

Securing the Sale with the Living Benefits of IUL

The Chronic Illness Rider Can Be a Great Alternative

Let's set the stage. You have a client who understands their need for life insurance which leads into the next discussion: do they have long-term care coverage in place? Most often, the answer will be "No." It could be that:

- They are interested in long-term care coverage but the premium is more than they can afford.
- The client cannot qualify for long-term care coverage since it does require additional underwriting when applying.

The good news is, the discussion is not lost, and that is the perfect opportunity to pivot to discussing the living benefit found in their Income Advantage or Life Protection Advantage IUL policies. We offer the Chronic Illness Rider on both of our IUL policies.



Here's what you should know:

If your clients are chronically ill (meaning they can't perform two of six activities of daily living) or have severe cognitive impairment, they can accelerate a portion of their death benefit early.

Benefits	These funds can help pay for their long-term care expenses, or whatever they choose. This helps them avoid using their savings or other personal assets to cover the long-term care services.
Payout	Benefits are available as a lump-sum payout, up to the IRS per diem limit.
Frequency	Accelerated benefits can be taken once every 12 months.
Costs	This is a no-charge rider, meaning that there is no additional, upfront cost to the insured. If the insured uses the benefit, an actuarial discount and flat \$100 fee are charged, but only if they use the benefit.
Maximum Benefits	The maximum benefit is 80% of the policy face amount at the time of the first acceleration request (maximum of \$1 million).

Actuarial Discount Explained

We want you to be prepared for this discussion if your clients have concerns and questions about the "actuarial discount" charge. In simple terms, it is a fee structure put in place if the insurance company pays out a portion of the death benefit in advance of the insured's death. The initial life insurance policy is priced based on the beneficiary receiving the death benefit at the time of the insured's death.

But, in the case of the Chronic Illness Rider, the insured would be receiving an advance payment on their death benefit. So, they calculate the actuarial discount to account for the time value of money versus the insured's life expectancy to account for this earlier than planned payment.



Case Study

Jeffrey, Age 50

Purchased a \$1 Million Income Advantage Policy

- He didn't qualify for the long-term care insurance.
- His life insurance policy did automatically include the Chronic Illness Rider.



Years Later

Jeffrey is diagnosed with a chronic illness and is unable to perform two of six Activities of Daily Living (ADLs):

- He is given two years to live.
- He has a maximum acceleration limit of \$800,000 on his policy.
- He requests \$100,000 in benefit.

In this case, he has two years to live and an actuarial discount of 9%.

- This means that he will receive \$90,900 of the \$100,000 requested.
- These funds can be applied to medical bills, replace his salary, take a dream vacation or even pre-plan his funeral arrangements.
- He has the ability to use the funds however he chooses.

Calculating Jeffrey's Benefit

Requested Acceleration	\$100,000
Minus the 9% Actuarial Discount (4.5% discount rate X 2-year current life expectancy)	\$9,000
Minus the Flat Charge	\$100
Acceleration Amount	\$90,900



His death benefit is now \$900,000.

He still has \$700,000 remaining in accelerated death benefit option.

Our Chronic Illness Rider can offer clients the ability to address potential future expenses.



Learn more at:
MutualofOmaha.com/ltc-rider