

Chronic Illness Benefit Rider

A Living Benefits Policy Enhancement from Security Mutual Life

Life insurance with living benefits helps provide security for life's unplanned events. Simply put, living benefits provide access to a portion of the policy's values, when needed, during the insured's lifetime.

Security Mutual's Chronic Illness Benefit Rider (CIBR) provides accelerated death benefits in the event of unexpected chronic illness. Chronic illness often comes with high expenses for treatment, medication and care. A family can face financial hardships when living with a chronic illness. The Chronic Illness Benefit Rider permits the policyowner to accelerate a portion of the policy's death benefit, the proceeds of which can be used for any purpose, including to help cover health-care expenses.

Key Benefits

- Provides access to a portion of the death benefit when the insured has a chronic illness.*
- Rider costs deducted from benefits at the time of claim. *An administrative charge and an actuarial discount will be deducted from each Chronic Illness Accelerated Benefit requested. Benefit payments result in reduced death benefits and cash values.*
- Flexibility to select the amount of accelerated benefit needed, subject to rider limitations.



How It Works

The Chronic Illness Benefit Rider is available to be included with the base life insurance policy at policy issue, after the base application, rider application and medical information have been reviewed. Applicants whose insurance age is 66 and over must undergo cognitive screening.

If the insured has a chronic illness, a Chronic Illness Benefit becomes available under the terms of the rider. An insured with chronic illness is expected to require continuous care for the remainder of life in an eligible facility or at home and:

- Is unable to perform (without Substantial Assistance from another) at least two of the six Activities of Daily Living—bathing, continence, dressing, eating, toileting and transferring—due to a loss of functional capacity; or
- Has a Severe Cognitive Impairment that requires Substantial Supervision by another person to protect himself or herself from threats to health and safety.

An accelerated benefit will be paid after medical verification and a continuous period of 90 days of chronic illness immediately preceding the date of payment. An accelerated benefit can be elected once every calendar year and will be paid as a single lump sum portion of the policy death benefits subject to Internal Revenue Code and rider limits. IRC § 7702B (d)(4) shows the applicable maximum benefit for the calendar year. The limit is adjusted annually for the cost of living.

The maximum annual benefit for acceleration is set at 25 percent of the specified amount of a universal life insurance policy or 25 percent of the basic death benefit of a whole life insurance policy. The accelerated benefit will be reduced by an actuarial discount as prescribed by the rider, and an administrative charge will be deducted from each benefit payment made. The accelerated benefit payment will be reduced by a proportionate amount of the outstanding policy loan, if any, and the policy loan will be reduced by the same amount. Accelerated benefit payments can be made until such time that benefits are no longer available as stated in the rider.

The Chronic Illness Benefit Rider is a valuable living benefits feature that provides flexibility your clients can choose. It may offer your clients added financial security in the event of an unexpected chronic illness.

**Note: The payments under the Chronic Illness Benefit Rider are intended to qualify for favorable tax treatment under Section 101(g) of the Internal Revenue Code. However, payments made under this rider may be taxable depending upon specific facts and circumstances. Accordingly, the policyowner should consult with his or her tax advisor to determine the tax consequences before requesting the payment of an accelerated benefit under this rider. Receipt of accelerated death benefits may affect eligibility for public assistance programs.*



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Chronic Illness Benefit Rider (CIBR) Features:

Applicable Policies (Minimum Face Amount: \$50,000)

- Customized FlexUL3SM
(Policy Form Nos. 2117-NY-A; ICC21-2117-A; Series 2117-A)
- Security Designer WL4U3SM
(Policy Form Nos. 2112-NY-17CSO; ICC14-2112; Series 2112)

Issue Ages

16 – 75 (Age Nearest Birthday)

Gender

Male and Female

Underwriting Classes

Available for all issue classifications through Table 4 (prior to any substandard table rating rules), or Standard or better cases with a flat extra rating up to \$10.00 per thousand. *Consult the Underwriting Department for more information.*

Underwriting Requirements

The applicant must submit a supplemental application when applying for the base policy, and will undergo a cognitive screening, when applicable. Applicants whose insurance age is 66 and over must undergo cognitive screening. If the rider is declined, the base policy may still be issued. The rider is available only at policy issue. It will be the responsibility of the agent to order the cognitive screen, if applicable, in addition to the normal age and face amount requirements. To set up the cognitive screen, please contact LifePlans at 800-544-4326.

Cost

There is no separate premium charge to add this rider. If exercised, the accelerated benefit payment will be reduced by an actuarial discount as prescribed by the rider, and an administrative charge will be deducted from each benefit payment.

Accelerated Benefits under Chronic Illness Benefit Rider

Upon proof of chronic illness acceptable to the Company, the policyowner will be eligible to receive accelerated benefits as outlined below, subject to rider limitations:

- Prior to payment of a chronic illness accelerated benefit, the insured must be chronically ill for a continuous period of 90 days immediately preceding the date of payment.
- An accelerated benefit can be elected once every calendar year and will be paid as a single cash lump sum payment.
- Any premiums due for the policy must be paid prior to the claim election date; or if the policy is in its Grace Period, any overdue premium will be deducted from the net benefit.
- The maximum amount of the benefit payment is determined by IRC limits and rider limits.
- Benefit payments may be made only if the payments are subject to favorable tax treatment by the Federal Government. When determining whether the benefit payments will receive favorable tax treatment, the payment of benefits from all insurance policies from all carriers must be considered.
- Accelerated benefit payments will be limited so that a residual death benefit remains following a payment. The minimum residual death benefit is \$25,000.
- If the policyowner returns any net chronic illness accelerated benefit payment to the Company within 30 days of receipt of payment, the Company will void the claim election.
- Security Mutual limits the maximum cumulative accelerated benefits paid. The maximum benefit available may vary by state. In no event will the cumulative benefit paid exceed \$1,000,000.

Contestability

The rider may be contested within two years of the rider issue date on material misrepresentations of base application and/or rider supplemental application responses. A new contestability period may apply to any increase in coverage amount that was subject to evidence of insurability.

Effects of Benefit Payment on the Policy

- The plan of insurance may not be changed while the insured is chronically ill, except as otherwise noted in the policy.
- Exercising benefits under the Terminal Illness Rider will terminate the Chronic Illness Benefit Rider.

For Universal Life

- The payment of a net chronic illness accelerated benefit will reduce the specified amount of the policy. Pro-rata reductions will be made to premiums, accumulated value, cash value, cash value of any paid-up additions, dividend credits (if any) and outstanding loans of the policy in the same ratio as the reduction in specified amount.
- Monthly policy deductions and dividends (if any) following payment of an accelerated benefit will be as if the policy had been originally issued at the reduced amount.
- Increases in the specified amount and changes in the insurance amount option are not permitted after a chronic illness acceleration.
- Partial surrenders and loans will still be available.
- The policyowner may need to pay additional premiums to keep the policy in force.
- At the time the first net chronic illness accelerated benefit payment is made, any death benefit insurance amount option that is not Option A (specified amount) will be changed to Option A.

For Whole Life

- The payment of a net chronic illness accelerated benefit will reduce the death benefit of the policy. Pro-rata reductions will be made to premiums, basic cash value, cash value of any paid-up additions, cash value of any paid-up insurance, dividend credits (if any) and outstanding loans of the policy in the same ratio as the reduction in basic death benefit.
- Future premiums and dividends thereafter will be as if the policy had been originally issued at the reduced amount.
- Policy loans will still be available.

Not to be Marketed or Advertised as Long-Term Care Insurance

The Chronic Illness Benefit Rider is not, and should not be marketed as, long-term care insurance. It does not qualify for the New York State Long-Term Care Partnership program or similar programs in other states, and is not a Medicare supplement policy or rider. Specific notifications and disclosures may need to be provided regarding receipt of accelerated death benefits potentially being taxable and affecting eligibility for public assistance programs in certain states.

The Agent must inquire and otherwise make every reasonable effort to identify whether a prospective applicant already has any insurance policy or coverage for chronic illness or long-term care insurance and the types and amounts of any such insurance. Applicable regulations prohibit twisting, high-pressure tactics and cold lead advertising. In recommending the purchase or replacement of any policy or certificate, the Agent must make reasonable efforts to determine the appropriateness of a recommended purchase or replacement.

In New York, there are special rules and regulations that apply if the Chronic Illness Benefit Rider is to be marketed or issued to an association or its members.

Special Notice for New York State

Any advertising material must contain a statement in bold to the following effect:

“This product is a life insurance policy and rider that accelerates the death benefit on account of chronic illness. It is not a health insurance policy or rider providing long-term care insurance subject to the minimum requirements of New York Law, does not qualify for the New York State Long-Term Care Partnership program and is not a Medicare supplement policy or rider.”

For more information, consult the Product Information Section of SecurityLink or contact Security Mutual’s Marketing Department.

This product description is not complete; exclusions and/or limitations apply. Product availability and features may vary by jurisdiction. Consult SecurityLink for state availability.

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