

HIGHLIGHTER

Living Needs BenefitSM Rider

RIDER

The Living Needs Benefit Rider (LNB) is referred to as the “Settlement Options to Provide Acceleration of Death Benefits” in the contract.

OVERVIEW

The Living Needs Benefit is a feature available at no additional premium* on most of our single-life permanent and level-term life insurance policies. It was designed to add flexibility to the payment of specified claims by advancing part of the death benefit if the insured: (a) has been confined to an eligible nursing home for at least six consecutive months and is expected to be permanently confined; (b) is terminally ill and has a life expectancy of six months or less; or (c) requires an organ transplant and would have only six months or less to live without the transplant procedure. (See the **State Variations** section later in this highlighter for additional information.)

The Living Needs Benefit is an accelerated payment of life insurance proceeds. It is not intended or designed to provide health or long-term care insurance. Funds can be used for any purpose. You must provide the appropriate disclosure whenever you add the Living Needs Benefit to new or in-force business. (See the **Important Information** section.)

The tax consequences of the Living Needs Benefit are detailed later in this highlighter.

*There is no charge for this rider but, when a claim is paid under this rider, the death benefit is reduced for early payment, and a \$150 processing fee is deducted. If more than one policy is used for the claim, each policy will have a processing fee of up to \$150. (For the exception in Florida, see the **State Variations**.)

Product Description

TERMINAL ILLNESS OPTION

The Living Needs Benefit provides for an advance of funds from the client's life insurance policy if the insured becomes terminally ill with a life expectancy of six months or less (12 months or less for California).

NURSING HOME OPTION

The Nursing Home Option, if included, provides for an advance of funds from the policy if the insured has been confined to an eligible nursing home for six consecutive months and is expected to remain there for the remainder of their life.

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BENEFIT AMOUNT

The entire contract may be accelerated (except in Connecticut). After the actuarial reduction is applied, the LNB amounts paid to policyowners who are accelerating the entire contract are, in most cases, between 70% and 80% of the death benefit for the full Nursing Home Option and between 90% and 95% for the full Terminal Illness Option. The policyowner generally has a choice of receiving the benefit in monthly installments or in a lump sum. Partial claims may be available.

The death benefit under the following riders is included in the calculation of the LNB amount at claim time: Level-Term riders in the convertible period; PUA Rider; PruStyle Rider; Designer Rider; AIPT Rider; Estate/Legacy Select Special Rider; and Custom Rider. These riders, as well as any other riders on the insured, will terminate if the full amount of the death benefit is accelerated under the Living Needs Benefit. Riders on lives other than the insured are not included in the calculation and will remain in force with no further premium due. If a partial claim is made, the premiums and insurance amounts of the base policy and the riders (other than Accidental Death Benefit) will be appropriately reduced. Riders on lives other than the insured are not reduced.

Eligibility

Except in Washington state and as specified for certain term policies mentioned below, the Living Needs Benefit can be added to existing contracts or future policies covering a single life unless the policyowner has added the BenefitAccess Rider to the policy. The policyowner must have at least a “threshold” amount of eligible insurance on the insured. The applicable threshold can be satisfied by aggregating eligible contracts.

Aggregate death benefits must meet the thresholds described below.

Basic Threshold

\$50,000 for issue ages 0 to 60 for policyowners with no eligible policies issued before 1/26/90 (5/15/92 for NY).

Concession Threshold

\$25,000 for policyowners with an eligible policy issued before 1/26/90 (5/15/92 for NY). This threshold also applies if the insured’s issue age is 61 and over.

The Economatic Benefit, which is part of the Custom Classic Life policy, can be considered when determining whether the threshold has been met.

The Adjustable Insurance Benefit amount provided by the PruStyle Rider, Estate Select Special Rider, Legacy Select Special Rider, and Custom Rider will be counted toward the threshold.

Once the appropriate threshold is met, all eligible in-force and future policies can include the LNB Rider no matter what the amount of insurance.

The Living Needs Benefit can be included at issue or added after issue on eligible term policies only if the term policy is convertible and, for after-issue requests, is currently in the conversion period.

MAXIMUM POLICY FACE AMOUNT

The Living Needs Benefit is available on policies of any face amount if the above threshold amounts are met.

UNDERWRITING REQUIREMENTS

There are no special underwriting requirements to add the Living Needs Benefit to new issues or in-force policies.

ISSUE AGES

No special requirements except as noted in the **Eligibility** section above, and for Minnesota as described in **State Variations**.

RATING CLASSES

All.

Applying for the Living Needs Benefit

NEW BUSINESS

The applicant must read the disclosures contained in the brochure (ORD 87246 or applicable state variation) which must be provided to him or her when discussing the Living Needs Benefit.

When using Life Express or PXB

Check the “Acceleration of Death Benefits (Living Needs Benefit)” box in the Plan of Insurance section of the worksheet.

If the client is adding the Living Needs Benefit to in-force contracts as well as new business, you must indicate in the remarks section that the owner wants to add the Living Needs Benefit to all eligible in-force policies. You must also provide the policy numbers.

When using eLife

Select “Yes” next to “Accelerated Death Benefit (Living Needs Benefit)” for Requested Options Benefits on the Plan of Insurance screen.

If the client is adding the Living Needs Benefit to in-force contracts as well as new business, you must inform the underwriter by adding information as a Remark. The Remark should read “Add the Living Needs Benefit to all eligible in-force policies” and then list the in-force policy numbers.

When using the paper application process

Check the “Acceleration of Death Benefits (Living Needs Benefit)” box in the Request Optional Benefits section of the Plan of Insurance (Section B).

If the client is adding the Living Needs Benefit to in-force contracts as well as new business, you must write the words “Add the Living Needs Benefit to all eligible in-force policies” in the Special Requests Box (Section H).

In the “Remarks” space of the Agent’s Report, write “Add the Living Needs Benefit to the following policies.” List the in-force policy numbers and face amounts.

IN-FORCE

Any after-issue requests to add the Living Needs Benefit to an existing policy(ies) require submission of the policy change form (COMB 84800S). The appropriate box under “Add” should be checked, and all eligible in-force contracts should be listed in the open space. The client is required to sign the form.

In New York, special wording is also required in the open space. All New York offices have been provided with a stamp with the regional wording. The wording should read: “I am aware that **(1)** receipt of accelerated death benefits may affect eligibility for public assistance programs and may be taxable; and **(2)** a reduction will be applied to determine any accelerated death benefit payable and a \$150 administration charge will be deducted at the time of payment.”

The Living Needs Benefit rider is not permitted on a policy containing the BenefitAccess Rider.

Claim Considerations

CLAIM REQUIREMENTS

A claim can be made by the policyowner if the insured has been confined to an eligible nursing home for at least six consecutive months and is expected to be permanently confined; or is terminally ill and has a life expectancy of six months or less (12 months or less for California); or requires an organ transplant and would have only six months or less (12 months or less for California) to live without the transplant procedure. Satisfactory evidence from the insured’s physician must be provided. (In Connecticut, evidence can also be provided by an advanced practice registered nurse.)

PROCESSING FEE

When a claim is paid, a processing fee of up to \$150 for the first policy and for each additional policy used for the same claim will be deducted (as well as a reduction for early payment). (For the exception in Florida, see the **State Variations**.)

OPTION TO MAKE A CLAIM

If the insured becomes eligible for the benefit to be paid, the policyowner can decide to make a claim for the Living Needs Benefit or leave the policy intact.

REMAINING DEATH BENEFIT

In most cases, if the maximum benefit amount is claimed, the policy will terminate. If a partial benefit payment is claimed, the life insurance policy can continue with a reduced death benefit and lower premiums. (Note: A partial benefit is NOT available in Kentucky on Living Needs Benefit riders issued on or after 1/1/2008.) See the rider for any restrictions that apply to partial Living Needs Benefit claims.

When only a portion of the option is elected, the insured’s death benefit of the life insurance policy will be reduced proportionately and will continue to provide a reduced death benefit for the beneficiary. The premiums, values (including any Contract Fund values), and amount of insurance will be appropriately reduced. Any dividends payable in the future will also be appropriately reduced.

PAYMENT PERIOD

Once payments begin, they will continue for the period designated and agreed to by the policyowner at claim time.

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IMPORTANT INFORMATION

The “Get the Most out of Your Life Insurance” brochure (ORD 87246 or applicable state variation) must be presented to clients and applicants whenever the Living Needs Benefit is added to a new or in-force policy. (See the **State Variations** section at the end of this highlighter for appropriate versions of the brochure.)

CANCELLATION

The benefit may be permanently removed from the policy at any time prior to claim at the policyowner's request. Once removed, it cannot be reattached to the policy.

MEDICARE, SSI, AND MEDICAID

Medicare is not affected by the Living Needs Benefit whether or not a claim is paid. Supplemental Security Income (SSI) and Medicaid can be affected only if the policyowner receives the benefit payment. Social Security will count Living Needs Benefit payments as part of the policyowner's income when they determine whether they can pay SSI and, if so, how much they can pay. Therefore, the Living Needs Benefit payment may lower the SSI amount or make someone ineligible for Medicaid.

TAX CONSEQUENCES

Accelerated death benefits that are paid from a life insurance contract, such as our Living Needs Benefit, are generally excludable from federal income tax as long as the insured satisfies the tax law definition of “terminally ill” or “chronically ill.”

If the insured qualifies for the Terminal Illness Option, proceeds advanced to the policyowner under the Living Needs Benefit are generally free from federal income tax whether they are advanced in a lump sum or are made in periodic payments.

Living Needs Benefit payments made under the Florida Vital Organ Transplant Option are excludable from federal income tax if a physician certifies that the insured is reasonably expected to die within 24 months without the transplant procedure.

If the insured qualifies for the Nursing Home Option and a licensed health care practitioner certifies that the insured meets the tax law definition of “chronically ill,” Living Needs Benefit payments made to the policyowner are generally excludable from federal taxable income. Annual certification must be provided to us to qualify for this exclusion. However, there are some limits to the excludable amount depending on actual expenses incurred and benefits received from sources other than the Living Needs Benefit. In addition, there are special considerations when the payments are made to a taxpayer other than the insured in the case of business-related policies. **We recommend that the policyowner consults with a tax advisor or an attorney about how a claim for the Living Needs Benefit may impact their personal situation.**

Markets/Prospects

PROSPECTS

The Living Needs Benefit should be discussed with individuals considering the purchase of permanent or level-term life insurance. (For an exception, see the Minnesota, Massachusetts, and Washington state variations below). The Living Needs Benefit should appeal to anyone, no matter what age, who is aware of the financially draining situation created by a terminal illness or permanent nursing home stay.

STATE VARIATIONS

Connecticut: The Connecticut rider restricts the amount that can be accelerated to no more than 75% of the death benefit. When the reduction is applied, the maximum benefit the client can receive is 65% to 70% for the Terminal Illness Option. Effective 5/2/11, the Nursing Home Option is not available for new policies or when the Living Needs Benefit is added after issue.

A special version of the brochure is required (ORD 87246CT).

Florida: A unique benefit is included in Living Needs Benefit riders issued or added prior to 5/2/11. The Vital Organ Transplant benefit option provides for an accelerated payment of the policy's death benefit proceeds in the event that the insured has recently undergone a heart, liver, heart-lung, or bone marrow transplant. The following requirements must be met:

- ▶ The transplant must be performed in a facility licensed or approved as an organ transplant center by the state in which it is located.
- ▶ The claim must be received within 90 days after the date the transplant was performed.

The policyowner can select the amount they wish to receive, up to the lesser of the cost of the transplant, 75% of the convertible proceeds as defined in the rider, or \$250,000.

Effective with new policies issued on or after 5/2/11 or when LNB is added to the policy after 5/2/11, the Nursing Home Option is not available and the processing fee that is assessed when a claim is paid is limited to no more than \$100 per policy. A special version of the brochure is required (ORD 87246FL/MA).

California: Effective 12/12/2016, the Nursing Home Option is no longer available (ORD 87246CA).

Kansas: A special version of the brochure is required (ORD 87246KS).

Kentucky: A special version of the brochure is required (ORD 87246KY).

Massachusetts: Effective 6/20/11, LNB is available without the Nursing Home Option on new policies or when LNB is added after issue. A special version of the brochure is required (ORD 87246FL/MA) as well as a disclosure statement required by the state of Massachusetts (REQ 71346 MA—Disclosure Statement for Prudential/Pruco Life's Living Needs Benefit, an Accelerated Death Benefit Product).

Michigan: A special version of the brochure is required (ORD 87246MI). The Nursing Home Option is called Option A, and the Terminal Illness Option is called Option B.

Minnesota: The Living Needs Benefit cannot be offered to or discussed with persons over age 65 until one year after issue. Any ads or sales promotions must be approved by the state insurance department.

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New York: The Nursing Home Option is not available. Organ transplant is a separate special terminal illness option. To qualify for the organ transplant option, the insured must have a life expectancy of six months or less unless they receive a vital organ transplant. Since it is a terminal-illness-type option, the claim must be received prior to the transplant. The Terminal Illness Option can be paid only in a lump sum, and monthly installments are not permitted. The minimum benefit amount accelerated under the option must be at least enough to provide the lesser of 25% of the policy face amount or \$50,000. A special version of the brochure is required (ORD 87246NY/DC).

If a Living Needs Benefit illustration is provided, it must be the New York–approved generic illustration. Copies of this two-page illustration are available from the Field Office Forms Data Base. The form number is 97948NY.

Ohio: A special version of the brochure is required (ORD 87246OH).

Oregon: Term policies must have Waiver of Premium to add the Living Needs Benefit.

Washington, D.C.: The Nursing Home Option is not available. A special version of the brochure is required (ORD 87246NY/DC).

Washington: Effective 6/22/09, the Living Needs Benefit can no longer be added to any policy either at or after issue.

The BenefitAccess Rider is an optional rider that accelerates the life insurance death benefit when the insured is terminally ill or is chronically ill as defined in the rider. It is not Long-Term Care (LTC) insurance. Benefits received under the rider will reduce and may deplete the death benefit. Electing the BenefitAccess Rider results in an additional charge and underwriting requirements. Some benefit payments may be subject to a fee. Other terms and conditions apply. Clients should consult their tax and legal advisors.

For New York contracts: Please also note the rider is not subject to the minimum requirements of New York law, does not qualify for the New York State Long-Term Partnership Program, and is not a Medicare supplement policy. In addition, receiving accelerated death benefits may affect clients' eligibility for public assistance programs and such benefits may be taxable. Benefit payments may only be made if the payments are subject to favorable federal tax treatment. When determining whether the benefit payments will receive favorable tax treatment, the payment of benefits from all insurance policies must be considered. Accordingly, prior to applying for benefits, you should seek assistance from a qualified tax advisor.

This rider is offered on policies issued by The Prudential Insurance Company of America, Pruco Life Insurance Company, and Pruco Life Insurance Company of New Jersey. All are Prudential Financial companies located in Newark, NJ.

New policies must meet certain face amount requirements before the Living Needs Benefit will be added to the contract. The Living Needs Benefit is an accelerated death benefit and is not a health, nursing home, or long-term care insurance benefit, and is not designed to eliminate the need for insurance of these types. There is no charge for this rider but, when a claim is paid under this rider, the death benefit is reduced for early payment, and a \$150 processing fee (\$100 in Florida) is deducted. If more than one policy is used for the claim, each policy will have a processing fee of up to \$150 (\$100 in Florida) deducted. Portions of the Living Needs Benefit payment may be taxable, and receiving an accelerated death benefit may affect a client's eligibility for public assistance programs. The federal income tax treatment of payments made under this rider depends upon whether the insured is considered "terminally ill" or "chronically ill" and, if the policy is business related, whether the insured is receiving the benefits. We suggest that clients seek assistance from a personal tax advisor regarding the implications of receiving Living Needs Benefit payments. This rider is not available in Minnesota to new purchasers over age 65 until the policy has been in force for one year, and the nursing home option is not available in California, Connecticut, Florida, Massachusetts, New York, or the District of Columbia. This rider is not available in Washington state. In Oregon, term policies must include the waiver of premium benefit to be eligible for this rider.

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