

Chronic Illness Rider

Accelerated life benefits
for chronic illness.

Group Membership Association Division





Let's make their life insurance do more.

Our Annual Renewable Group Term Life Insurance is a proven, cost-effective way for your members to protect the lifestyle and future they have worked so hard to build for their families. And while the primary purpose of life insurance is to pay a death benefit if the insured passes away, our new Chronic Illness Rider (CIR) can help it do more.

Protect their loved ones—and their future.

Everyone wants to enjoy their golden years, and that's why our Chronic Illness Rider makes so much sense. For a modest cost, this rider—which can be purchased with, or added to, our Annual Renewable Term Life policies—is an easy and economical way for your members to protect themselves from the financial hardships a chronic illness may cause.

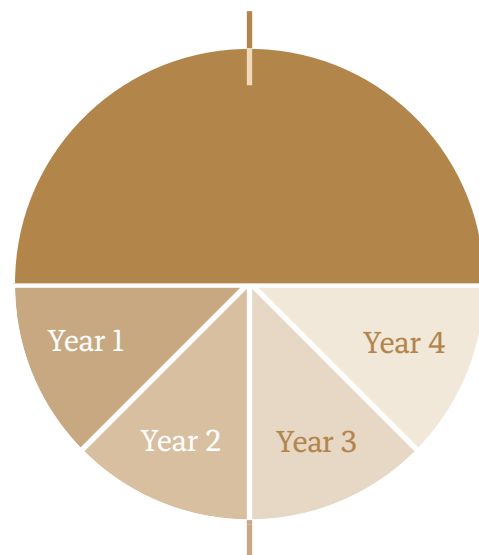
Here's how it works...

The Chronic Illness Rider provides a “living benefit” that lets the insured accelerate the death benefit to meet chronic illness needs. In fact, your members can use up to 50% of the face amount¹ **when diagnosed with a chronic illness.**² They can even use an additional 25% of the face amount if a separate terminal condition occurs later. Best of all, benefit payments are sent directly to the insured, and your members can use the money however they want.

Benefits at death.

Policy face amount.

Death benefit paid to beneficiaries.



Benefits during life.

Amount for chronic illness benefit.
Paid to you for chronic illness needs.³

¹Benefits payable up to 12.5% per year for four years, not to exceed \$500,000. Must be certified by a licensed health care practitioner each year.

²Chronic illness means an illness in which the insured member or insured spouse is either: (1) permanently unable to perform any two of the following activities of daily living (bathing, continence, dressing, eating, toileting, and transferring); or (2) requiring substantial supervision to protect the insured member or insured spouse from threats to health and safety due to a permanent severe cognitive impairment.

³Benefits for chronic illness needs are up to 50% of the life insurance benefit. Benefits used for chronic illness decrease the amount available to beneficiaries upon the insured's death.

Let's look at an example.



Kevin recently passed away from a chronic illness at age 59. Fortunately, he owned \$600,000 in Annual Renewable Group Term Life Insurance coverage and had the foresight to add a Chronic Illness Rider when he was given the opportunity. Kevin began using the benefit four years ago and had drawn a total of \$300,000 at the time of his death. With the help of this coverage, Kevin was able to enjoy a comfortable level of care and still leave his family a \$300,000 tax-free benefit.

Kevin's hypothetical timeline:⁴

10 years ago: Kevin purchases an Annual Renewable Group Term Life policy with a \$600,000 face amount.

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8 years ago: He adds a Chronic Illness Rider to his plan.

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4 years ago: Kevin is diagnosed with a chronic illness and begins using his living benefit.

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1 month ago: He passes away after using \$75,000 a year in benefits for four years (\$300,000).

.....

Today: Kevin's beneficiaries receive a \$300,000 death benefit.

There's no "use it or lose it."

With this rider, your members don't have to worry about any of the benefit going to waste. Any portion not used to meet their chronic illness needs will ultimately be paid to their beneficiaries. And, like most life insurance benefits, this money is generally income tax free, so their loved ones can make use of every penny.⁵

⁴ The acceleration is subject to life schedule reductions and is based on the amount of coverage that would be in force one year after the request for acceleration was approved.

⁵ Receipt of the accelerated benefit may be taxable. The owner may want to seek assistance from a personal tax advisor.

Some questions to consider...

What issue ages are available?

Since this rider is designed for your members, eligible persons, ages 20–64, may apply. Coverage extends to age 80.

Can spouses apply for the rider?

It depends on your plan. If spouses are eligible for Annual Renewable Term and meet the rider issue age requirement, then they are eligible for the rider as well.

Is underwriting required?

Tele-underwriting will only be required for applicants age 50 and up, or for applicants with underlying Annual Renewable Term policies with coverage over \$100,000. In most cases, underwriting consists of simple health questions.

If a person applies for Annual Renewable Term Life Insurance and the Chronic Illness Rider at the same time, is there separate underwriting?

Yes, the application for the Chronic Illness Rider is separate from the underlying policy, but it typically consists of a brief questionnaire.

Can a certificate owner use the entire face amount for chronic illness?

No, the rider provides up to 50% of face amount (not to exceed \$500,000) after a diagnosis of a chronic illness certifying that the insured is permanently unable to perform two out of six activities of daily living (bathing, continence, dressing, eating, toileting, and transferring) or has a permanent severe cognitive impairment requiring substantial supervision.

Does the rider expire?

The Chronic Illness Rider remains in effect until age 80, or whenever the underlying Annual Renewable Term Life policy expires, whichever comes sooner.

Are the living benefits of the Chronic Illness Rider taxable?

Receipt of the accelerated benefit may be taxable. The insured person may want to seek assistance from a personal tax advisor.

Will the price of the rider go up?

The Chronic Illness Rider is priced independently of the Annual Renewable Group Term Life Insurance coverage. Therefore, adjustments in pricing to each are reviewed separately and increase only as risk levels change within each product.

Can an existing certificate owner add the rider to his or her coverage?

Yes, as long as he or she meets the qualifications.

What are the requirements for filing a chronic illness claim?

If a licensed health care practitioner certifies that the insured permanently cannot perform at least two of the six activities of daily living or has a permanent severe cognitive impairment requiring substantial supervision, the insured is eligible to file a claim after a 90-day waiting period. The six activities of daily living are bathing, continence, dressing, eating, toileting, and transferring. Per IRS rules, annual recertification by a licensed health care provider is required.

Are there regulatory restrictions in marketing this product?

This product may be called "Chronic Care Rider," where state regulations permit. In California, this product cannot be marketed as "Chronic Care Rider," but rather must be referred to as "Chronic Illness Rider" to afford the clarity that state legislation requires. Additionally, this product may not be named or referred to as "Long-Term Care," as that has a different and distinct legal meaning.

Are there any reductions in coverage?

The Chronic Illness Rider benefit offers a consistent percentage of the underlying Annual Renewable Term (ART) coverage. That underlying ART may include reductions, depending on the policy terms. The acceleration is subject to life schedule reductions and is based on the amount of coverage that would be in force one year after the request for acceleration was approved.

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This rider is not intended to be a federally tax-qualified long-term care insurance contract under Internal Revenue Code (IRC) Section 7702B. Therefore, the premiums payable for this rider do not qualify as long-term care insurance premiums and are not deductible from gross income for federal income tax purposes. This rider, however, is subject to the federal per diem limits set forth in IRC Section 7702B. Under this rider, New York Life will not pay clients more than the federal per diem limits. If the benefit option elected exceeds the current IRC per diem limits, the benefit period will be extended accordingly. Assuming the amount you receive in the aggregate from all applicable policies does not exceed the federal per diem limits set forth in IRC Section 7702B, the benefits provided by the Chronic Illness Rider are intended to be excludable from federal gross income under Section 101 (g) of the IRC. Clients should consult with their tax advisors to determine the impact of accelerating more than the maximum per diem benefit under IRC Section 7702B.

Receipt of an accelerated death benefit may affect client eligibility for Medicaid or other government benefits or entitlements and may have income tax consequences. Accelerating benefits before applying for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Clients can contact the appropriate social service agency (e.g., the Medicaid Unit of your local Department of Public Welfare or the Social Security Administration Office) for more information.

This brochure is intended to describe only the principal features of the Chronic Illness Rider and is not a contract. Please consult with your account manager for case eligibility and complete plan details.

New York Life Chronic Illness Rider
(Available on annual renewable term policies)

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