

ACCELERATED DEATH BENEFIT RIDER GUIDE

For Simplified Issue Life Insurance Products

This document is intended to provide agents with an overview of how United of Omaha's Accelerated Death Benefit for Terminal Illness, Critical Illness and Chronic Illness Riders work on Term Life Express and Indexed Universal Life Express, as well as answers to frequently asked questions.

Rider Overview

- Accelerated Death Benefit for Terminal Illness Rider***
 This rider provides an accelerated death benefit if the insured provides evidence that their life expectancy is 12 months or less.
- Accelerated Death Benefit for Critical Illness Rider***
 This rider provides an accelerated death benefit if the insured has been diagnosed by a physician in the last 12 months with one or more of the following conditions: AIDS, Amyotrophic Lateral Sclerosis (ALS), Dementia, End Stage Renal Failure (Kidney Failure), Life-Threatening (Invasion) Cancer, Major Organ Failure, Myocardial Infarction (Heart Attack), Severe Burns, Stroke or surgical treatment of an aortic aneurysm.
- Accelerated Death Benefit for Chronic Illness Rider***
 This rider provides an accelerated death benefit if the insured is unable to perform 2 of 6 Activities of Daily Living (ADLs) for 90 consecutive days, as certified by their physician or requires substantial supervision to protect himself or herself from threats to health and safety due to severe cognitive impairment.

*The definition of chronic, terminal or critical illness may vary by state.

Qualifying for Benefits

- How does an insured qualify as terminally ill?** The insured must have an illness that results in a life expectancy of 12 months or less.
- How does an insured qualify as critically ill?** The insured must have ALS, kidney failure, life-threatening cancer, major organ failure, heart attack, stroke, dementia (including Alzheimer's), major burns, AIDS or aortic aneurysm surgery within the last 12 months.
- How does an insured qualify as chronically ill?** The insured must be unable to perform at least 2 of 6 Activities of Daily Living (eating, toileting, transferring, bathing, dressing, continence) or have severe cognitive impairment for a period of at least 90 continuous days.
- Does the insured need to be in a nursing home in order to qualify for a chronic illness acceleration?** No, there is not a nursing home requirement for the Accelerated Death Benefit for Chronic Illness Rider.
- Does the chronic illness need to be expected to be permanent?** No, the chronic illness does not need to be expected to be permanent. However, there may be very little benefit if the chronic illness is not expected to change the insured's life expectancy.



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 United of Omaha Life Insurance Company
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Calculating Benefit Amounts

- 1. What is the maximum cumulative amount that can be accelerated due to chronic illness?** The maximum is 80 percent of the face amount as of the initial acceleration request.
- 2. Is the maximum cumulative amount impacted by any riders?** No, the maximum cumulative amount is based on the specified amount of the base policy only. It is not impacted by Additional Insured Riders or Accidental Death Benefit Riders.
- 3. What is the maximum amount that can be accelerated in a single year due to chronic illness?** The maximum amount that can be paid in a single year for chronic illness is capped by the IRS per diem limit at the time of the acceleration. Of course, the maximum amount in a single year is also capped by the maximum cumulative amount described above.
- 4. Is the policyowner required to request the maximum acceleration?** No, the amount of the requested acceleration is at the discretion of the policyowner. If the maximum acceleration is \$120,000, the policyowner might only request \$50,000 if that is what they need at the time. It's important to remember that the more that is requested through accelerations, the less that will be available at the time of the insured's death.
- 5. Are terminal and critical illness accelerations subject to the same per diem cap as chronic illness?** No, there are no similar restrictions on terminal or critical illness accelerations, as those are covered by a different section of the tax law. The maximum terminal and critical illness acceleration is 80 percent of the specified amount.
- 6. If the insured was only chronically ill for a portion of the year, can they receive the full annual IRS per diem amount?** No, the limitation is based on the number of days the insured is expected to be chronically ill in the year. The per diem limit for 2024 is \$410, which translates to \$149,650 annually. If the physician certifies the insured first became chronically ill on September 1, then their limitation will be based on 121 days x \$410, which is \$49,610.
- 7. In determining the single year limitation for chronic illness, is it based on the date the acceleration request was made?** No, it is based on the date the insured became chronically ill. If the initial acceleration request was made on September 1, but the physician certifies the insured was already chronically ill on January 1, then the full 365 day per diem amount (\$149,650) would be available in that year.

- 8. If the insured first became chronically ill in September 2023, but the acceleration request was not made until January 2024, is the policy eligible for the full annual benefit amount?** Yes, the eligible benefit amount is based on the time the insured is expected to be chronically ill in the year of the request. In this case, the insured is expected to be chronically ill for all of 2024, so the full benefit amount is available. If the acceleration request had been made in December 2023, the benefit would have been limited, as the insured was only chronically ill for 4 months in 2023.
- 9. How does United of Omaha determine the amount the policyowner will receive from a chronic and critical illness acceleration?** United of Omaha will deduct an actuarial discount from the requested acceleration amount, plus a \$100 processing fee. The actuarial discount is based on the insured's life expectancy (in years) and an actuarial discount interest rate. See example below.

	3-Year Life Expectancy*	8-Year Life Expectancy*	15-Year Life Expectancy*
Face Amount	\$100,000	\$100,000	\$100,000
Requested Acceleration	\$80,000	\$80,000	\$80,000
Actuarial Adjustment	\$17,000	\$36,400	\$65,300
Admin. Fee	\$100	\$100	\$100
Total Benefit Offered	\$62,900	\$43,500	\$14,600
Remaining Death Benefit	\$20,000	\$20,000	\$20,000

*Male, Nontobacco, Age 40, 15-year term, Duration 5, 2018 Issue Year

- 10. How does United of Omaha determine the actuarial discount interest rate?** The actuarial discount interest rate will be the lesser of (a) the Moody's Corporate Bond Yield Average, which was 5.88% in November 2023, and (b) 6.0%. The actuarial discount interest rate will be determined at the time of the acceleration request.
- 11. After the initial chronic or critical illness acceleration, how do you determine the amount available for future accelerations?** The total amount available for all accelerations is set at the time of the first acceleration. The limit is 80 percent of the specified amount at the initial acceleration. After the initial acceleration, the amount remaining for future accelerations is that limit less the sum of all past requested acceleration amounts.

Life Expectancy

- 1. How does United of Omaha determine the life expectancy of the insured at the time of the chronic or critical illness acceleration?** The life expectancy will be determined by United of Omaha's Medical Directors, based on the information that is provided at the time of each requested acceleration. If there is not sufficient information to determine the life expectancy, United of Omaha may request additional medical records, at their own expense.
- 2. Is the life expectancy redetermined for each requested acceleration?** Yes, the life expectancy is redetermined each time by our Medical Directors. If the life expectancy was 4 years at the initial acceleration request, then another acceleration request is made 12 months later, the life expectancy used for the 2nd acceleration will not necessarily be 3 years. It could be less or more based on the medical condition of the insured at that time.

Requesting Benefits

- 1. How does my client request accelerated benefits, and will proof be required?** A claim form will be required and will be provided by our Claims Department. For chronic illness, we will also require a written statement from a physician certifying the insured is chronically ill and has been for at least 90 continuous days. For terminal illness, we will also require satisfactory proof from a physician that the insured has a terminal illness resulting in a life expectancy of 12 months or less.
- 2. What happens if United of Omaha requires additional proof of terminal, critical or chronic illness?** United of Omaha reserves the right to review the medical records and seek a second opinion. Any such actions will be at the expense of United of Omaha.
- 3. How often can a chronic and critical illness acceleration be requested?** There is no limit to the number of chronic and critical illness acceleration requests that may be made, but there must be at least 12 months between acceleration requests. Also, once there is a request for a terminal illness acceleration, there can be no more chronic or critical illness acceleration requests.
- 4. What payment options are available for the terminal, critical and chronic illness acceleration?** The acceleration is only available as a lump sum. There is no option for payments on a monthly or other modal basis.
- 5. Can the insured set it up so that a chronic and critical illness acceleration is automatically requested every 12 months?** No, we must receive a new chronic and critical illness acceleration request each time, and this must be initiated by the policyowner.
- 6. Does the insured need to be recertified as chronically or critically ill every year?** The insured needs to be recertified as chronically or critically ill every time an acceleration is requested. Although this may occur annually, it is possible that acceleration requests may occur years apart. In that case, the insured would only need to be recertified at the next acceleration request.
- 7. Will the chronic and critical acceleration payout always be tax free?** Although the Chronic Illness and Critical Illness Rider has been designed to provide tax-advantaged payouts, there are other factors that may come into play. For example, if the insured is receiving benefit payments from a long-term care insurance policy, then those benefits would apply against the per diem cap. If the insured is already receiving \$48,000 of benefits from a long-term care policy, then the insured could only receive \$101,650 in acceleration benefits in 2024 without being taxed. Our acceleration claim form will request this information, but the insured is encouraged to contact their tax advisor in these situations.
- 8. Are chronic and critical illness benefits still tax favored if the policy is owned by the insured's employer (e.g., key man insurance)?** No, chronic and critical illness benefits are not excluded from income if the policy is owned by the insured's employer.
- 9. What will the policyowner receive from United of Omaha for tax reporting?** The policyowner will receive a 1099-LTC form, which will indicate the benefits received and whether they were for terminal, critical or chronic illness. The form also has separate entries for accelerated benefits and long-term care benefits. The policyowner would then be expected to complete IRS Form 8853 to determine which benefits could be excluded from income.
- 10. How is the remaining policy impacted by the acceleration?** First, the specified amount of the policy will be reduced by the requested amount (not by the net amount the client receives after the actuarial discount and processing fee). Premiums will be reduced in accordance with the new face amount and will continue to be based on the insured's age at policy issue.

Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common ... an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

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