



# Accelerated Access Solution<sup>®</sup> Chronic Illness Protection Rider

## Frequently Asked Questions

### 1. Does a chronic illness need to be permanent in order to access the Accelerated Access Solution<sup>®</sup> (AAS) benefit?

No, thanks to a change in accelerated benefit regulations, which allowed the permanency requirement to be removed from chronic illness riders, AAS benefits can be accessed so 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; bathing, dressing, toileting, transferring, continence and eating.
- 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, so 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. What are some of the key features that differentiate the AAS chronic illness rider from a traditional long-term care rider?

FEATURE	AAS Chronic Illness Rider	Traditional Long-term Care Riders
<b>Diagnosis</b>	Severe cognitive impairment or unable to perform at least 2 of the 6 Activities of Daily Living (ADLs) as diagnosed by a licensed healthcare practitioner	Severe cognitive impairment or unable to perform at least 2 of the 6 Activities of Daily Living (ADLs) as diagnosed by a carrier-designated examiner
<b>Duration</b>	At least 90 consecutive days (Permanency NO longer required)	At least 90 days
<b>Benefit Payment Types</b>	Indemnity – full monthly benefit paid to insured every month they qualify	Reimbursement (receipt required) or Indemnity
<b>Benefit Types</b>	Face amount acceleration	Face amount acceleration and/or LTC
<b>Benefit Payment Options</b>	Tax favored if meet IRS per diem requirements 2020 maximum per diem is \$380/day	Tax favored if meet IRS per diem requirements and amounts above IRS limits are also not taxable if reimbursement or proof is provided of expenses being related to the condition 2020 maximum per diem is \$380/day
<b>Claims</b>	Waives both base policy and rider charges while on an AAS claim, with no short-term claims catch up provision	Carrier predetermined limit for reimbursement riders
<b>Care Coordination Services</b>	Choice of care is up to the insured, Care Coordination Program available at no additional cost and participation is optional	Some form of care coordination assistance is provided by most carriers; costs vary
<b>Policy Premiums Paid by Owner</b>	Fixed number of years	Lifetime
<b>Policy Cash Values</b>	Potentially builds cash value every year until you surrender	Potentially builds cash value every year until you surrender
<b>Benefit amount if NO chronic illness incurred</b>	The entire face amount of your base policy, i.e. your original life insurance benefit amount	The entire face amount of your base policy, i.e. your original life insurance benefit amount

**3. The Accelerated Access Solution is available with what policies?**

The Accelerated Access Solution is currently available on Value+ Protector, Max Accumulator+, Secure Lifetime GUL 3 and Platinum Choice VUL 2 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.

**4. Are there any restrictions on foreign residence/travel and AAS?**

Although you do not have to live in the U.S. at time of claim to receive benefits, the claim must be certified by a U.S. physician practicing in the state where the physician is licensed. A U.S. licensed physician practicing abroad is not acceptable. Since AAS is an indemnity plan, benefit payments can be made anywhere. Please note AAS is not available to Category 3 foreign nationals (Non-Resident Aliens living outside the U.S. or holding unaccepted visa types).

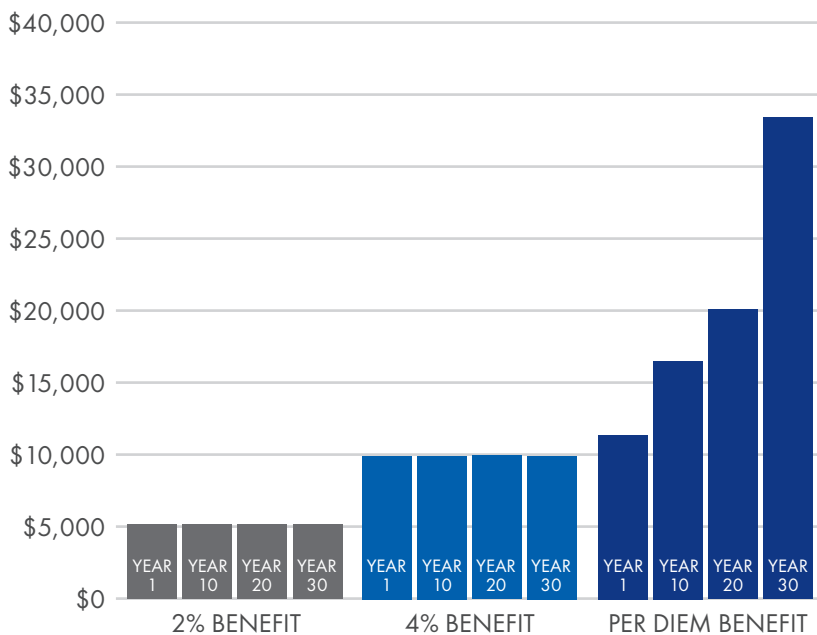
**5. What is the benefit of having an IRS per diem benefit payout option?**

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.

An 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 2020 IRS per diem is \$11,558/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.

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



NOTE: IRS caps the maximum daily rate each year. For 2020, the maximum per diem is \$380/day or \$11,558/month for a thirty-day month. In the chart above, hypothetical per diem increases based on IRS 2020 per diem in year 1, and increasing 4% each year thereafter. Whether or not the IRS per diem limit will change over time is not guaranteed. Hypothetical representation for illustrative purposes only.

In the example, the AAS rider is purchased in 2020 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 \$17,108.

**6. 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 valuable 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.

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

Another 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.

**8. 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.

**9. 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.

**10. 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).

**11. 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.

**12. 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.

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

There have been some 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



NOT A DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | MAY LOSE VALUE | NO BANK OR CREDIT UNION GUARANTEE | NOT FDIC/NCUA/NCUSIF INSURED

Policies issued by American General Life Insurance Company (AGL), Houston, TX except in New York, where issued by The United States Life Insurance Company in the City of New York (US Life). Policy Form Numbers 15442, ICC15-15442, 15442N Rev0518, 19646, ICC19-19646, 19646N Rev0120, 16760, ICC16-16760, 16760N Rev0618, 14904, ICC14-14904; Rider Form Numbers 15600, ICC15-15600, 17600N, 13600-5, ICC18-18012, 18012, 18012N, ICC16-16420, 16420, 16420N, 15972, 15972N, ICC14-14002, 14002, 14002N, ICC13-13601, 13601, 13601N, ICC15-15990, 15990, 15990N, 14306, 07620, 07620N, 15996, 15996N, 15997, ICC18-18004, 18004, ICC15-15992, 15992, 15992N, 19666, ICC19-19666, 19716, ICC19-19716. Issuing companies AGL and USL are responsible for financial obligations of insurance products and are members of American International Group, Inc. (AIG). Guarantees are backed by the claims-paying ability of the issuing insurance company. Products may not be available in all states and product features may vary by state. Not intended to be all-inclusive of product information. See the rider for details regarding the benefit descriptions, limitations and exclusions. Riders are not available in all states.

There may be a charge for each rider selected. See the rider for details regarding the benefit descriptions, limitations and exclusions. Riders are not available in all states. Please consult your financial professional or review the policy and outline of coverage for your state. This information is general in nature, may be subject to change, and does not constitute legal, tax or accounting advice from any company, its employees, financial professionals or other representatives. Applicable laws and regulations are complex and subject to change. Any tax statements in this material are not intended to suggest the avoidance of U.S. federal, state or local tax penalties. For advice concerning your individual circumstances, consult a professional attorney, tax advisor or accountant.