



## BenefitAccess Rider for PruLife<sup>®</sup> Universal Protector

A CHRONIC AND TERMINAL ILLNESS RIDER THAT GIVES YOU FREEDOM, CHOICE, AND CONTROL



## Life Insurance

This brochure should be accompanied or preceded by the product brochure for PruLife Universal Protector.

Issued by Pruco Life Insurance Company Pruco Life Insurance Company of New Jersey



## This rider is part of a life insurance policy and is available only when the policy is purchased.

The reasons to buy life insurance protection may vary from person to person but the basic need is for the financial protection the death benefit provides. The death benefit can help replace income for a period of time to help your family:

- Remain in their home.
- Remain in their schools.
- Continue their college education.
- Fulfill retirement dreams.

But sometimes things happen and you might need the financial protection when you're alive. Riders that offer a living benefit provide a practical and convenient way to help meet those needs.

The BenefitAccess Rider featured in this brochure is an accelerated death benefit rider attached to a permanent life insurance policy. If you qualify under the terms and conditions of the rider, you can access your death benefit if you become chronically or terminally ill. This rider is available for an additional cost. Additional underwriting requirements also apply.

## Living longer means you need protection for more than just your family You need it for yourself.

People are living longer than ever before. While there are many benefits to a longer life, you need to prepare yourself financially. It also means that you are more likely to be impacted by a chronic or terminal illness.

In fact, there is a very good chance that you will become chronically or terminally ill. When you reach age 65, you face a 70%<sup>1</sup> chance of developing a chronic illness like Alzheimer's Disease, a serious stroke, or crippling arthritis. It's a hard reality to face because it's not simply the thought of being ill; it's all the additional hardships and arrangements that come with it.

If you were to become chronically ill, ask yourself:

- Who would care for you? A member of your family?
- Where would you live? In your home that may need to be modified for your comfort?
- How would you continue to participate in family life? Would you be forced to miss daily life events like soccer games, neighborhood walks, and family celebrations?

REALITY CHECK

Most long-term care is provided at home by a

FAMILY MEMBER.<sup>2</sup>

The following sources are believed to be the most current available. <sup>1</sup> http://www.longtermcare.gov/LTC/Main Site/index.aspx. Last accessed April 8, 2013. <sup>2</sup> U.S. Department of Health and Human Services: National Clearinghouse for Long-Term Care Information, 2010.





# The emotional impact to you and your family would be life changing.

If you needed your family's support, they could be forced to take time away from work and their personal life, drive great distances, or spend their own money to care for you. And if, for example, you are afflicted with Alzheimer's disease, your family could need to care for you for many, many years. Ask yourself, are they ready for the potential emotional impact? Studies have found that care-giving can lead to feelings of sadness, worry, guilt, and resentment.<sup>5</sup> The emotional adjustment would be daunting.

## The financial impact to you and your family could be significant.

Not only would you have to face the challenges of living with a chronic illness and the adjustments that brings, but the financial aspects of your life would be greatly affected as well. You may need to:

- Leave your career earlier than planned because you're ill. With your income affected and your retirement savings diminished, how will your finances fare?
- Have family members care for you. How would they make ends meet if they've adjusted their life to support you and reduced or lost their income?
- Tap into retirement savings to pay for your increased daily expenses. What would happen to your spouse's retirement goals?

#### REALITY CHECK

**1-IN-3** caregivers of people with Alzheimer's disease provide care for

## 5 YEARS OR MORE.<sup>3</sup>

#### REALITY CHECK

4 OUT OF 10

people retired before they expected to in order to care for a spouse or other family member.<sup>4</sup>

The following sources are believed to be the most current available.

- <sup>3</sup> Trends in family caregiving and paid home care for older people with disabilities in the community. AARP Public Policy Institute. September 2010.
- <sup>4</sup> Billings MB, Rappaport AM, Living to 100 Challenges and Opportunities for Employers, October 25, 2010.
- <sup>5</sup>2013 Alzheimer's Disease Facts and Figures. Alzheimer's Association.



A chronic or terminal illness can cost thousands of dollars each year, ranging from the costs of nursing care, transportation, prescriptions, etc. to the simple expense of buying groceries. The out-of-pocket medical expenses for an average 65-year-old couple retiring in 2013 will be \$220,000.<sup>7</sup> Not everyone who retires will become chronically or terminally ill, but if you do, does your current strategy provide you with the income you will need to protect yourself and your family?

#### Average National Costs of Chronic Care (2010)

- \$205 per day for a semi-private room in a nursing home (\$74,825/year)
- \$21 per hour for a Home Health Aide (\$30,660/year at four hours per day)
- \$67 per day for care in an Adult Day Health Care Center (\$24,455/year)

*Source: www.longtermcare.gov. U.S. Department of Health and Human Services, May, 2010.* 

Considering your financial and emotional well-being when planning for chronic and terminal illness is a great way to protect yourself and your family.

## The BenefitAccess Rider can help you prepare for the financial impact of chronic or terminal illness so the emotional one is a little easier.

The following sources are believed to be the most current available.

<sup>6</sup> More older people with disabilities living in the community: Trends from the National Long-Term Care Survey 2004. AARP Public Policy Institute. September 2010.

<sup>7</sup> Fidelity Investments 2013. Based on hypothetical couple retiring in 2013, 65 or older with average life expectancies.



## The BenefitAccess Rider lets you choose—your care, your finances, your life.

The BenefitAccess Rider was designed to help families overcome the emotional and financial burden that comes with chronic and terminal illness. By advancing up to 100% of your policy's death benefit,<sup>9</sup> if you are certified by a licensed health care practitioner as chronically or terminally ill, and if you otherwise meet the terms and conditions of the rider, you have a means to get the help you need in the way you want.

- Receive care at home from a family member or a medical professional.
- Move into a nursing home.
- Live in an assisted living facility.

The choice is yours. With no restrictions on how the benefits can be used, you can pay for expenses around your illness, preserve it for all the other reasons you bought life insurance, or use a combination of both.<sup>10</sup> With options like this, you'll know that your money is going to good use.

You should consult with your personal tax advisors regarding the implications of receiving accelerated death benefit payments.

### BenefitAccess Rider two components for full protection.

- 1. Chronic illness
- 2. Terminal illness

Each works differently from one another but combined give you protection should you suffer a chronic or terminal illness.



- <sup>8</sup> BenefitAccess is covered by U.S. Patent No. 7,958,035, which was issued on the insurance product management system for an accelerated benefit provided in response to a medical condition, where the benefit is paid to the policyowner without restriction on use of proceeds.
- <sup>9</sup> The maximum monthly benefit under the rider is 2% of the death benefit amount at the time of claim, not to exceed the lesser of: A) The monthly equivalent of the IRS Per Diem Limit at the time of claim; or B) The monthly equivalent of the IRS Per Diem Limit on the policy issue date, compounded annually at 4%. The IRS Per Diem Limit for 2013 is \$320. On PruLife Universal Protector, the *face amount* is advanced.
- <sup>10</sup> Accelerating your death benefit will reduce the death benefit on a dollar-for-dollar basis. Full acceleration will eliminate the death benefit and your policy will terminate.



## The advantages of BenefitAccess – Chronic IIIness

The cash payments from the rider can be used in any way that suits your personal needs and can help you maintain your independence and freedom. Use it to help pay for:

- A family member's time or travel expenses related to your care, for example.
- Transportation.
- Home modifications/yard maintenance.
- Skilled nursing care.
- Groceries and prescriptions.
- Home or institutional health care.
- Income replacement or savings.

## No receipts are required and there's no waiting period!

You can use the proceeds to pay any expense you need to live your life the way you want. Once your claim is approved, you begin receiving monthly income immediately. You have complete control over how to use the proceeds. Our hassle-free process means you never have to wait to be reimbursed. Get the money you need and use it as you'd like. The freedom is yours. You might be interested in the BenefitAccess Rider if you:

- □ Are in your mid-40s to mid-60's
- Have a family history of longevity or chronic disease
- □ Are female and likely to outlive your spouse
- Need income for medical or non-medical expenses if you were to become chronically ill
- □ Would prefer to stay at home if chronically ill
- Do not wish to become a financial burden to your loved ones if you become chronically ill
- Are interested in having access to your death benefit if you face a terminal illness

## Life Insurance with the BenefitAccess Rider is there when you need it.

This optional rider is available for an additional premium and gives you access to the policy's death benefit if the insured is certified by a licensed health care practitioner as chronically ill and otherwise meets the terms of the rider. Typically this means that the insured, for a period of at least 90 days:

- Cannot perform at least two Activities of Daily Living without substantial assistance; or
- Requires substantial supervision and protection from threats to health and safety due to a severe cognitive impairment; and
- The condition is expected to last the rest of the insured's life.

This condition will need to be recertified every 12 months to qualify.

If you choose to use the BenefitAccess Rider, benefit payments will reduce the death benefit on a dollar-for-dollar basis.<sup>10,11</sup>

### Activities of Daily Living (ADLs)

Basic functions that measure the ability for self-care and independent living without substantial assistance from another person. Assessment of ADLs is commonly used by healthcare professionals for service qualification.

There are six ADLs:

- Bathing
- Eating
- Toileting
- Dressing
- Continence
- Transferring

#### Life Insurance Death Benefit: \$200,000 Xou use the BenefitAccess Rider: \$10,000 Xou use the Benefit: \$190,000

<sup>11</sup> If at the time of claim your policy is in default, but not past the grace period, the benefit payment will be reduced by the amount needed to bring your policy out of default. If at the time of claim there is a loan on your policy, a portion of each benefit payment will be used to reduce the loan on a pro-rata basis. The benefit you receive will be reduced by the amount of the loan repayment. Interest will continue to accrue on any outstanding loan.

### **DOLLAR-FOR-DOLLAR BASIS**

Whether the rider proceeds are taxable as income depends on a number of factors, including:

- Whether qualified expenses are incurred or reimbursed<sup>13</sup>
- If additional benefits are being received under similar contracts

The rider is supplementary to the need for death benefit protection and is available for a charge when your life insurance policy is issued.

## If you use the chronic illness portion of the rider, you don't have to worry about your policy lapsing.

We understand that a chronic condition can be straining, both emotionally and financially. If you become chronically ill and get certified as such, you can receive rider benefits —and during that time we will ensure your policy does not lapse by waiving your policy charges. Furthermore, if you qualify as being chronically ill for 25 consecutive months, we will ensure that your policy will not lapse and will waive your policy charges until your life ends or your death benefit is exhausted.

If you are no longer chronically ill as defined by the rider and/or stop receiving benefits within 24 months of going on claim you may need to resume paying premiums to keep your policy from lapsing.

This rider is not long-term care insurance, nor is it intended to replace long-term care insurance. The rider may not cover all of the costs associated with the insured's chronic illness because the benefits of the rider are limited by the policy's death benefit at the time the claim is made.

## Four examples showing the flexibility of how the rider can be used with a \$300,000 life insurance policy<sup>9,12</sup>



Home care for 20 years provided by a family member.

\$1,250 per month for 20 years



Skilled nursing care for 10 years, e.g. Alzheimer's disease

\$2,500 per month for 10 years



Home care for 4 years provided by a family member + nursing home care for 5 years

\$2,500 per month for 4 years, then \$3,000 for 5 years



Skilled nursing care for 5 years, e.g. serious stroke

\$5,000 per month for 5 years

- <sup>12</sup> Source: Based on average national costs. www.longtermcare.gov. U.S. Department of Health and Human Services, May, 2010. The source is believed to be the most current available.
- <sup>13</sup> Qualified expenses mean costs incurred for the necessary diagnostic, preventive, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services needed by a chronically ill individual. When the insured and policyowner are not the same (e.g., a policy owned by an irrevocable life insurance trust (ILIT)), the policyowners should consult with a qualified tax advisor to assure there are no unintended consequences of the unavailability of funds to the insured or unintended tax consequences related to the availability of funds to the insured. In addition, if the policyowner has an insurable interest in the insured's life based on certain business or financial relationships, the rider's benefits may be subject to income tax.



## The advantages of BenefitAccess – Terminal Illness

If you select the Terminal Illness option and your claim is approved, here's how it works:

- Funds from your policy's death benefit will be accelerated and paid to you. The amount you receive will be reduced by a discount factor. This means the net death benefit is less than the face amount of the policy.
- If you choose to take the one-time partial amount of the death benefit instead of the full amount available for acceleration, your life insurance policy will continue and the death benefit will be reduced dollar-for-dollar by the amount of benefit that was taken.
  - If you only accelerate part of the death benefit, future premium payments and contract values will be adjusted accordingly to the new death benefit amount.
- You may take a benefit payment in either a partial or full lump sum. You may only take one partial acceleration.
- There is a maximum charge of \$150 (\$100 in FL) each time you file a claim.
- Once you receive the terminal illness benefit, continuous evidence isn't required.

When the Terminal IIIness option is being used, you will no longer qualify for the Chronic IIIness option.  $^{\rm 14}$ 

A life insurance policy with the BenefitAccess Rider may be a cost-effective way to provide death benefit protection for your family and chronic and terminal illness care protection for you.

<sup>&</sup>lt;sup>14</sup> Accelerating your death benefit will reduce the death benefit on a dollar-for-dollar basis. Full acceleration will eliminate the death benefit and your policy will terminate.

## UNDERSTANDING THE DIFFERENCES BETWEEN THE BENEFITACCESS RIDER (BENEFITACCESS) AND LONG-TERM CARE (LTC) INSURANCE

The BenefitAccess Rider (BenefitAccess) is an optional benefit on a life insurance policy and is not Long-Term Care (LTC) insurance nor is it intended to replace LTC insurance. It's important to understand some key differences between BenefitAccess and Long-Term Care insurance:

#### **BENEFITS OFFERED**

- **BenefitAccess Rider** This is an accelerated death benefit rider on a life insurance policy. BenefitAccess allows the policyholder to accelerate up to the full amount of the policy's death benefit in the event the insured becomes chronically or terminally ill, subject to the terms and conditions of the rider.
- Long-Term Care insurance This is an insurance contract that is primarily designed to provide coverage for qualified LTC expenses for a set number of years or possibly a person's lifetime, subject to the conditions in the contract.

#### **ELIGIBILITY FOR BENEFIT PAYMENTS**

- **BenefitAccess Rider** In order to be eligible for chronic illness benefits, an insured must be certified by a licensed health care practitioner as being chronically ill (unable to perform 2 of 6 Activities of Daily Living for a period of at least 90 days or is severely cognitively impaired) and not expected to recover from the chronic illness condition. BenefitAccess also provides a benefit if the insured is certified by a licensed health care practitioner as terminally ill (the insured is diagnosed with a life expectancy of 12 months or less).
- **Long-Term Care insurance** In order to be eligible for LTC benefits, an insured must be certified by a licensed health care practitioner as chronically ill but there is generally no requirement that the condition is expected to last the rest of the insured's life.

#### **ELIMINATION/WAITING PERIOD**

- **BenefitAccess Rider** Does not have an elimination or waiting period, therefore policyowners are eligible to receive benefits immediately upon approval of their claim.
- Long-Term Care insurance Many LTC insurance policies have a provision which requires the client to satisfy a benefit waiting period or elimination period such as 90 or 100 days prior to being eligible to receive benefits.

#### **ONCE YOU QUALIFY FOR BENEFITS**

- **BenefitAccess Rider** Once an insured qualifies for benefits, BenefitAccess can provide total benefit payments up to the policy's death benefit amount. Under the chronic illness option, monthly benefit payments are paid on an indemnity basis and are subject to limits. Under the terminal illness option, benefits are payable as a partial or one-time lump sum. Benefits are payable without regard to expenses incurred and there are no restrictions on use of benefits.
- Long-Term Care insurance Policies pay benefits either on an indemnity or expense reimbursement basis, and generally require evidence that the insured has incurred expenses for qualified LTC services in order to be eligible for benefits. Once an insured qualifies for LTC benefits, the amount payable to the insured may depend on the type of qualified LTC expenses incurred by the client.

#### **DEATH BENEFIT CONSIDERATIONS**

- **BenefitAccess Rider** Exercising the BenefitAccess Rider will cause a reduction in, or elimination of, the policy's death benefit, cash value, and loan value. Premiums or charges needed to keep the policy in force will also be reduced based on the reduced death benefit.
- Long-Term Care insurance A LTC policy will generally not provide a death benefit at all, so payment of a claim would have no bearing on a death benefit.



### BenefitAccess is available today on PruLife<sup>®</sup> Universal Protector.

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

The BenefitAccess Rider is available for an extra premium. Additional underwriting requirements and limits may also apply. Obtaining benefits under the terms of the rider will reduce and may eliminate the death benefit.

Benefits paid under the BenefitAccess Rider are intended to be treated for federal tax purposes as accelerated life insurance death benefits under IRC §101(g)(1)(b). Tax laws related to the receipt of accelerated death benefits are complex and benefits may be taxable in certain circumstances. Receipt of benefits may affect eligibility for public assistance programs such as Medicaid. Accelerated benefits paid under the terms of the Terminal Illness portion of the rider are subject to a \$150 (\$100 in FL) processing fee. You should consult your tax and legal advisors prior to initiating any claim.

A licensed health care practitioner must certify the insured as chronically or terminally ill to qualify for benefits. Chronic illness claims will require recertification by a licensed health care practitioner. Other terms and conditions may apply. This rider is not Long Term Care insurance (LTC) and it is not intended to replace LTC. The rider may not cover all of the costs associated with chronic or terminal illness. The rider is a life insurance accelerated death benefit product, is generally not subject to health insurance requirements, and may not be available in all states. The policy form number for the BenefitAccess Rider is ICC13 VL 145 B-2013 or VL 145 B-2013 followed by a state code.

PruLife Universal Protector is issued by Pruco Life Insurance Company except in New York where, if available, it is issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ. Each is solely responsible for its own financial condition and contractual obligation. The policy form number for PruLife Universal Protector is ULNLG-2013. Our policies contain exclusions, limitations, reductions in benefits and terms for keeping them in force. A financial professional can provide you with costs and complete details.

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