

# Terminal Illness Options Accelerated Benefit Rider



## Description and Disclosures

### Security Mutual is pleased to offer you the Terminal Illness Options Accelerated Benefit Rider.

This rider allows you to use a portion of the funds available from your life insurance policy should the person insured under the policy (for joint and last survivor policies, the survivor of the two insureds) be diagnosed as terminally ill, with a life expectancy of 12 months or less.

The funds—normally paid at the death of the insured—are actually advanced from your policy and can be used at your discretion to defray medical or other costs.

### Flexibility

The Terminal Illness Options Accelerated Benefit Rider gives you, the policyowner, more choices by allowing you to receive some of your policy benefits at an earlier date should the insured become terminally ill. The rider can be exercised only upon your written request.

While the Terminal Illness Options Accelerated Benefit Rider is not meant to replace health or long-term care insurance, it can help provide peace of mind should the insured suffer a financially draining terminal illness.

If the insured is terminally ill, the rider funds are available to you, the policyowner, without regard to income or other benefits that may be available. You decide how the funds can best be used in your personal situation.

### Cost to the Policyowner

The Company reserves the right to charge an administrative expense charge of not more than \$250 if the rider is exercised.

The payment from the Terminal Illness Options Accelerated Benefit Rider will be discounted using an interest rate set by the Company. This rate may be changed from time to time.

### Eligibility

Only you, as the policyowner, can exercise the Terminal Illness Options Accelerated Benefit Rider on your in-force life insurance policy when the person insured under the policy is terminally ill.

Satisfactory evidence of terminal illness must be provided to Security Mutual. In most cases, documentation from a qualified physician will be adequate. However, the Company does reserve the right to investigate further to determine benefit eligibility.

### Benefit Amount

The maximum benefit available for acceleration is 75 percent of the life insurance proceeds payable under the policy at the death of the insured, **not including** any annuity death benefit or accidental death benefit. The maximum benefit payable is \$500,000 per insured.<sup>1</sup> The amount available under the rider may be reduced by any accelerated benefit previously paid by Security Mutual under any other policy covering the same insured.

You may also choose to accelerate a smaller portion of your policy proceeds.

### Proceeds Payable

When the Terminal Illness Options Accelerated Benefit Rider is exercised, you will receive a lump sum payment or periodic payments (quarterly in New York; monthly outside New York.)<sup>2</sup>



## Remaining Policy

The Company will issue an amended schedule page reflecting the reduced amount of coverage that remains in force under your policy. The policy death benefit and other policy values will be prorated to reflect the acceleration of a portion of the death proceeds. The premium and dividend payments will also be prorated (see example on reverse side).

The death benefit on the revised policy will be paid upon the insured's death to the beneficiary(ies) named in the policy.

## Cancellation

The Terminal Illness Options Accelerated Benefit Rider can be removed from your policy at any time upon your written request.

## Special Note

Receipt of benefits from the Terminal Illness Options Accelerated Benefit Rider will reduce the death benefit and other policy values. Before exercising this rider, you should consider other options available under the policy (for example, policy loan) as well as other resources available to you and your beneficiaries. If you terminate your policy, the Terminal Illness Rider will also terminate.

Receipt of benefits from the Terminal Illness Options Accelerated Benefit Rider may affect eligibility for public assistance programs, such as medical assistance (medicaid), family assistance and supplemental security income. Prior to exercising the Terminal Illness Options Accelerated Benefit Rider, policyowners should consult with appropriate social service agencies concerning how receipt of benefits will affect the eligibility of the recipient and/or the recipient's spouse and dependents.

The income tax treatment of accelerated death benefit payments is governed by Code Section 101(g). Section 101(g) provides that any amount received under a life insurance contract on the life of a terminally ill individual is treated as an amount paid by reason of the death of the insured and therefore will generally be received income tax free. You should consult a qualified tax advisor before exercising this rider.

## Availability

The Terminal Illness Options Accelerated Benefit Rider is available on all Security Mutual Life products, all issue ages and all risk classes. No underwriting is required.

## How the Terminal Illness Options Accelerated Benefits Rider Works

Following is an example of how a hypothetical policy purchased for an insured at age 45 would be affected if the Terminal Illness Options Accelerated Benefit Rider were exercised ten years after the policy was issued.

### Policy Before Acceleration

Policy Face Amount	\$100,000
Paid-Up Additions	10,000
Policy Loan	5,000*
Cash Value	17,500
Annual Premium	1,000
Dividend	500
Death Benefit	105,500

The maximum benefit available for acceleration is 75 percent of the proceeds payable at the death of the insured (the face amount plus paid-up additions and dividends minus the policy loan). The Company adjusts this value to reflect expected future premium payments and future dividends or excess interest credits. This amount is then discounted at a rate set by the Company from time to time. In addition, the Company reserves the right to deduct an administrative expense charge not to exceed \$250.

Assuming a discount interest rate of 8 percent and a \$250 administrative expense charge, the maximum Terminal Illness Benefit available to the policyowner in this example would be \$72,319. Assuming the policyowner chose to receive 50 percent of the available benefit, or \$36,035, the remaining policy would have the values shown below.

### Policy After Acceleration

Policy Face Amount	\$62,500
Paid-Up Additions	6,250
Policy Loan	3,125*
Cash Value	10,938
Annual Premium	634
Dividend	313
Death Benefit	65,938

## For More Information, Contact:

<sup>1</sup>Policies sold in the states of California and Florida offer a maximum benefit of \$250,000 per insured life.

<sup>2</sup>Benefit payment is subject to the approval of any policy assignees or irrevocable beneficiaries.

\*Includes interest payable at next policy anniversary.

The availability of the rider as well as terms and conditions may vary by state.

The payment of dividends is not guaranteed, and the amount credited, if any, may rise and fall depending on experience factors such as investment income, taxes, mortality and expenses.

Receipt of these accelerated benefits may be taxable or may affect eligibility for public assistance programs.

This publication is intended for general information purposes or to support the promotion or marketing of the Company's products and does not constitute legal or tax advice. This publication is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed on the taxpayer under the Internal Revenue Code or any other applicable tax law. Taxpayers are advised to seek tax advice based on the taxpayer's particular circumstances from independent legal, tax and other professional advisors before acting upon any of the information presented.

Neither Security Mutual nor its representatives or agents are permitted to give legal or tax advice.

Copyright © 2020, Security Mutual Life Insurance Company of New York. All rights reserved.

0015145XX 06/2020



*The Company That Cares.®*

Linked in YouTube Twitter

Rider Form Nos. IO-9370-TIR500- NY; ICC16-IO9370;  
Series IO-9370, IO-9337, IO-9107-CA-D

Page 2 of 2