Accelerated Access Solution® Chronic Illness Rider

Frequently Asked Questions

Policies issued by American General Life Insurance Company

1. Why would I buy a rider that requires the chronic condition to be permanent?

American General Life's (AGL) Accelerated Access Solution® (AAS) chronic illness rider is an affordable and attractive alternative to long-term care policies. A licensed healthcare practitioner, not AGL, makes the chronically ill determination of whether a condition is expected to be permanent and certifies that the insured meets one of the following criteria:

- Unable to perform 2 out of 6 Activities of Daily Living (expected to be permanent)
- Diagnosed with a qualifying cognitive impairment (such as Alzheimer's Disease)

Did you know that 9 in 10 people who go on long-term care claims do not recover? [1] This means that only 10% of the market would have what turns out to be a non-permanent condition.

While 10% might have a concern if the condition is chronic, but not permanent – far more people will be concerned about continuing to have to pay premiums once on claim. It is important to note that while on an AAS claim, AGL waives all charges for the entire base policy and riders. *There is no other chronic illness life insurance rider that allows for coverage of non-permanent conditions* ***and*** *waives charges for the entire base policy on the market currently.*

For riders that do not waive charges unless the policyholder continues to pay policy premiums while on claim, they may owe all the missed charges during the claim. What happens is that the policyholder who does not pay the back premiums required, may end up with a policy that lapses once the insured comes off claim. Therefore, they could be faced with a very large catch up premium to keep the policy in force - particularly in a GUL, where the timing of premium payments can have a significant effect on the overall cost.

Unlike long-term-care riders or other chronic illness riders, AGL does NOT continue charging policy expenses while on claim. Even if an ***AAS policyholder*** *did recover from a condition that was expected to be permanent,* ***the insured would not have to pay back missed charges to keep the policy from lapsing.***

Many people could be concerned about the financial situation of incurring potential catch-up premiums required when they come off claim to keep the policy from lapsing. Fortunately, this is not an issue or concern with the AAS.

2. Do carriers illustrate a long-term care rider for a non-permanent condition?

When most insureds are on a long-term care (LTC) rider claim, only LTC rider charges may be waived while base policy charges may continue to be deducted. While carriers may illustrate claims that are permanent, they do not illustrate for non-permanent conditions where the insured goes on claim for a period of time and comes off claim with a residual death benefit. Illustrations tend not to address what subsequent funding would be required if the policy holder suspends payments while on claim, and there could be a large catch up premium necessary to keep the policy in force once the insured comes off claim. Additionally, there may be some claims that have significant impact to cash values, which could alter how the policy could be leveraged when the insured comes off claim. It is important to ask for these illustrations to understand how significant of an impact coming off claim would have to the policy.

It is important to note that American General Life:

- Waives both base policy and rider charges while on an AAS claim (even if the AAS benefit is less than 100% death benefit, all policy charges are waived)
- No short-term claims catch up provision - once off claim, there are no requirements to pay back the missed charges to keep the policy from lapsing
- A licensed healthcare practitioner certifies that the insured has a chronic illness that is permanent – not AGL

3. What is the benefit of an indemnity plan versus a reimbursement plan for chronic illness riders?

The vast majority of people – 4 in 5 (80%) – live in private homes where about **80% of the care is provided by family and friends.**[2,3]

AGL's AAS rider is an indemnity plan, not a reimbursement plan. The benefit of an indemnity plan is once the insured qualifies, the funds from the policy can be **accessed for ANY needs without a receipt**. For example, if a family member has to stop working to take care of their loved one, the monthly benefit can be used to compensate the caregiver and/or cover any expense including but not limited to the mortgage, utilities, phone bill, home repairs/modifications, housekeeping, etc.

With the AAS, the insured must only prove qualification for the benefit and the claim can be made, initiating benefit payments without proof of services. With reimbursement plans, receipts need to submitted and often payments can only be made directly to the care provider.

Additionally, with an indemnity rider such as AAS, the insured gets the full monthly benefit each month they qualify. With reimbursement riders, only the expenses incurred each month are paid. Meaning an insured who does not incur expenses that total up to their monthly benefit may not receive the maximum monthly benefit.

4. What type of care coordination services are available with the Accelerated Access Solution rider?

The choice of care is up to the insured – whether it is a licensed care provider, a non-licensed home care provider or the insured's family members. Once the insured meets a qualifying chronic illness, the benefit payments can be used to help cover any of these care expenses or any other expense for that matter – the use of the funds is up to the insured.

Through the AAS rider, the insured has access to services to help them locate and choose a provider and create a customized plan of care. Partnering with the nation's largest administrator of long-term care insurance (Long-Term Care Group, Inc. or LTCG™), the AAS rider will cover the care coordination services at no cost to policyholders. This free benefit, called the "Care Coordination Program", is completely optional and available on all policies with the Accelerated Access Solution chronic illness rider. This program offers access to Care Management professionals that provide support to family members and assist in putting together a comprehensive plan of care that is right for each family's situation. In addition, this service provides:

- Location of a qualified caregiver, long term care facility or home-delivered meals provider
- Development of a plan of care
- Information on organizations with expertise in the disabling condition
- Setting up the first home care visit
- Assistance with moving into long term care facilities
- Assistance in understanding the cost of long-term care and how billing for services will be handled

5. How does the waiver of monthly deductions work when on an AAS claim?

Consumers purchasing an AAS rider have the option to choose anywhere from 50% to 100% of the death benefit amount of the base policy. This is a great feature for those that don't need to use their full life insurance death benefit amount through their chronic illness (CI) rider. For example, if a policy holder purchased a $1M policy, and didn't need the full $1M for the CI benefit, the owner can choose between $500k-$1M to meet their needs.

A unique feature of AGL's chronic illness rider is that while on an AAS claim, the policy holder's monthly deductions for **both the entire base policy and all riders are suspended**. No other carriers currently offer the ability to choose a CI benefit of less than 100% of the death 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.

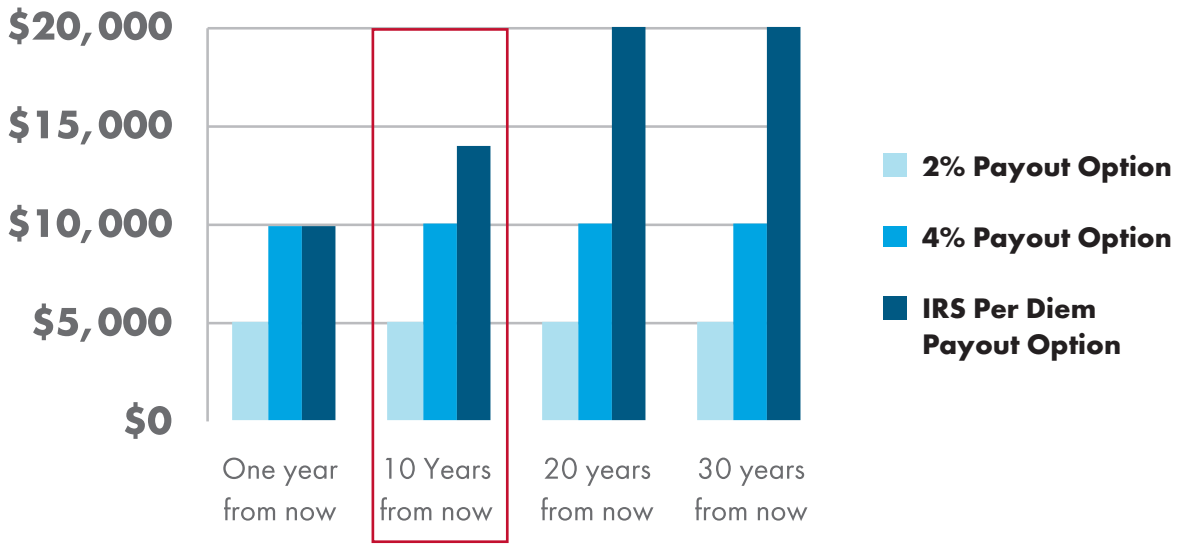
6. What is the benefit of having an IRS per diem benefit payout option?

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 the owner into fixed payouts whenever they go on claim.

A unique alternative with the AAS is the IRS per diem payout option. This feature allows the owner 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 2015 IRS per diem is $9,900/month.[4] 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.

Monthly Benefit Option Comparison $250,000 Death Benefit



In the example above, the AAS rider is purchased in 2015 with the per diem option, provides a significant increase in monthly benefit amount as shown in the 10, 20 & 30 year projections. For example in year 10, the 2% monthly payout only pays $5k, the 4% monthly payout pays $10k and the IRS per diem monthly payout pays $14k.

When you consider that 30% of Americans spend 1-3 years in nursing homes[5], it can be important to get as much of the benefit out in the years immediately following the claim.

7. What type of licensing is required to sell chronic illness riders?

Additional long-term care certification that is required for long-term care policies **is NOT required for AAS**. The long-term care certification that is required in some states for selling long-term care policies is NOT required for AAS.

Properly licensed life insurance agents can sell the AAS chronic illness rider.

8. With what policies is the Accelerated Access Solution available?

The Accelerated Access Solution is currently available on Value+ IUL, Elite Index® II, AG Platinum Choice VUL, and AG Secure Lifetime GUL® II policies. AAS can be added to AG Secure Lifetime GUL II policies either with or without the Lifestyle Income Solution℠. AAS and the Lifestyle Income Solution rider can be purchased together with the AG Asset Protector® bundle. More information on AG Asset Protector can be found on RetireStronger.com.

Although AAS is not available to foreign nationals, the insured does not have to live in the US at time of claim to receive benefits. AGL accepts certification by a US licensed health care practitioner even if the practitioner is not residing in the US. The practitioner must maintain his or her US healthcare license. Since AAS is an indemnity plan, benefit payments can be made anywhere.

9. When purchasing an increasing death benefit (Option B) on an IUL or VUL product, what happens to the chronic illness benefit?

The lifetime maximum benefit for AGL's Accelerated Access Solution rider equals the selected percentage multiplied by the base policy death benefit at the time all of the conditions in the Eligibility for Benefits provision are first satisfied. Therefore, for IUL or VUL policies using Option B (or increasing death benefit), the maximum chronic illness benefit under the AAS rider will also increase, up to the $1.5MM lifetime cap. Some carriers will cap their chronic illness/LTC rider benefit at the initial death benefit and it will not grow with the increase in their policies' death benefit amount.

[1] Society of Actuaries: "Long-Term Care Risk Management: Re-Pricing In-Force Policies", 2014
[2] Congressional Budget Office based on data from Medicare Current Beneficiary Survey, Access to Care files, 2010.
[3] U.S. Department of Health and Human Services website: http://longtermcare.gov/the-basics/who-will-provide-your-care, Nov 2014.
[4] IRS caps the maximum daily rate each year. The 2015 maximum per diem is $330/day or $9,900/month. Subsequent years may be higher.
[5] www.aaltci.org/long-term-care-insurance/learning-center/probability-long-term-care.php, 2014.

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