



# Living Benefits

*A Key to  
Life Insurance*

LIFE INSURANCE COMPANY  
OF THE SOUTHWEST

member of the

NATIONAL LIFE  
GROUP<sup>®</sup>



62824 MK2333(0307) TC30498(0307)

*Plan today.  
Protect tomorrow.*

Life insurance is a powerful financial tool that can be used to meet many needs. Most commonly, life insurance is used to provide a death benefit to secure your family's financial future when you are gone.

*How do you protect against  
an unforeseen illness?*





## Consider the following:

- Every 29 seconds, someone suffers from a coronary event<sup>1</sup>.
- Every 45 seconds, someone suffers a stroke<sup>1</sup>.
- 45% of heart attack victims are under the age of 45<sup>1</sup>.
- Men have a 1 in 2 risk of developing cancer during their lifetime; for women the risk is 1 in 3<sup>2</sup>.
- 60% of all Americans who reach age 65 may need long-term care at some point in their remaining lives<sup>3</sup>.
- An extreme illness can cost well over \$100,000 in out-of-pocket expenses<sup>4</sup>.

At Life Insurance Company of the Southwest (LSW), we believe you should get more from a life insurance policy. We think you should have access to benefits you can use, *while you are living*.

The future is unpredictable...  
are you and your family prepared?



**Multiple Needs, One Combined, Affordable Solution**

# Do you have

**Nicholas**, a husband and father of two, suffers a severe heart attack at the age of 54. He uses his critical illness rider (Accelerated Benefit Rider 3) to reduce the policy's death benefit by \$150,000, and in return gets \$100,000 in cash today. He is able to use this money to cover his medical expenses, and pay off his family's mortgage.<sup>†</sup>



**Juan and Maria** are parents of Antonio, a freshmen entering college. Through policy loans and withdrawals, they are able to take \$20,000 a year for four years out of their policy's accumulated value to offset his tuition payments.<sup>†</sup>

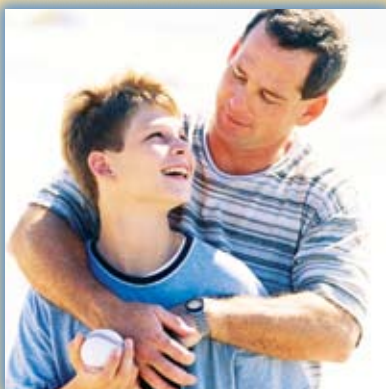


<sup>†</sup> Access to a policy's cash value via loans, withdrawals and payment of accelerated benefits may reduce the policy's Cash Value and Death Benefit and may result in a taxable event. Withdrawals up to the basis paid into the policy and policy loans thereafter would not create an immediate taxable event, but substantial tax ramifications could result upon policy lapse or surrender. These events are hypothetical situations. Actual benefits will be based on the policy and premium selected, as well as the events triggering the use of the Living Benefit riders. The illustrated results are not indicative of any particular situation and your results will likely differ from the results shown above.

# *Living Benefits?*



**Sophie**, at age 79, becomes chronically ill and enters a nursing home. She decides to use 2% of her death benefit each month, available to her through the chronic illness rider (Accelerated Benefit Rider 2), to help pay for her nursing home stay and other medical expenses.<sup>†</sup>



**Isaac's** doctor has told him he has less than two years to live. Using the terminal illness rider (Accelerated Benefit Rider 1), he chooses to access his full death benefit to enjoy life to the fullest during his last two years.<sup>†</sup>

Life events such as these can happen to you at anytime, most without warning. With your policy, you decide how and when to use its benefits.

LSW policies offer more than just a death benefit, they

*help insure your promises.*

*You* should have access to benefits you can use,  
*while you are living.*

We feel LSW's Living Benefits provide a combined solution that you can afford to have, but cannot afford to be without. This unique package can help protect your plans for today and tomorrow. We call it:

*“life insurance you don't have to die to use.”*





Q:

What does “*life insurance you don’t have to die to use*” mean to me?

A:

You can access your policy’s benefits while you are still living. Your benefits may include coverage in case of a:

- Chronic Illness
- Terminal Illness
- Critical Illness
- Disability

You also have access to your policy’s cash value for events such as education, a down payment on a house, or retirement.

LSW offers a comprehensive package of options, commonly referred to as riders, that may be added to your life insurance policy. These riders give you the flexibility to customize your policy, based on your needs. Some are available at no additional premium.

Our rider portfolio\* includes the following:

- Accelerated Benefits Rider<sub>1</sub> (Terminal Illness)
- Accelerated Benefits Rider<sub>2</sub> (Chronic Illness)
- Accelerated Benefits Rider<sub>3</sub> (Critical Illness)
- Long-Term Care Rider (LTC)
- Extension of Benefits Rider
- Disability Income Rider
- Waiver of Target Premium Rider
- Other Insured Rider
- Overloan Protection Rider
- Guaranteed Insurability Rider
- Children's Term Rider
- Accidental Death Benefit Rider
- Unemployment Rider

Following are details about some of our most popular riders:

### Accelerated Benefits Rider 1 (ABR<sub>1</sub>)

*Provides benefits in case of terminal illness*

ABR<sub>1</sub> gives you the option of receiving your death benefit early if a person covered under the policy is terminally ill. For purposes of this rider, terminal illness means that a doctor has certified that the insured's death is expected within two years, one year in VT and PA. If this situation exists, you may:

- request the full acceleration of the policy's death benefit and use the lump-sum as you wish,
- choose to leave a portion of the policy's death benefit intact for your beneficiary, or
- leave the entire policy intact for your beneficiary.

**ABR<sub>1</sub> is available at no additional premium** and is intended to qualify for favorable tax treatment. ABR<sub>1</sub> benefits may be used for any purpose.

## Accelerated Benefits Rider 2 (ABR2)

### *Provides benefits in case of chronic illness*

ABR2 gives you the option of receiving your death benefit early if a person covered under the policy is chronically ill. For purposes of this rider, chronic illness means that a doctor has certified that the insured is either unable to perform two of the six daily activities of living without assistance (bathing, continence, dressing, eating, toileting, and transferring) or is cognitively impaired (deterioration or loss in intellectual capacity). Benefits are available after the rider is in force for two years. If a chronic illness exists and after a 90-day waiting period, you may:

- request to accelerate up to 2% of the death benefit each month to use as you wish, or
- leave the policy intact for your beneficiary.

**ABR2 is available at no additional premium** and is intended to qualify for favorable tax treatment. ABR2 benefits may be used for any purpose.

## Accelerated Benefits Rider 3 (ABR3)

### *Provides benefits in case of critical illness*

ABR3 gives you the option of receiving your death benefit early if a person covered under the policy is critically ill. For purposes of this rider, critical illness is defined as a heart attack, stroke, cancer, a major organ transplant, blindness, or having been diagnosed with Lou Gehrig's disease (ALS) or end stage renal failure. If one of these illnesses exist, you may:

- request the full acceleration of the policy's death benefit and use the lump-sum as you wish,
- choose to leave a portion of the policy's death benefit intact for your beneficiary, or
- leave the entire policy intact for your beneficiary.

With ABR3, the level of discounting applied to the death benefit varies depending upon the insured's age and the severity of the critical illness.

**ABR3 is available at no additional premium** and is intended to qualify for favorable tax treatment. ABR3 benefits may be used for any purpose.

Remember, if you choose to use your death benefit early, the actual ABR payment you receive will be less than the death benefit you accelerate. Benefits used under any Accelerated Benefits Rider will reduce the policy's cash value, death benefit and loan values.

Death Benefits, cash values and loan values (for policies with such values) will be reduced if an Accelerated Benefit is paid.

The Accelerated Benefits offered under these riders are intended to qualify for favorable tax treatment under the Internal Revenue Code of 1986. Whether such benefits qualify depends on factors such as your life expectancy at the time benefits are accelerated or whether you use the benefits to pay for necessary long-term care expenses, such as nursing home care. If the acceleration-of-life-insurance benefits qualify for favorable tax treatment, the benefits will be excludable from your income and not subject to federal income taxation. Tax laws relating to acceleration-of-life-insurance benefits are complex. You are advised to consult with a qualified tax advisor about circumstances under which you could receive acceleration-of-life-insurance benefits excludable from income under federal law.

Receipt of accelerated life-insurance benefits may affect you, your spouse or your family's eligibility for public assistance programs such as medical 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 and your family's eligibility for public assistance.

## Long-Term Care Rider (LTC Rider)

### *Provides benefits in case of chronic illness*

LTC rider gives you the option of receiving your policy's death benefit early if a person covered under the policy is chronically ill (see ABR2 for definition of chronic illness).

This rider provides up to 2% of the death benefit each month for nursing home or home health care and up to 1% for adult day care after a 90-day waiting period.

This rider is different from ABR2 in that the monthly death benefit payments are not discounted and you will receive benefits as a reimbursement for long-term care expenses paid. Because of this, the LTC rider benefits are received on a tax-free basis. Also, there is no requirement that the rider be in force for two years before benefits can be received.

There is an additional charge for this rider but the premium remains level as long as the policy remains in force. Policy premiums or monthly charges are waived while LTC benefits are being paid.

Long-Term Care Rider (not available in MA), known as the Accelerated Death benefits for Long-Term Care Rider in TX and MD. Use of the Long-Term Care Rider reduces the death benefit and cash surrender value of your life insurance policy. Benefit payments will be used to pay off any outstanding policy loans first, reducing the amount of money you would normally collect as a benefit. If there is an outstanding loan on the policy, part of each Long-Term Care Benefit payment must be used to pay off a portion of that loan. For example, if the Death Benefit is reduced by 2%, the Long-Term Care Benefit payment must be used to pay off 2% of the outstanding loan. As the Death Benefit of your life insurance policy is reduced, the premium you must pay for this insurance is reduced, too.

Insurance riders have exclusions, limitations, reduction of benefits and/or terms under which the rider may be continued in force or discontinued. For additional information about the rider benefits, please request an Outline of Coverage from your representative and read it carefully before purchasing the rider. Receipt of benefits under the Long-Term Care Rider will reduce the policy's cash value, death benefit and loan value.

## Extension of Benefits Rider (EBR)

*Provides long-term care benefits after ABR2 or LTC rider benefits have been exhausted*

EBR pays a monthly benefit up of to 1% of the initial face amount of the policy for nursing home or home health care and up to .5% for adult day care for the rest of the insured's life as long as they remain chronically ill. This monthly payment is based upon actual long-term care expenses incurred and must be used to pay these expenses. Benefits are received tax-free.

EBR is available with an Inflation Protection option that increases the monthly benefit by 5% compounded for each year that the insured's coverage is in force, starting at policy issue.

There is an additional charge for this rider but the premium remains level as long as the policy remains in force.

The Extension of Benefits Rider (not available in MA) may only be purchased on a policy that also has the ABR2 or LTC Rider attached to it. EBR extends the benefits beyond the period when full benefits under ABR2 or the LTC Rider have been paid. Benefits remain payable only if, and while, the insured remains chronically ill.

All of these insurance riders have exclusions, limitations, reductions of benefits and/or terms under which the rider may be continued in force or discontinued. For costs and the complete details of the coverage, call or write your agent or company.

## About LSW

LIFE INSURANCE COMPANY OF THE SOUTHWEST was incorporated in 1955. We are licensed in 49 states and the District of Columbia, with our home office in Dallas, Texas.

LSW specializes in life insurance and annuity products. Our rating from A.M. Best Company, the oldest rating agency in the industry, is a good reflection of LSW's strength.

A.M. Best ratings represent an independent opinion of a company's financial strength and ability to meet its obligations to policyholders. A.M. Best gives LSW an "A" (Excellent) rating; this is the third highest of 15 rating categories\*\*.

LSW is an affiliate of National Life Insurance Company based in Montpelier, Vermont. National Life was founded in 1850 and for over a century and a half has provided insurance protection to individuals, families and businesses.

\*\*As of 06/06. Ratings are subject to change without notice.

National Life Group® is a trade name of National Life Insurance Company and its affiliates. Each company of the National Life Group® is solely responsible for its own financial condition and contractual obligations.

LSW Harbor, policy form series 8064/8064ID(0798), LSW Horizon, policy form series 8048/8048ID(0798), LSW SecurePlus Provider, policy form series 8212/8212ID(0305) Universal Life Insurance, and LSW Term Series, policy form series 8080(0998) and applicable riders are underwritten by Life Insurance Company of the Southwest, Home Office: Dallas, Texas. An additional premium is charged for some riders. Policy Forms and Riders are not available in all states. Benefits and terms may vary by state.

\*Following are the form series numbers for all LSW Life Insurance Riders: Terminal Illness Rider (ABR1), form series 8052(0798)/8052ID(0798); Chronic Illness Rider (ABR2), form series 8095(0399)/8095ID(0399); Critical Illness Rider (ABR3), form series 8165(0703)/8165ID(0703); Long-Term Care Rider (LTC), form series 8096(0899)/8096ID(0899); Extension of Benefits Rider (EBR), form series 8097(0899)/8097ID(0899); Disability Income Rider, form series 8054(0798)/8054ID(0798)—8065(0798)/8065ID(0798); Waiver of Target Premium Rider, form series 8053(0798)/8053ID(0798); Other Insured Rider, form series 8057(0798)/8057ID(0798); Overloan Protection Rider, form series 8315(0206)/8315ID(0206); Guaranteed Insurability Rider, form series 8051(0798)/8051ID(0798); Children's Term Rider, form series 8056(0798)/8056ID(0798); Accidental Death Benefit Rider, form series 8050(0798)/8050ID(0798); Unemployment Rider 8058(0798)/8058ID(0798).

These insurance riders have exclusions, limitations, reduction of benefits, and/or terms under which the rider may be continued in for or discontinued. For costs and complete details of the coverage, write or call your agent or company. None of the information in this piece is intended as tax or legal advice. Please consult with your Attorney or Accountant prior to acting upon any of the information contained herein.

<sup>1</sup> American Heart Association, Heart and Stroke Statistical Update, 2003.

<sup>2</sup> American Cancer Society, Cancer Facts and Figures, 2003.

<sup>3</sup> The Looming Crisis, American Health Care Association, 2000.

<sup>4</sup> "Illness And Injury As Contributors To Bankruptcy," Harvard Study, 2004.



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