



## Frequently Asked Questions

### Accelerated Access Solution® Chronic Illness Protection Rider

#### 1. Is it true that a chronic illness no longer needs to be permanent in order to access the new Accelerated Access Solution® (AAS) benefit?

Yes, it's true! American General Life's (AGL) AAS chronic illness rider no longer requires that a condition is expected to be permanent in order to file a claim for benefits.

#### How's that possible and what will the new requirement be?

Thanks to a recent change in accelerated benefit regulations, which allowed the permanency requirement to be removed from chronic illness riders, AAS benefits can now be accessed as long as a licensed healthcare practitioner certifies that the insured has met one of the following criteria for at least 90 consecutive days:

- Unable to perform 2 out of 6 Activities of Daily Living
- Diagnosed with a qualifying cognitive impairment (such as Alzheimer's Disease)

#### Does that mean that an injury resulting from an accident that is not "life-long" would be covered under this rider?

Yes! Even if a chronic illness resulted from an accidental injury, as long as all of the rider eligibility requirements are met (i.e. satisfies definition of chronically ill and satisfies 90-day elimination period, etc.), you can receive the AAS rider benefit.



## 2. The new Accelerated Access Solution is available with what policies?

The new Accelerated Access Solution is currently available on Value+ Protector, Max Accumulator+, and Secure Lifetime GUL 3 policies. AAS can be added either with or without the Lifestyle Income Solution® (LIS), depending upon the base policy selected. AAS and LIS riders can be purchased together in the Asset Protector bundle or individually. More information can be found on [RetireStronger.com](http://RetireStronger.com).

## 4. What is the benefit of having an IRS per diem benefit payout option?

Most chronic illness riders on the market offer either a fixed maximum payout option (typically 2% or 4% of the death benefit) which must be selected at the time of purchase. This locks you into fixed payouts whenever you go on claim.

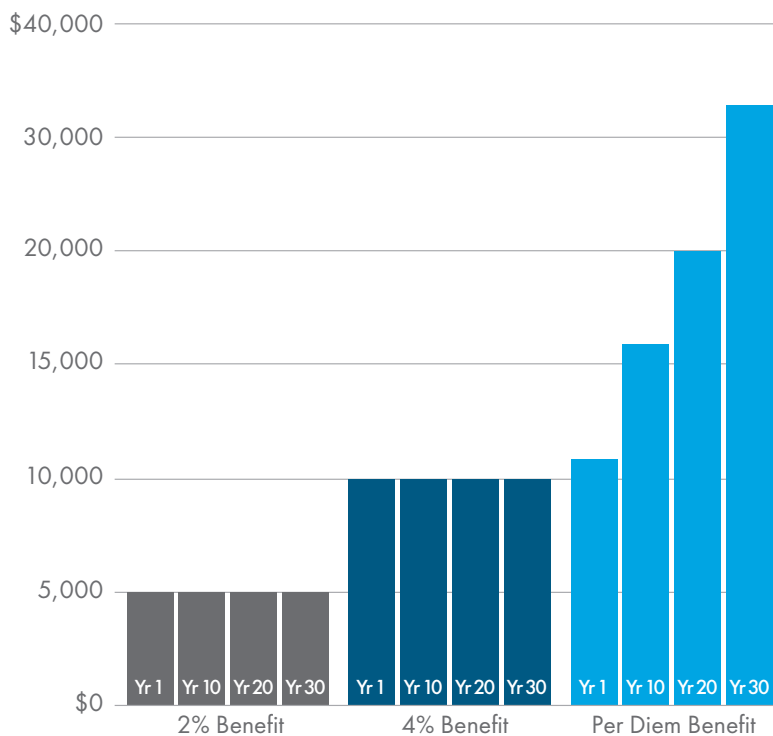
A unique alternative with the AAS is the IRS per diem payout option. This feature allows you to purchase just the amount of coverage needed – no more and no less. AAS is the only product currently in the market providing the maximum monthly benefit allowable by law (the per diem) in an indemnity policy with tax-free benefits. AAS also offers the traditional 2% and 4% payout options for a total of 3 payout options to choose from.

The 2018 IRS per diem is \$10,950/month. Since it has historically increased 4% per year, the hypothetical comparison below showcases the 3 payout options for a \$250,000 chronic illness benefit projecting 1, 10, 20 and 30 years from now. The monthly benefit to the owner grows substantially when they have the IRS per diem option as compared a 2% or 4% option offered by other carriers as their only options. The maximum payout per year with the 2% or 4% options is capped and is not flexible.

## 3. Are there any restrictions on foreign residence/travel and AAS?

Although AAS is not available to all foreign nationals (not available to **Category 3 - Non-Resident Aliens living outside the U.S.**), if coverage includes an ABR rider and a claim is requested from inside or outside the U.S., the claim must be certified by a U.S. licensed physician, practicing in the U.S. in the state where they are licensed. Since AAS is an indemnity plan, benefit payments can be made anywhere.

### Activation at Years 1, 10, 20, 30



In the example, the AAS rider is purchased in 2018 with the per diem option, provides a significant increase in monthly benefit amount as shown in the 10, 20 and 30 year projections. For example in year 10, the 2% monthly payout only pays \$5,000, the 4% monthly payout pays \$10,000 and the IRS per diem monthly payout pays \$15,585.26.

**5. How much am I required to purchase, or what are my AAS coverage options?**

When purchasing an AAS rider, you have the option to choose anywhere from 50% to 100% of the life insurance benefit amount of the base policy (maximum \$3M death benefit). This is a great feature for those that don't need to use their full life insurance benefit amount through their chronic illness (CI) rider. For example, if you purchased a \$1M policy, and didn't need the full \$1M for the CI benefit, you can choose between \$500,000 – \$1,000,000 to meet your needs.

**6. How does the waiver of monthly deductions work when I'm on an AAS claim?**

Another unique feature of AGL's chronic illness rider is that while on an AAS claim, your monthly deductions for both the entire base policy and all riders are suspended. If you decide to continue paying premiums while taking the AAS benefit, the Waiver of Monthly Deduction will still be in effect and deductions will be waived.

No other carriers currently offer the ability to choose a CI benefit of less than 100% of the life insurance benefit AND waive monthly deductions for the entire base policy plus all riders while on claim – including the portion not covered by the CI benefit.

**7. Can the Accelerated Access Solution rider be canceled or terminated by American General Life on an inforce policy?**

No, the rider cannot be canceled or terminated by American General Life on an inforce policy. It will remain in force as long as the required premiums are paid.

**8. What happens if the policy lapses? Can it and the rider be reinstated?**

Yes, if the policy and the rider terminate at the same time, and the policy is reinstated, the Accelerated Access Solution will also be reinstated, subject to evidence of insurability. Also note that while on claim American General Life waives all monthly deductions so if you come off claim you do not owe any back charges which decreases the likelihood of the policy lapsing.

**9. What happens if the rider termination was the result of Severe Cognitive Impairment?**

In that instance American General will not require evidence of insurability as long as American General receives your written request to reinstate within 5 months of the termination (refer to policy for more details).

**10. What happens to my policy after coming off an AAS claim?**

Upon returning to active plan status, remaining premiums paid will be based upon the remaining life insurance benefit left in your plan. Remaining premiums would still be actively participating in the index strategy (only applies to IUL) account and could potentially receive interest gains. Future plan administration would be

handled by AGL Claims and any inquiries would be directed to (877) 800-2418.

If you are initially eligible for benefits (i.e. satisfy the definition of "Chronically Ill," and satisfy the 90-day elimination period, etc.) and then subsequently recover, a new elimination period will apply if the number of days that has passed since the end of the last benefit period and the date of the new certification for Chronic Illness is greater or equal to 30 days.

**11. When purchasing an increasing death benefit (Option B) on an IUL, what happens to the chronic illness benefit?**

The lifetime maximum benefit for the Accelerated Access Solution rider equals the selected percentage (2%, 4%, or IRS per diem) multiplied by the base policy life insurance benefit at the time all of the conditions in the Eligibility for Benefits provision are first satisfied. Therefore, for IUL policies using Option B (or increasing benefit), the maximum chronic illness benefit under the AAS rider will also increase, up to the \$3M lifetime cap. Some carriers will cap their chronic illness/LTC rider benefit at the initial life insurance benefit and it will not grow with the increase in their policies' benefit amount.

**12. How does AGL offer a chronic illness rider without a permanency requirement?**

There have been some recent changes in the industry that have affected the design of chronic illness riders. Historically, most chronic illness riders offered have required that in order to activate the chronic illness rider and accelerate the death benefit an insured had to be unable to perform 2 of the 6 activities of daily living (eating, toileting, transferring, bathing, dressing, continence) or suffer from a severe cognitive impairment. Most riders required that the condition had to be permanent, meaning the insured was not going to recover from their condition as determined by a licensed health care practitioner.

This permanency requirement is not part of the Internal Revenue Code, IRC§7702B & §101(g), that set forth the requirements around the design of a chronic illness rider. Instead, the permanency requirement was a condition of the Interstate Insurance Product Regulation Commission (IIPRC), sometimes referred to as the Interstate Compact. This commission serves as a central point of electronic filing for certain insurance products, including insurance, annuities, disability income, and long-term care insurance.<sup>1</sup> The permanent trigger still exists under C(1)(e)(i), but as a result of updated IIPRC standards, the definition of qualifying event was revised to add a second alternative definition under C(1)(e)(ii) of "chronic illness". Because of these changes some companies have decided to take advantage of this most recent chronic illness rider definition that does not require permanency.<sup>2</sup>

## NOT 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 does not provide long-term care insurance subject to California long-term care insurance law. This policy or certificate is not a California Partnership for Long-Term Care program policy. This policy or certificate is not a Medicare supplement policy.

An accelerated death benefit such as the Chronic Illness Accelerated Benefit Rider and long-term care insurance provide very different kinds of benefits:

**Generally, an accelerated death benefit is a rider to or other provision in a life insurance policy that permits the policy owner to accelerate some or potentially all of the death benefit of a life insurance policy if the insured meets the definition of having a chronic illness as defined in the rider or policy provision. Acceleration of death benefits and payments under such an accelerated death benefit will reduce the death benefit of the policy and reduce other policy values as well, potentially to zero. If the entirety of the insurance amount is accelerated, the policy terminates.**

**A Long Term Care insurance policy is any insurance policy, certificate, or rider providing coverage for diagnostic, preventive, therapeutic, rehabilitative, maintenance, or personal care services that are provided in a setting other than an acute care unit of a hospital. Long-term care insurance includes all products containing any of the following benefit types: coverage for institutional care including care in a nursing home, convalescent facility, extended care facility, custodial care facility, skilled nursing facility, or personal care home; home care coverage including home health care, personal care,**

**homemaker services, hospice, or respite care; or community-based coverage including adult day care, hospice, or respite care. Long-term care insurance includes disability based long-term care policies but does not include insurance designed primarily to provide Medicare supplement or major medical expense coverage.**

If you are interested in long-term care, nursing home or home care insurance, you should consult with an insurance agent licensed to sell that insurance, inquire with the insurance company offering the accelerated death benefits, or visit the California Department of Insurance Internet Web site ([www.insurance.ca.gov](http://www.insurance.ca.gov)) section regarding long-term care insurance.

If you choose to accelerate a portion of your death benefit, doing so will reduce the amount that your beneficiary will receive upon your death.

Receipt of accelerated death benefits may affect eligibility for public assistance programs, such as Medi-Cal or Medicaid. Prior to electing to receive the accelerated death benefit, you should consult with the appropriate social services agency concerning how receipt of accelerated death benefits may affect that eligibility.

If the policy terminates, the Chronic Illness Accelerated Death Benefit Rider will also terminate.

LTC expense reimbursement vs. ADB benefits are paid without receipts. LTC benefits are based on benefit levels and a pool of money selected at the time of purchase, and ADB benefits depend on the life policy value. ADB benefits will reduce the death benefit that the policyholder's heirs will receive, and the use of the ADB proceeds is unrestricted, whereas LTC benefits will not reduce the death benefit that the policyholder's heirs will receive and the policyholder must use LTC benefits for LTC services.

<sup>1</sup> <http://www.insurancecompact.org/about.htm>, 2005-2016, Interstate Insurance Product Regulation Commission. All Rights Reserved.

<sup>2</sup> Society of Actuaries, April 2015, Report on Life and Annuity Living Benefit Riders – Considerations for Insurers and Reinsurers, Friedrich, FSA, MAAA



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