case, the acceleration of the life insurance death benefit was more meaningful to the family than a death benefit would have been. Bill had enough money left over to create a college fund for the kids and pay for childcare. Losing a spouse and a mother is never going to be anything but tragic but there is no price that can be placed on being able to make that loved one comfortable in their final days.



# Living Benefits: Changing Real Lives

## Robert Sanchez: \$733,062.00



Robert Sanchez had worked his way through undergraduate school working during the day and going to school at night. When he married Peggy in 1972, he was able to quit working and go to school full time until he received his PhD in Management and began to teach at the University. He also began doing Management Consulting on the side and over several years built his consulting business up to the point he needed to give up teaching and consult full time.

Fast forward to early 2014 and now Robert was 62 years old and needed to increase his life insurance coverage for his family while at the same time begin putting more money away for retirement. Robert purchased an Indexed Universal Life Insurance policy from American National. The policy was for \$882,680. Robert paid a monthly premium of \$1,251.15.

Robert had suffered from heartburn and acid reflux for many years and would keep a roll of antacids with him at all times to try to sooth his stomach. In January of 2015 Robert began having trouble swallowing, which then led to difficult pain while

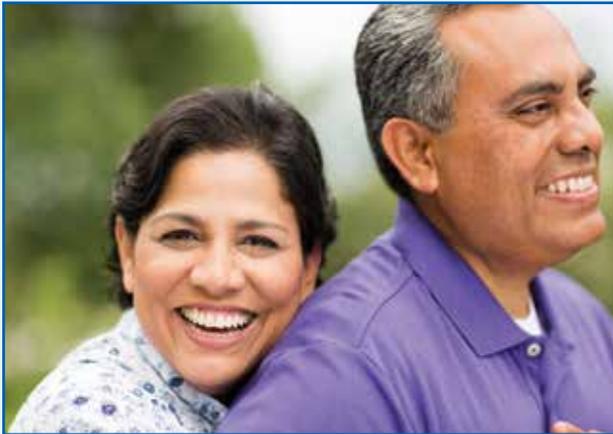
swallowing and finally Robert began coughing up blood which sent him to his Doctor. After multiple tests and a biopsy it was determined Robert had Invasive Esophageal cancer. Robert could no longer work, as he gave lectures as part of his work, and he and his wife began to go through their liquid assets and then began tapping into their retirement funds.

Robert began chemotherapy and later added radiation therapy. Their agent was also a close friend and he immediately suggested they make a claim on their American National IUL policy under the Accelerated Benefit provision of the policy. He helped Robert accumulate the needed documentation and they filed a claim under the Critical Illness Rider. The claim was reviewed by an American National Physician and it was determined Robert had a 17.5% chance of living for five years. As a result American National made Robert and his family an offer based upon the request for a full acceleration.

The face amount of the policy was then \$940,823 and the policy was discounted \$207,510 resulting in an offer to Robert for a full benefit of \$733,062 or 78% of the death benefit. Robert and Peggy accepted the offer and immediately became current in their bills with a great deal of money left over to meet future medical bills and lifestyle needs. As this was written, Robert is still alive and receiving treatment for his illness knowing he does not have to worry about where the money will come from for his future medical treatment. Robert purchased his policy to take care of his wife Peggy and their children but wound up using this policy to deal with a life threatening illness that had become his full time job.

# Living Benefits: Changing Real Lives

## Isabella Martinez: \$120,522.74



Isabella and Luis Martinez had worked hard to provide a better life for their kids than what they had growing up. Isabella worked for a large entertainment company and Luis was a salesperson. Life was good and, with two paychecks, they were making more money than they ever thought they would make.

They decided to purchase two Indexed Universal Life insurance policies. The policies on each other would provide a death benefit if anything happened to either of them but would also provide supplemental retirement income when they eventually retired. Although Isabella was 49 years old when they took the policy out, they looked forward to having supplemental income for their future retirement that would allow them to travel and spend time on hobbies and grandchildren.

About a year after taking out the policy, Isabella began to notice that she was having digestive issues and abdominal discomfort. Then one day she began having rectal bleeding and made an appointment with the Doctor to find out why. She also began feeling fatigued and felt weak for no apparent reason.

Isabella went to the Doctor and when she and Luis went back to the Doctor for the results of the tests, the Doctor informed her that the tests indicated that she had colon cancer and she

was referred to a colon cancer specialist. The colon cancer Doctor informed her she would need surgery to remove the cancer and would then need extensive radiation to try to kill the remaining cancer.

The medical bills that needed to be paid quickly went up over \$60,000. Seeing the stack of unpaid bills placed a tremendous strain on Isabella and Luis. They knew that Isabella's American National life insurance policy had the Accelerated Benefit Riders for illnesses such as Isabella's so they called the agent who sold them the coverage to see what the procedures were for making a claim. They were sent a packet of material for them to complete along with the request for records of her medical condition from the Doctors.

One of American National's doctors then reviewed the medical records and using an online program came back with a chance of survival for five years of 12.9% which qualified as a terminal condition.

The calculations were then completed on the face amount of \$124,607 and the offer came back for \$120,522.74 for a full acceleration of the policy. When Isabella and Luis received the letter with the offer, they gladly accepted the offer in full surrender of the policy. This allowed them to immediately pay off all the medical bills and still have money to pay future medical bills as well as to make up for lost wages Isabella suffered when Isabella could not work.

As of this writing, Isabella is still receiving treatment and hoping to beat cancer. She is no longer stressed over the bills and can concentrate on her treatment and getting well. This is a case where the Living Benefits is more valuable than the future death benefit. The ability to fight her cancer without the daily stress of "where will the money come from" is worth much more to Isabella and Luis.

# Living Benefits: Changing Real Lives

## Rachael Roberts: \$51,860.10



Rachael Roberts, age 38, tried to do everything right. She was a good employee at work who contributed to her 401K; she had purchased a condominium for herself a few years prior and visited with her Mother on a regular basis. She had purchased a \$75,000 Executive Universal Life policy in 2011 so that she would have a death benefit to take care of her affairs that could also provide her potential Supplemental Retirement Income when she retired in 30 years.

Rachael never felt she would need her life insurance policy when she was only 38 as bad things happened to other people; older people.

Then after two years Rachael began feeling tired and weak and experienced pain in her bones. One day she was working out and broke her left arm in a minor fall. When doctors X-rayed the break and took additional tests they found that Rachael was suffering from Multiple Myeloma where abnormal plasma cells build up in the bone marrow and form tumors. The Doctors identified one area of her body where she had such tumors but determined this was a localized occurrence that had not spread

to other bones.

The Doctors began treating Rachael but she missed large amounts of work due to the illness and the ensuing treatment plan. Rachael ran through her liquid assets very fast and turned to her other various assets to find money. Rachael read her Executive UL insurance policy and remembered that her agent had told her about the Accelerated Benefit Riders and how they could help her if she had a qualifying illness. Rachael reviewed the information and found she may be able to make a current claim on her life insurance policy through the Accelerated Rider Benefits. Rachael immediately called her Agent and asked how she could apply for benefits. Rachael completed the paperwork and had her medical records sent in with the application for benefits.

The American National Doctor performed a Life expectancy calculation and determined that someone with Rachael's medical problems and age bracket had a 67% chance of surviving a five year period. If the Multiple Myeloma had spread to other parts of Rachael's body, the outlook would have been a 44% chance of Rachael surviving for five years so Rachael was glad it had been caught early.

The Executive Universal Life policy did not have substantial cash value which would have increased the offer. Based upon a full acceleration of the \$75,000 face amount, the American National offer was for \$51,860.10 or 69.15% of face including a \$250 fee. Rachael was very happy to accept the offer which allowed her to meet her obligations and stay in her condo. When someone is suffering terribly with an unknown future, the living benefit may mean more to them than the death benefit ever could.

# 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.

## The illustration shows slight, moderate, and severe impairment categories. How do you determine if an illness is slight, moderate, or severe?

Illnesses do not fall into these specific categories, these categories are just meant to provide an example of a range of payments. One critical illness, such as cancer, could easily result in any of the impairment categories, depending on the severity of the illness and its affect on life expectancy.

- A slight impairment is one that does not have a severe impact on life expectancy.
- A severe impairment corresponds with an illness that is almost terminal, but not quite (roughly a 3 year life expectancy).
- A moderate impairment would be a condition that has some affect on life expectancy but not to the same extent as a severe impairment.

For example, early treated cancer could produce a slight impairment that would produce a minimum payment while advanced stage cancer could produce a severe impairment with a payment close to terminal, all within the cancer illness.

## What amount can I expect to be offered if the qualifying illness is a heart attack?

The benefit amount you can expect will vary with the severity of the heart attack and its affect on future life expectancy. For example, if the doctor tells you that with proper care you should live a reasonably long life, this would likely be in the "slight" category that would result in only the cash value in the policy being available. However, if the doctor indicated a very limited life expectancy due to the severity of the heart attack, then the death benefit would be discounted less and a larger benefit would be available.



## How is the benefit calculated?

The death benefit accelerated is reduced by:

- an actuarial discount,
- an administrative fee (not to exceed \$500<sup>1</sup>) and,
- a pro-rata percentage of outstanding policy debt<sup>2</sup>

The size of the actuarial discount is primarily dictated by the expected future mortality of the insured. A shorter life expectancy will result in a smaller discount and a larger end payment. The actuarial discount represents the cost to the company of paying the benefit before the actual death of the insured. This discount includes the value of all premiums the company expects to receive prior to the death of the insured as well as lost investment income. Additionally, the actuarial discount can vary based on how well a policy is funded. A policy that is close to lapsing will have a larger discount than one that is well funded (because less future premiums are expected or required).

## 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.

<sup>1</sup>The maximum administrative fee may vary by state.

<sup>2</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.

## What are the procedures for making a claim?

Reporting: You must provide notice that a covered insured has suffered a qualifying medical condition. This must be done within 365 days of the qualifying illness for the Accelerated Benefit Rider for Critical Illness. American National will provide you with a claim form and will request records of the insured's medical history, diagnoses, and treatments. In your claim form, you will tell us what percentage of the policy you wish to accelerate. In the event of multiple partial accelerations, proof of qualification may be requested for each claim. If you reside outside of the United States at the time of the claim, you will be required to see a U.S. doctor in order to accelerate your benefits.

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: In most states, 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.

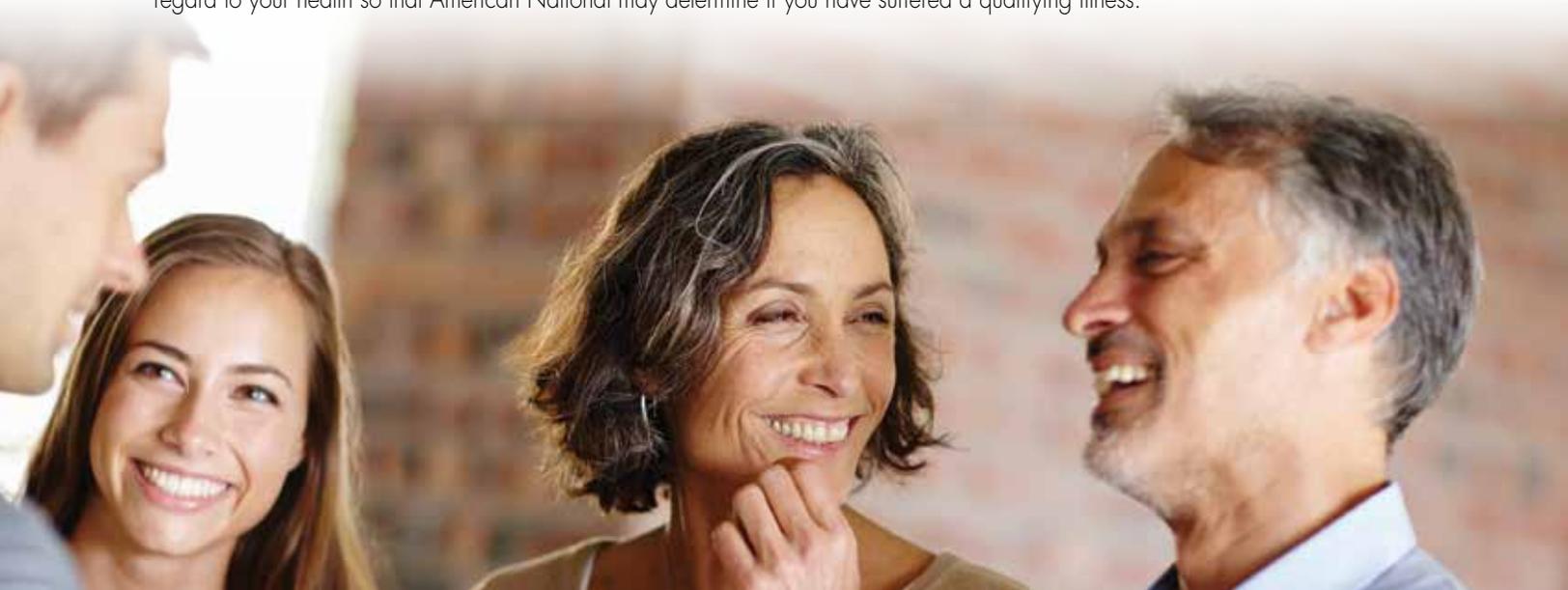
## What are the procedures for making a claim in New York?

You must provide notice that a covered insured has suffered a qualifying medical condition to the Administrative Office of American National either verbally or in writing. Upon receiving notice of the claim, American National will provide the forms required to apply for acceleration of benefits. Once the forms are completed and submitted back to American National, the "Proof of Eligibility" process is complete. Once this process is complete, eligibility and offer for benefits is determined and the Claim Form is mailed to the owner. The owner must complete and sign the Claim Form which specifies whether the client has elected a partial or full acceleration, the amount requested, and whether they wish to receive it in lump sum or installments. Once American National has received the completed Claim Form, American National has 5 days to provide the owner an illustration showing how the effects that the acceleration has on the policy. The payment of the accelerated benefit is sent 5 days after the date of the illustration. The owner may rescind the request for payment of accelerated benefits any time prior to receiving the accelerated death benefit payment.

## Is my doctor required to certify that the condition is permanent?

New York requires a Licensed Health Care Practitioner's certification that the condition requires continuous care for the remainder of the insured's life in the case of Chronic Illness.

Other states do not require that the condition is certified as permanent but your doctor is required to complete a certification in regard to your health so that American National may determine if you have suffered a qualifying illness.



## How do I know if I should submit a claim?

Submitting a claim for an accelerated death benefit is a personal decision that will be based on an individual's health and financial condition. If you think you have a qualifying illness ask your doctor how it affects your life expectancy. If you make a claim you will never be obligated to accelerate your policy.

## Is the benefit amount calculated differently if the qualifying illness is Chronic or Critical illness?

The calculations are performed exactly the same. The focus is on future expected mortality regardless of the illness. The reduction in future life expectancy determines the amount of the available benefit. Critical Illness is not available in New York.

## What are the tax implications of the 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 are designed to comply with the Internal Revenue Code requirements for favorable tax treatment under §101(g). Generally, the accelerated death benefit paid for terminal illness is 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.

The Accelerated Benefit Rider for Critical illness is not designed to receive favorable tax treatment. However, 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). Critical Illness is not available in New York.

Consult your tax advisor to determine the applicability to your individual situation.

**Special Note for New York Residents:** The maximum benefit that may be paid to you in a calendar year under the Chronic Illness rider may not exceed the annualized per diem amount that is in effect for long term care services. Please see 26 USC 7702B(d)(4) to determine the amount currently in effect for the current year.

## If my policy is a MEC and I accelerate my death benefit, what are the tax implications?

Again, American National cannot guarantee tax treatment under any situation, including a MEC. Terminal illness is typically treated as a death benefit in which the MEC rule should not apply. Chronic Illness typically is classified under the long term care rules which would indicate it may not be treated as a MEC. Critical Illness is likely to be treated as a MEC.

We have not seen any IRS rulings on the treatment of a MEC for a Chronic or Critical Illness and would advise you to consult your tax professionals regarding taxability prior to accepting an offer.

American National cannot be responsible for how the IRS treats any Accelerated Benefit Rider.

**If I am taking out a policy for the minimum face amount (\$25,000) that only includes the terminal illness rider, once the account value grows to over \$50K, can the chronic and critical riders be added at a later date?**

No – riders are subject to the minimum face amount requirements. In this case, the Chronic and Critical riders would not be added to the policy.

**If I complete a face amount increase request, are the additional ABRs added once the increased amount is approved?**

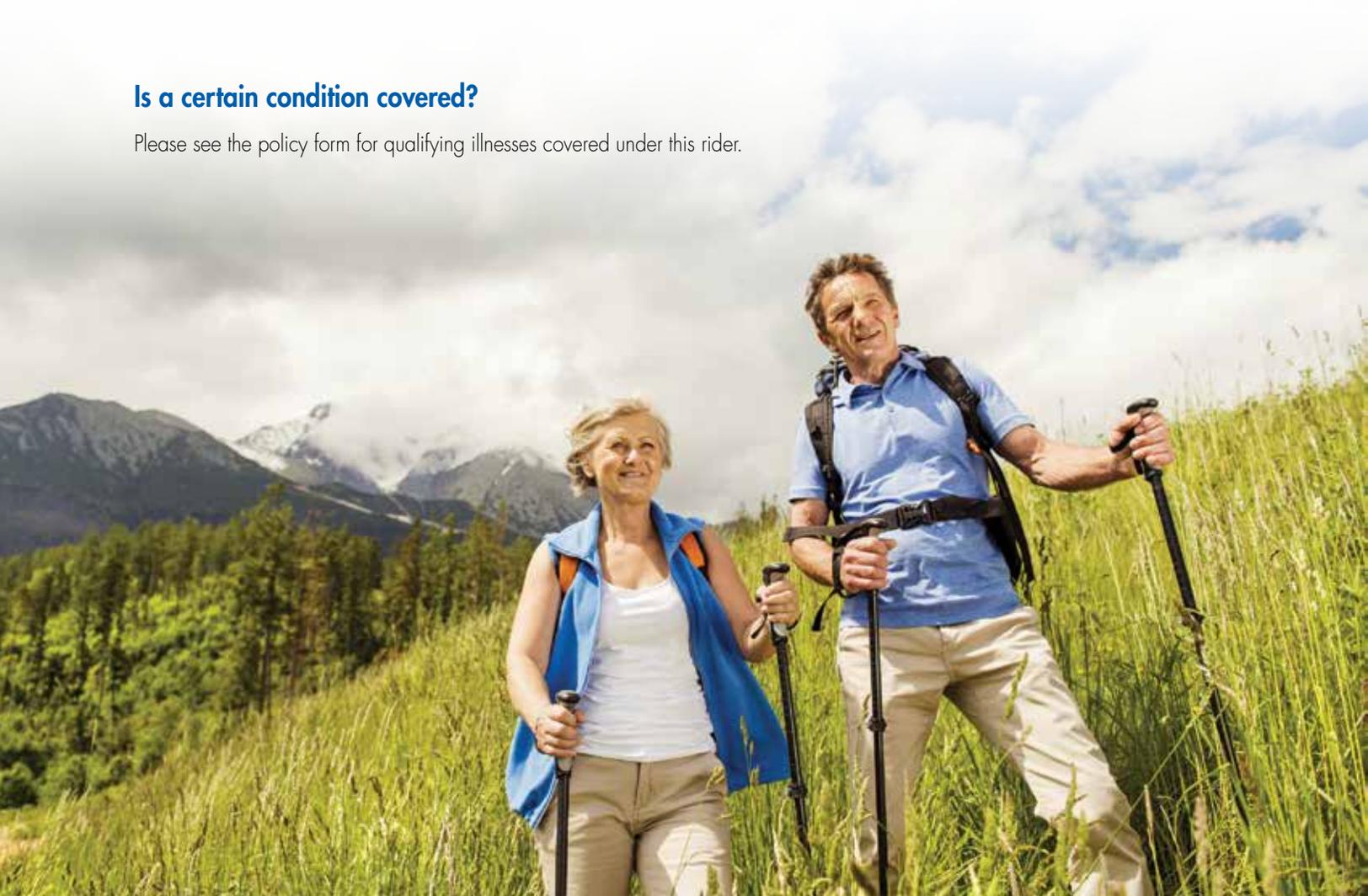
American National can add the ABRs when the increase is performed. A supplemental application will be required when applying for the increase for New York Residents (Chronic rider).

**What can I use the proceeds on?**

American National and the rider contracts do not have any restrictions on how the payment is used. The check is made out to the policy owner and can be used for any purpose you choose. It is your money to spend how you want.

**Is a certain condition covered?**

Please see the policy form for qualifying illnesses covered under this rider.



## **What is the qualification if I suffer from loss of limbs?**

The qualifying condition must be the complete severance of two or more limbs through or above the elbow or knee joint due to trauma or accident and results in a reduced life expectancy.

Loss of limbs as a result of a disease process is excluded from this definition.

## **Will a benefit be available to me under the Accelerated Benefit Rider for Chronic Illness rider if I am able to perform some of the activities of daily living?**

The payment is not determined on the inability to perform the activities of daily living. The activities of daily living are part of the definition of chronic illness which is required to be satisfied before any benefit amount is available under the rider. Once the qualifying illness requirement has been satisfied then the benefit amount will be determined based on future expected mortality.

## **Who determines the value of my accelerated benefit payment?**

First, the American National doctor reviews the claim to determine if it satisfies the qualified illness requirement. Then, he will determine the future expected mortality. Then, the actuarial department calculates the accelerated benefit payment.

## **Can I apply for acceleration of a specific dollar amount or percentage? I need a specific dollar amount, how do I apply for that?**

The accelerated benefit request should be for the death benefit the policyholder wishes to accelerate. After an accelerated benefit quote is calculated the claims department can help roughly determine what percentage would need to be accelerated to provide a certain dollar payment, if possible.

## Why isn't the available accelerated benefit related to the amount of my medical expenses?

The payment is in no way tied to the cost of medical expenses. The value of the accelerated benefit is based on the value of the life insurance policy and the insured's future expected mortality.

## 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 illnesses that occur prior to the issue date.

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

Yes. You may accelerate any 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; however, the minimum face amount on the issued policy must be maintained in order to keep the policy in force. Although proof of qualification may be required at each time of claim, recertification is not necessary should you elect installment payments. The policies are also eligible for full acceleration.

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

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

## Will receipt of an Accelerated Benefit lump sum distribution affect 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.



## **Once I elect a payment option, can that option be changed prior to the release of the proceeds (e.g. changing from installments vs. lump sum)?**

You can choose to change the option prior to payment. This change can be requested via fax or written email instructions. Once proceeds are released as either installments or lump sum, the payment option cannot be changed.

## **How long does it typically take for me to receive my benefit once all processing has been completed?**

Typically, claims will be processed within seven to ten business days.

## **If a claim is made for a chronic illness and the condition worsens, can another claim be filed for the same condition under the critical illness rider?**

Each claim is evaluated individually based on eligibility under the rider. You can submit multiple partial accelerations; however, you must apply and be approved for the claim each time you request an acceleration of the policy, even if the claim is for the same condition approved on a previous acceleration.

## **If I applied for a policy with an initial face amount of \$500,000 but reduced the face amount to \$250,000 and then had a qualifying condition one month later, can I accelerate the higher face amount since I paid premiums for the \$500,000 face amount for most of the time I had the policy?**

You are only able to accelerate funds from your policy based on the face amount at the time of the requested acceleration, regardless of the history of your policy.



**Accelerated Benefit Rider Notice:**

Policy Form Series: ABR14-TM; ABR14-CH; ABR14-CT; ABR14-TM(NY); ABR14-CH(NY). Forms will vary by state and may not be available in all states. Have your agent refer to rider forms for a complete list of illnesses and definitions. Some states may limit the definition of terminal illness to conditions that are expected to result in death within 12 months. The riders are subject to an administrative fee of up to \$500 and an actuarial discount that will be assessed when the benefit is elected. Outstanding Policy Loans will reduce the amount of the benefit payment. The accelerated death benefit is an unrestricted cash payment. The Chronic and Terminal rider are intended to receive favorable tax treatment under 101(g) of the IRS. Receipt of a benefit could be a taxable event. You should consult a tax advisor regarding the tax status of any benefit paid under these riders. Receipt of Accelerated Benefits may affect your eligibility for Medicaid, supplemental security income, or other governmental benefits or entitlements. Before accelerating any benefit you should consult an advisor to determine the impact on your eligibility. Accelerated Benefit Riders are not replacements for Long Term Care Insurance. 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 or certificate is not a Medicare supplement policy.

Accelerated benefit riders ("ABR") and long-term care insurance ("LTCI") provide different types of benefits. An ABR allows the insured to access a portion of the life insurance policy's death benefit while living and may be used for any purpose.

LTCI provides reimbursement for necessary care received due to the inability to perform activities of daily living or cognitive impairment. Coverage may include reimbursement for the cost of a nursing home, assisted living, home health care, homemaker services, adult day care, hospice services or respite care for the primary caretaker. The benefits may be conditioned on certain requirements or meeting an elimination period or limited by type of service, the number of days or a maximum dollar limit. Benefits under some ABRs and all LTCI are conditioned upon the insured not being able to perform two or more of the activities of daily living or being cognitively impaired.

Neither American National 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.

**New York Chronic Illness Rider: This product is a life insurance policy that accelerates the death benefit on account of chronic illness and is not a health insurance policy providing long term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long Term Care Partnership program, and is not a Medicare supplement policy.**

American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York. Business is conducted in New York by American National Life Insurance Company of New York, headquartered in Glenmont, New York. Each company has financial responsibility only for the products and services it issues.

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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