

Life

# Accelerated Death Benefit Endorsement

Financial protection against critical, chronic, and terminal illnesses

Issued by Midland National® Life Insurance Company





## Financial protection against critical, chronic, and terminal illnesses

As common as they seem to be, illnesses can wreak havoc on the lives of Americans every day – disrupting both family life and financial plans. A life-changing ordeal, illnesses can often cause financial disruption — from paying medical expenses to covering child care and the mortgage.

One way to help protect your financial security is through life insurance, which provides a death benefit to beneficiaries when the insured passes away. But what protection could you have while alive?

## How it works

Accelerated death benefits (also referred to as living benefits) offered with a life insurance policy allow the policyowner to accelerate a portion of the death benefit, while the insured is alive. There can be several triggers for this to occur. The endorsement is subject to eligibility requirements. For those who qualify, these benefits are added for no additional premium at the time of issue to the policy. Availability varies by state and product, and we will not simultaneously accelerate any portion of the policy's death benefit for more than one qualifying event under the endorsement.

If the benefit is elected, then the death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated. There is an administrative fee when the chronic or terminal illness benefit is elected. Talk to your agent for specific details.

### Prepare for the unexpected with living benefits

The unexpected can and does happen. How do you plan to pay for extended nursing care for a chronic condition or the high cost of treatment if you are diagnosed with a critical illness like cancer? If you plan to use your own funds, keep the potential costs in mind.

### Here are some of the costs you might expect to pay:

- Private room in a nursing home - \$127,750 per year<sup>1</sup>
- Licensed home health aide (non-Medicare certified) - \$77,792 per year<sup>1</sup>

## A real-life example of accelerated death benefits

Living benefits proved to be a lifesaver for one Midland National policyowner. Mike Anderson\* was a 61-year-old healthy, hardworking ranch manager in Texas. Within a short period of time he lost his job, lost his wife, then discovered she had accumulated a number of debts that he was not aware of. As if this wasn't enough, he began to experience some strange health symptoms. It started with shaky hands. Six months later, he was enduring hallucinations and full body tremors. He was diagnosed with Parkinson's Disease. Without a financial safety net, he and Mary,\* his sister and primary caregiver at the time, did not know how they were going to pay for the care he so desperately needed. To explore his options, Mike and Mary met with his financial professional, who told them about the living benefits on his life insurance policy. They were not aware of this feature. After everything they had been through, all the stress, worry, and pain, they were elated to hear that they finally had some relief. Today, Mike is getting the proper care he needs in a nursing home, made possible by his living benefits.



\*Based on a true story. Client names were changed to protect identity.

## Frequently asked questions

### How do I qualify to elect accelerated death benefits?

A physician must provide certification that the insured is critically, chronically, or terminally ill.

- **Critical illness:** Specified medical conditions that may qualify for the critical illness benefit include heart attack, cancer, stroke, major organ transplant, and kidney failure. Please contact your agent for complete details and definitions of benefits and specified medical conditions. The policyowner is allowed an election for each occurrence of a specified medical condition. The policyowner must file the claim within 12 months of the specified event occurrence.
- **Chronic illness:** Chronically ill is when the insured has been certified through a certification by a physician within the last 12 months as:
  1. Being unable to perform, for at least 90 days without substantial assistance from another person, at least two activities of daily living; or
  2. Requiring substantial supervision by another person to protect oneself from threats to health and safety due to severe cognitive impairment.

#### In the state of Florida, the definition of chronic illness is:

1. Being unable to perform, for at least 90 days without substantial assistance from another person, at least two activities of daily living due to loss of functional capacity; or
2. Requiring substantial supervision for protection from threats to health and safety due to severe cognitive impairment. Diagnosis of severe cognitive impairment must be made by a licensed medical practitioner.

Severe cognitive impairment means a deficiency in a person's short-term or long-term memory, orientation to person, place or time, deductive or abstract reasoning, or judgment as it relates to safety awareness.

- **Terminal illness:** Terminally ill is when the insured has been certified through a certification by a physician that the insured has been diagnosed with a medical condition which results in a life span of 24 months or less (12 months or less in Florida).

**For complete details regarding the definitions and qualifications of these benefits, please speak with your agent.**

## **What tasks are considered activities of daily living?**

Activities of daily living are those basic human functional abilities, which measure the insured's ability for self care, to live independently without substantial assistance from another person as described below.

**Bathing** – the ability to wash oneself by sponge bath, or in either a tub or shower, including the task of getting into or out of the tub or shower

**Continence** – the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag)

**Dressing** – the ability to put on and take off all items of clothing and any necessary braces, fasteners, or artificial limbs

**Eating** – the ability to feed oneself by getting food into the body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously

**Toileting** – the ability to get to and from the toilet, getting on and off the toilet, and performing associated personal hygiene

**Transferring** – the ability to move into or out of a bed, chair, or wheelchair

## **How much of the policy death benefit can be accelerated?**

The total amount of death benefit available for acceleration will be based on the qualifying illness on a per policy basis. When you apply for coverage, if the policy is issued with the Critical, Chronic and Terminal Illness endorsement, or the Chronic and Terminal Illness endorsement, the lifetime policy maximum will be \$2,000,000. If the policy is issued with the Terminal Illness endorsement only, the lifetime policy maximum will be \$1,000,000. The lifetime policy maximum is the total acceleration of death benefit from multiple claims.

When you elect an accelerated death benefit, the death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated.

- **Critical illness:** The minimum accelerated amount is \$2,500 of the death benefit. The maximum total election for each occurrence is the lesser of 25% of the death benefit at each election or \$50,000. All approved claims will receive a benefit payment guaranteed to be 40% of the death benefit amount accelerated regardless of the type of critical illness event, policy age, severity of illness, gender, or underwriting class. Only one election can be made for each occurrence of a specified medical condition.
- **Chronic illness:** The minimum accelerated amount at each election, except the final election, is 5% of the death benefit on the initial election date or \$50,000, whichever is less. The maximum per election is 24% of the death benefit on the initial election date or \$480,000, whichever is less. One election is available every 12 months. A discount factor based on mortality and interest will be applied to the accelerated death benefit payment. The payment will be made in a lump sum.

The accelerated death benefit may be limited when policy changes are made.

- **Terminal illness:** The minimum accelerated amount is 10% of the death benefit on the election date or \$100,000, whichever is less. The maximum that can be accelerated is 90% of the death benefit on the election date or \$1,000,000, whichever is less. Only one election per policy can be made for terminal illness. A discount factor based on mortality and interest will be applied to the accelerated death benefit payment.

All accelerated death benefits will terminate with the policy. Termination will not affect accelerated death benefit payments for any qualifying event that occurred while the endorsement is in effect.

## **Did you know?**

Individuals with chronic and mental health conditions make up **90%** of health care expenses in the United States each year.<sup>2</sup>



## How much does the accelerated death benefit cost?

There is no additional premium at issue for the accelerated death benefit feature. However, for chronic and terminal illness elections, we charge an administrative fee for each election. There is no administrative fee for a critical illness election.

## What effect does acceleration of the death benefit have on the life insurance policy?

The death benefit of the life insurance policy will be reduced by the full amount that is accelerated, prior to the discount. The account value, cash value, and loan balance will be reduced by the same proportion as the death benefit. If the policy contains a Premium Recovery Endorsement, the total premiums paid that are used in the determination of the premium recovery value will be also reduced by the same proportion as the death benefit.

Please note that if the policy has policy debt (i.e., loans against the policy), policy debt must be reduced in the same proportion to the amount of death benefit accelerated with a portion of the accelerated death benefit payment used to pay down policy debt. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated.

During a critical illness or chronic illness election period, the policyowner may not increase or decrease the specified death benefit amount, change the death benefit option, or take withdrawals; however, loans are available (except upon a final election for Chronic Illness).

## Do I have to pay premiums after electing a benefit?

For terminal illness accelerated death benefits, we waive monthly deduction requirements (i.e., cost of insurance and other fees) after we pay an accelerated death benefit.

When the chronic illness benefit is elected we waive monthly deductions after paying an accelerated death benefit for a chronic illness. We waive monthly deductions if the death benefit immediately prior to the initial election date does not exceed the Lifetime Maximum Accelerated Death Benefit while a chronic illness election is in effect. If the death benefit immediately prior to the initial election date exceeds the Lifetime Maximum Accelerated Death Benefit while a chronic illness election is in effect, the monthly deductions will be multiplied by the ratio of (a) divided by (b), where (a) is the specified amount immediately prior to the initial election date minus the Lifetime Maximum Accelerated Death Benefit and (b) is the specified amount on the election date. Monthly deductions will stop being waived after the chronic illness election period.

Although we don't waive monthly deductions for the critical illness accelerated death benefit, we will not allow the policy to enter the grace period during the critical illness election period. This gives the policyowner time to review finances and make decisions to fit his or her needs. Ongoing premiums will be reduced and would be based on the new, lower death benefit amount.

## May I elect to receive an accelerated death benefit right away?

There is no waiting period after you elect to accelerate the death benefit, as long as a physician certifies that the insured meets the qualifications for the benefit as defined in the endorsement form.

## Did you know?

Approximately **6.7 million** Americans are living with Alzheimer's disease.<sup>3</sup>

### **Do I have to spend the money on medical-related expenses?**

Midland National does not require you to submit receipts or use the benefit to cover specific costs. Generally, the accelerated benefit payment can be used for any purpose with few limitations or restrictions on benefits. See the “Are there tax consequences?” question below for details on tax treatment.

### **Is it possible to qualify for a life insurance policy, but not the accelerated death benefit feature?**

Yes. You will not qualify for critical or chronic illness accelerated death benefits if your health is rated too far below a certain underwriting risk classification or if you have a specific health condition that requires an extra premium charge known as a “medical flat extra.” If you qualify for life insurance coverage, then the terminal illness accelerated death benefit endorsement will be issued with the policy. Ask your Midland National agent to help determine which benefit is available in your case.

### **Are these endorsements the same as long-term care insurance?**

No. The Accelerated Death Benefit Endorsement for critical, chronic, and terminal illness offers a portion of the life insurance policy’s death benefit in advance, so the ultimate policy death benefit paid to the beneficiary is reduced. Traditional long-term care insurance can be a stand-alone policy or optional rider with its own premiums. Please keep in mind that these benefits are not intended to replace health or disability insurance. As a reminder, this is not long-term care insurance and it is not intended to replace long-term care insurance.

## **Did you know?**

**One-third** of all deaths in the United States are caused by heart disease, stroke, and cardiovascular diseases.<sup>4</sup>



## Are there tax consequences?

Unlike conventional life insurance death benefit proceeds, amounts payable as accelerated death benefits could be taxable in some circumstances.

We recommend that you consult your personal tax advisor prior to electing an accelerated death benefit to assess the tax treatment in your individual circumstance. Midland National does not give legal or tax advice.

## Did you know?

In the United States, **76 percent** of adults have a chronic disease and **51 percent** have multiple chronic diseases.<sup>5</sup>

1. Source: Genworth Cost of Care Survey, conducted by CareScout®, March 2025. Site accessed October 2025. Median cost is quoted. Genworth is an insurance holding company.

2. Source: Center for Disease Control and Prevention. Confirmed October 6, 2025, from <https://www.cdc.gov/chronic-disease/data-research/facts-stats>

3. Source: Center for Disease Control and Prevention. Confirmed October 6, 2025, from <https://www.cdc.gov/alzheimers-dementia/about/>

4. Source: Center for Disease Control and Prevention. Confirmed October 6, 2025, from <https://www.cdc.gov/chronic-disease/data-research/facts-stats>

5. Source: Center for Disease Control and Prevention. Confirmed October 6, 2025, from <https://www.cdc.gov/pcd/issues>

6. A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for Midland National as part of Sammons Financial Group on August 13, 2025. S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on May 15, 2025, to Midland National as part of Sammons Financial Group. The A+ (Strong) rating, which is the fifth highest out of twenty-two, reflects the financial strength of Midland National, member of Sammons Financial Group.

A+ Stable Rated by Fitch Ratings. Fitch Ratings, a global leader in financial information services and credit ratings, on June 17, 2025, assigned an Insurer Financial Strength rating of A+ Stable for Midland National. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings Report at <https://www.fitchratings.com/research/insurance/fitch-ratings-affirms-sammons-financial-group-inc-ratings-outlook-stable-17-06-2025>.

Texas Residents: Receipt of acceleration-of-life-insurance benefits may affect you, your spouse's or your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect you, your spouse's and your family's eligibility for public assistance.

Accelerated Death Benefit Endorsement for Critical, Chronic and Terminal Illness EI09/ICC22EI09/TRI69, Accelerated Death Benefit Endorsement for Chronic and Terminal Illness EI10/ICC22EI10/TRI84, Accelerated Death Benefit Endorsement for Terminal Illness EI11/ICC22EI11/TRI85, Premium Recovery Endorsement EI08/ICC22EI08/TR211/ICC18TR211, and Accidental Death Benefit Rider R101/ICC23R101/TRI94/ICC14TRI94, or appropriate state variation by Midland National® Life Insurance Company, West Des Moines, IA. Products, features, endorsements, riders or issue ages may not be available in all states. Limitations or restrictions may apply.

Accelerated Death Benefits are subject to eligibility requirements.

**ACCELERATED DEATH BENEFITS ARE NOT HEALTH, DISABILITY OR LONG TERM CARE INSURANCE NOR ARE THEY INTENDED TO REPLACE HEALTH, DISABILITY, OR LONG TERM HEALTH INSURANCE.**

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