

Guide to

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Life Riders



Life Insurance Riders are an often overlooked way to add value to your clients' policies. They can provide additional coverage for a variety of situations, and offer protection both during the insured's lifetime and at death. Below is a brief description of some of the more common types of life insurance riders – educating yourself on these options can help you when designing a policy to best meet your clients' needs.

Accelerated Death Benefit Riders

Long Term Care

- An acceleration of death benefit to be used for long term care expenses that pays if the insured is unable to perform 2 of 6 activities of daily living (ADLs) or has a severe cognitive impairment and has met the required elimination period
- Reduces both the death benefit and cash surrender values
- Reimbursement or indemnity versions available
- Pays permanent and temporary claims
- Amount available for acceleration is limited to a carrier-stipulated amount such as a monthly benefit equal to 2% of LTC specified amount, HIPAA per diem limits, etc.

Chronic Illness

- An acceleration of death benefit to be used for chronic illness expenses that pays if the insured is unable to perform 2 of 6 ADLs or has a severe cognitive impairment and has met the required elimination period
- Indemnity version only
- Methods of paying for the rider:
 - Additional cost of insurance (COI) is charged for some chronic illness riders
 - Riders built-in to the policy with no upfront costs impose back-end charges (discounts) when rider is exercised
 - Riders built-in to the policy with no upfront costs put a lien on the policy when the rider is exercised
- Amount available for acceleration is limited to a carrier-stipulated amount such as lump sum payout up to \$1m, monthly benefit equal to 2% of DB, HIPAA per diem limits, etc.

Critical Illness

- An acceleration of death benefit to be used if the insured is certified with a critical illness that the carrier includes in its list of covered conditions
- Amount available for acceleration is limited to a carrier-stipulated amount

Terminal Illness

- An acceleration of death benefit to be used if the insured is certified to be terminally ill with a life expectancy usually of one year or less
- Amount available for acceleration is limited to a carrier-stipulated amount

Accidental Death Benefit (ADB) Rider

- Provides an additional death benefit to be paid to the beneficiary should the insured die as the result of an accident

Enhanced Cash Value Rider

- Enhances the cash surrender value by waiving or reducing the surrender charge if a policy is surrendered during the surrender charge period
- Often used in business situations or premium finance cases when clients need to show higher cash values on the balance sheet
- Compensation is often spread while the rider is in effect

Overloan Protection Rider

- Converts the policy to a paid-up policy to prevent a heavily loaned policy from lapsing and triggering a taxable event
- Typically free of charge at issue, a one-time charge may be applied when exercised

Return of Premium (ROP) Rider

- Provides an increasing death benefit equal to the cumulative premiums paid

Term Insurance Riders

Primary Insured

- Provides level term insurance on the primary insured
- When combined with base coverage, it can reduce premium costs for the amount of coverage as compared to the cost of a permanent life insurance plan of the same face amount

Additional/Other Insured

- Provides a fixed amount of term insurance on a family member or an associate for a specified period of time

Child Term

- Provides term insurance on the insured's dependent children
- Usually purchased in units of \$1,000 up to a carrier's stated maximum amount available
- Usually convertible to permanent insurance

Waiver of Premium Rider

Monthly Deductions

- Provides for a waiver of monthly policy charges if the insured becomes disabled (as defined by the carrier)

Specified Premium

- Pays a specific premium amount chosen by the applicant (up to certain maximum amounts) if the insured satisfies a stated disability elimination period
- Each premium waived will be credited to the policy as a paid premium

Full Premium

- Pays the full premium if the insured satisfies a stated disability elimination period