



Chronic Illness  
Death Benefit Advance Rider

# What to know about selling living benefits

Training guide



# Accidents and illnesses are part of life

## **Unfortunately, some can lead to chronic illnesses which can greatly impact lives—emotionally and financially.**

As chronic illnesses progress, they can often affect one's health and safety, making it necessary for assistance to do normal daily tasks. And the cost of care for one or more illnesses can be significant. According to recent studies, an average retired couple age 65 in 2022 may need approximately \$315,000 saved (after tax) to cover health care expenses in retirement.<sup>2</sup>

Clients may be inclined to think, "We have Medicare or health insurance to help pay for medical expenses associated with a chronic illness." What they may not understand is that most health insurance and Medicare supplement policies are limited in the types of long-term care covered.<sup>3</sup>

## **When the unexpected happens, help your clients be better prepared with the Chronic Illness Rider**

This additional coverage option, which is available with select life insurance policies from Principal®, allows clients to access part of their policy's death benefit if they're diagnosed with a chronic illness. Here are some ways accessing the funds can help:

- Paying for quality care of their choice
- Helping their family feel more financially secure
- Protecting their retirement savings
- Living their best life possible

## **An easy and flexible way to manage expenses**

The Chronic Illness Rider isn't long-term care (LTC) insurance or an LTC rider, and it doesn't replace that protection. It's an accelerated benefit rider, and unlike most LTC riders, the insured only pays for the rider if it's used. The rider allows the insured to access a portion of their death benefit early if they're diagnosed with a chronic illness and meet eligibility requirements.

6 in 10

adults in the U.S. have a chronic disease.<sup>1</sup>

About

60%

of Americans will need long-term care services at some point in their lives.<sup>4</sup>

# How does our solution compare?

Benefits of our Chronic Illness Rider vs. LTC rider			
	Principal Chronic Illness Rider	A standard LTC rider	Helpful information
<p><b>Qualifying condition</b></p> <p>Trigger language is similar, requiring the inability to perform two of six Activities of Daily Living (without substantial assistance) or severe cognitive impairment. (See California variation on page 5.)</p>	<p>The insured's Impairment must be permanent and have lasted at least 90 consecutive days in order to be certified as chronically ill. Upon certification, there is no waiting period for benefits.</p>	<p>Generally doesn't require impairment to be permanent. May include a "waiting period" after diagnosis for benefits to be received. Generally 0, 30, 90, or 100 days.</p>	<p>Activities of Daily Living (ADL):</p> <ul style="list-style-type: none"> <li>• Bathing</li> <li>• Eating</li> <li>• Toileting</li> <li>• Getting dressed</li> <li>• Continence</li> <li>• Transferring</li> </ul>
<p><b>Design type</b></p>	<p><b>Indemnity</b></p> <p>Only requires the insured meet the definition of chronically ill. No restrictions on use of the proceeds, and the benefit amount isn't based on expenses incurred.</p>	<p><b>Indemnity or reimbursement</b></p> <p>Reimbursement pays a benefit when the insured is certified chronically ill and spends money on a qualified service. Generally requires proof of expenses and the proceeds are reimbursement for the expenses.</p>	<p>Chronic illness expense examples:</p> <ul style="list-style-type: none"> <li>• Nursing &amp; assisted care</li> <li>• Home health care</li> <li>• Adult day care</li> <li>• Home modification</li> <li>• Non-medical expenses such as shopping, cleaning, etc.</li> </ul>
<p><b>Taxation of benefits</b></p>	<p>Benefits are intended to qualify for beneficial tax treatment as a life insurance death benefit under section 101(g) of the Internal Revenue Code (IRC). (26 U.S.C. Sec. 101(g).</p>	<p>Benefits qualify for beneficial tax treatment as health benefits under section 7702(B) of the IRC.</p>	<p>Clients should consult with their tax advisor before receiving benefits.</p>
<p><b>Cost of benefits</b></p>	<p>No upfront premium or charges. Benefit is discounted at time of claim and an administrative charge is applied. There is no cost if benefits are never needed.</p>	<p>Has an additional premium charge for the rider. This charge is incurred even if the benefit is never used.</p>	<p>See the "cost" information found in the details section.</p>
<p><b>Underwriting requirements</b></p>	<p>No additional underwriting</p>	<p>Requires additional underwriting</p>	
<p><b>Licensing</b></p>	<p>Those with a life insurance license can sell.</p>	<p>Accident and Health insurance license is required to sell.</p>	

# Ready to learn more?

Chronic Illness Rider details	
<b>Availability and eligibility</b>	<ul style="list-style-type: none"> <li>Automatically added at issue if insured meets underwriting and age criteria:               <ul style="list-style-type: none"> <li>Available on fully underwritten cases</li> <li>Issue ages 20–75</li> <li>Table ratings 3 or better and permanent/temporary flat extras of less than \$7.51</li> <li>Allowed on automatic standard approval program cases</li> </ul> </li> <li>Cannot be added after issue</li> <li>Allowed on individually owned or business-owned policies               <ul style="list-style-type: none"> <li>No more than two Chronic Illness Riders per insured (applies to active or lapsed riders that could be reinstated)</li> </ul> </li> <li>It may be added to a new permanent policy converted from Term. If the Term policy was issued after 5/1/2017 and conversion is within five years of its effective date, no additional underwriting is required.</li> </ul>
<b>Disclosure statement (DD9187)<sup>5</sup></b>	Some states require you to provide the policy owner with the disclosure statement. When the Chronic Illness Rider is selected, the form will automatically print with the illustration.
<b>Requesting a claim</b>	<ul style="list-style-type: none"> <li>How to qualify for benefits:               <ul style="list-style-type: none"> <li>Insured must be unable to perform two of the six Activities of Daily Living for a period of 90 consecutive days, and the condition must be permanent.</li> <li>Or, the insured requires substantial supervision for a period of at least 90 consecutive days for protection from threats to health and safety due to a permanent severe cognitive impairment. (See California variation on page 5.)</li> </ul> </li> <li>There is no waiting period for benefits.</li> <li>Annual payments can be used for anything the client wants.</li> <li>Re-certification by a physician is required at least every 12 months when requesting additional benefits.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>There is no charge/premium for the rider.</li> <li>At the time of the claim:               <ul style="list-style-type: none"> <li>The benefit amount paid is discounted by a reduction factor to reflect taking a portion of the death benefit early.</li> <li>An administrative fee of \$150 is assessed each time an accelerated benefit payment is made.</li> </ul> </li> <li>While the benefit from this rider is intended to be excluded from income, circumstances including but not limited to ownership of the policy and receipt of other similar benefits may result in accelerated benefits being taxable as income. Policyholders should consult their tax advisor before electing to receive benefits.</li> </ul>
<b>Benefit amount</b>	<ul style="list-style-type: none"> <li>The illustration system offers an optional benefit report to show potential future claims (on a non-guaranteed basis):               <ul style="list-style-type: none"> <li>A single age can be selected as the start of the accelerations.</li> <li>Only the maximum amount can be requested.</li> <li>A separate optional report will show the amounts payable to the policy owner and the impact to policy values.</li> </ul> </li> <li>Since accelerated benefit proceeds are paid prior to death, the payment received is reduced by a reduction factor and will be less than the amount accelerated.</li> <li><b>Annual maximum accelerated benefit:</b> Lesser of 25% of death benefit on initial election, or the annualized per diem acceleration as defined in the rider (See California version on page 5)</li> <li><b>Annual minimum accelerated benefit:</b> Lesser of 10% of death benefit on initial election, or \$10,000</li> <li><b>Lifetime maximum accelerated benefit:</b> Lesser of 75% of death benefit on initial election, or \$2 million</li> </ul>

# Doing business in California?

There are some differences in how the Chronic Illness Rider works in California versus other states. Below is a summary of the differences. Review the policy rider form for details. Producers selling life policies with this rider must understand the differences between this accelerated benefits rider and LTC riders.

	California	Other approved states
<b>Definition of severe cognitive impairment as part of meeting the definition of chronic illness</b>	Insured requires substantial supervision for protection from threats to health and safety due to a permanent severe cognitive impairment.	Insured requires substantial supervision for a period of at least 90 consecutive days for protection from threats to health and safety due to a permanent severe cognitive impairment.
<b>Annual maximum accelerated benefit</b>	Lesser of 75% of death benefit on initial election, or \$2 million	Lesser of 25% of death benefit on initial election, or the annualized per diem acceleration as defined by the rider
<b>Lifetime maximum accelerated benefit</b>	Lesser of 75% of death benefit on initial election, or \$2 million	Lesser of 75% of death benefit on initial election, or \$2 million
<b>Annual benefit limited by per diem?</b>	No (Note: if insured takes more than per diem limit, proceeds may be taxable.)	Yes
<b>Maximum number of accelerations allowed within a 12-month period</b>	No specified limit. Total accelerations cannot exceed lifetime maximum accelerated benefit.	One
<b>Accelerated benefit payment options</b>	<ul style="list-style-type: none"> <li>• Lump sum</li> <li>• Periodic payments over five years via annuity contract</li> </ul>	Lump sum
<b>Disclosure required for replacement of an accelerated benefit?</b>	Yes. Form DD9291	No
<b>Administrative fee per claim</b>	\$300	\$150
<b>Certification required by</b>	Licensed Health Care Practitioner	Physician

This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy does not provide long-term care insurance subject to California long-term care insurance law. This policy is not a California Partnership for Long-Term Care program policy. This policy is not a Medicare supplement (policy).

# Frequently asked questions

## Which products from Principal are eligible for the Chronic Illness Rider?<sup>6</sup>

- Principal Universal Life Flex III<sup>SM</sup>
- Principal Indexed Universal Life Flex II<sup>SM</sup>
- Principal<sup>®</sup> Survivorship Universal Life Provider
- Principal Indexed Universal Life Accumulation II<sup>SM</sup>
- Principal Variable Universal Life Income IV<sup>SM</sup>
- Principal Universal Life Provider Edge II<sup>SM</sup>

It may be added at time of conversion from Principal<sup>®</sup> Term to an applicable permanent product. No additional underwriting is required for the new permanent product if the Term policy was issued after May 1, 2017, and conversion is done within five years of the effective date of the Term policy.

## Which states have approved the Chronic Illness Rider?

The rider is approved in all states, except New York. Note page 5 for rider differences in California.

## What's the definition of a chronic illness?

.....  
..... The insured is unable to perform two of the six activities of daily living (ADLs) without substantial assistance from another individual for a period of at least 90 consecutive days.  
.....

OR

.....  
..... The insured has a permanent, severe cognitive impairment that requires substantial supervision by another individual for a period of at least 90 consecutive days.  
.....

## What are the ADLs?

- 1 **Bathing:** the ability to wash oneself or get in or out of the tub or shower without substantial assistance
- 2 **Contenance:** the ability to maintain bladder control, bowel function, or the personal hygiene necessary with this condition
- 3 **Dressing:** the ability to take off or put on all items of clothing and/or any artificial device (ex. braces) that may be necessary
- 4 **Eating:** the ability to feed oneself or through intravenous delivery
- 5 **Toileting:** the ability to get to or from or on and off a toilet without substantial assistance
- 6 **Transferring:** the ability to move into or out of a bed, chair, or wheelchair without substantial assistance

## How often must a certification be submitted to be eligible for benefits?

A benefit can be available each policy year, subject to company approval and state variations. A new certification must be completed and approved each policy year for which a benefit request is made.

## How can benefit payments be made?

Benefits can be received as a lump sum amount to use as your client chooses.



**Is there a waiting period for submitting a claim for benefits?**

There's no waiting period.

**Is there a waiver of premium when my client qualifies for and receives the chronic illness benefit?**

No. However, the flexible premiums available with universal life policies allow your clients to stop paying premium if there's enough cash value in the policy to cover the charges and expenses. If there isn't enough cash value built up in the policy to cover the charges and expenses, the policy could lapse.

**Won't Medicare and Medicaid cover chronic illness expenses?**

Health insurance and Medicare don't offer long-term solutions for chronic illnesses. Medicare only provides limited rehabilitation coverage for up to 100 days, and only if previously hospitalized. Medicaid only pays those who live at the poverty level after they've depleted their life savings.

**Will expenses for chronic illness care have to be reported and/or receipts turned into the insurer?**

If your client is eligible for chronic illness benefits, the money received can be used for any purpose. We require no evidence of expenses incurred.

**What happens if my client adds the rider and never uses it?**

If your client never needs chronic illness benefits, and the policy is in force, the full current death benefit can be paid to beneficiaries.

**How will Principal handle tax reporting for benefit payments received under the rider?**

Principal will report all rider distributions on a Form 1099-LTC. Policy owners or other recipients of rider distributions are responsible for properly reporting those distributions on their own tax returns.

Help clients  
**plan for  
tomorrow,  
so they can  
live for  
today.**

This training guide is intended to help financial professionals understand the details of the Chronic Illness Death Benefit Advance Rider. The rider can't be used as the sole basis for selling a life insurance product. The primary purpose of life insurance is the death benefit and clients must have a need for the death benefit to purchase a life insurance policy.



Call the National Sales Desk today at 800-654-4278, or your Life RVP.  
Visit us at [advisors.principal.com](https://advisors.principal.com).

<sup>1</sup> CDC.gov/chronicdisease, as of July 21, 2022.

<sup>2</sup> Fidelity Retiree Health Care Cost Estimate, 2022.  
<https://www.fidelity.com/viewpoints/personal-finance/plan-for-rising-health-care-costs>.

<sup>3</sup> LongTermCare.gov; Medicare, Medicaid & More and Costs & How to Pay sections; as of December 2021.  
<https://acl.gov/ltc/medicare-medicaid-and-more/medicare>.

<sup>4</sup> LongTermCare.gov, Who Needs Care?, as of January 2021.

<sup>5</sup> The following states require acknowledgment of receipt of the Chronic Illness Death Benefit Advance Rider (CIDBAR) Disclosure Statement: Alabama, Arkansas, California, Connecticut, District of Columbia, Illinois, Indiana, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Mississippi, Montana, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Virginia, and Washington. Disclosure form is DD9187-1 for all states, except California (DD9187CA) and Washington (DD9187 WA).

<sup>6</sup> Availability varies by state.



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All guarantees are based on the claims-paying ability of the issuing insurance company.

The Chronic Illness Death Benefit Advance Rider is not available in the state of Massachusetts. Riders issued by Principal Life Insurance Company are available in New York only.

Policy rider descriptions are not intended to cover all restrictions, conditions, or limitations. Refer to rider for full details.

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