



## CHRONIC ILLNESS VS. LONG-TERM CARE

### Comparing Pacific Life Insurance Company's Premier Living Benefits and Premier LTC Riders Available with Certain Cash Value Life Insurance Policies

Life insurance provides financial protection through proceeds paid to policy beneficiaries at the insured's death. And through dynamic riders, life insurance can do much more, including providing income benefits if insureds develop a chronic illness or need long-term care (LTC).

Pacific Life offers a choice of riders in eligible products so clients can choose the right coverage for their needs.

# CONDITIONS & OPTIONS

---

**Help your clients live well by planning ahead. First, understand the conditions and options available.**

**Chronic Illness**—A condition in which clients become unable to perform at least 2 of the 6 activities of daily living (eating, bathing, dressing, controlling the bladder or bowels, using the toilet, or standing up on their own) or whose cognitive impairment has become severe enough to require supervision. It may be depressing to think about, but if this happens to your clients, they will likely need help.

**Long-Term Care**—The qualified services your clients will need in the event of chronic illness are called long-term care. Clients may recover from a chronic illness requiring long-term care (e.g. a motorcycle accident) or the condition may be permanent (e.g. nursing home care for dementia or Alzheimer's Disease).

---

## IMPORTANT RIDER DISTINCTIONS

The Premier LTC Rider is designed to pay benefits when and if the client needs long-term care, including starting and stopping benefits if the insured recovers and needs care again later.

Conversely, the Premier Living Benefits Rider (Chronic Illness Rider) pays benefits only if the insured is certified with a permanent chronic illness. It may not provide benefits if the insured recovers.

Long-term care riders are designed to help cover the costs of long-term care. On the other hand, chronic illness riders are a life insurance component that enhances the flexibility of a life insurance policy to provide benefits if the insured develops a chronic illness. Chronic illness riders do not qualify and do not intend to qualify as long-term care insurance and are not intended to replace the need for long-term care insurance.

Life insurance is subject to underwriting and approval of the application. If approved, a policy face amount, premium limits, and policy performance, will be impacted by the deduction of monthly policy charges.



**Demonstrate the difference  
*choice* can make.**

**Run a personalized illustration  
and help your clients choose the rider  
that's right for them.**

# CHOICE MATTERS

With Pacific Life, clients can choose between two riders for the right coverage for their needs.

## PREMIER LIVING BENEFITS RIDER

Accelerated Death Benefit Rider for Chronic Illness<sup>1</sup>

*Included with All Eligible Policies  
at No Additional Charge*

**Standard Rider**—Issued with eligible cash value life insurance policies at no upfront cost. The rider allows the policyowner to accelerate a portion of the death benefit as annual or monthly benefits if the insured develops a chronic illness (unable to meet two of the six activities of daily living or requiring substantial supervision due to a cognitive impairment). This condition must be certified as permanent.

**Charges**—No monthly rider charge and no up-front cost. If the rider is exercised, the cost is that the death benefit is reduced by an amount greater than the rider benefit payment itself to reflect the early payment of the death benefit.

**Maximum Benefit**—Maximum benefit amount is calculated at each request based on insured's age and policy values at the time of request. The maximum benefit payment is typically up to 2% monthly (24% annually) of the death benefit, not to exceed 125% of the IRS per diem limit. Lifetime maximum benefit of policy's death benefit, not to exceed \$1.5 million.

**Impact to Death Benefit**—Benefits reduce death benefit by an amount greater than the rider benefit payment.\*

**Tax Treatment**—Internal Revenue Code Section 101(g)<sup>3</sup>

**Elimination Period**—None.

**Licensing Requirement**—Life insurance license.

## PREMIER LTC RIDER

Accelerated Death Benefit Rider for Long-Term Care<sup>2</sup>

*Optional Rider Available for Additional Charge  
Instead of Premier Living Benefits Rider*

**Optional Rider**—Optional rider that may be elected at policy issue for additional cost instead of the Premier Living Benefits Rider. If elected, the rider assesses a monthly rider charge and allows the policyowner to accelerate death benefit proceeds as monthly benefits while the insured is chronically ill and receiving a Plan of Care that includes Qualified Long-Term Care Services. The chronic illness does not have to be deemed permanent. Exclusions apply. See page 5.

**Charges**—Monthly rider charge is deducted from the policy's cash value as part of the policy's monthly deductions. The amount and duration of the maximum LTC benefits and the rider charge will vary based on the benefit options elected at time of application and the use of policy benefits and features.†

**Maximum Benefit**—Based on rider options the policyowner chooses at policy issue. The rider typically accelerates death benefit payments up to the policyowner's choice of 2% or 4% of the LTC Coverage Amount, not to exceed 125% of the IRS per diem limit. The LTC Coverage Amount and monthly maximum percentage are elected at policy issue. Lifetime maximum is the greater of the policy's initial face amount or \$3 million for 2% election and \$1.5 million for 4% election (insureds issue ages 18–64) or \$750,000 for 4% election (insureds issue ages 65–75).

**Impact to Death Benefit**—Benefits reduce death benefit dollar for dollar.\*

**Tax Treatment**—Internal Revenue Code Section 7702B(b)<sup>3</sup>

**Elimination Period**—90 days; do not have to be continuous. Satisfied once per insured per lifetime.

**Licensing Requirement**—Life insurance license and health insurance license. Some states may require additional long-term care training. Contact your licensing coordinator for details.

Numbered endnotes on page 5.

\* Rider benefit payments will reduce policy values, including death benefit, cash surrender value, and policy debt, and may adversely affect the benefits under other riders. Riders will likely incur additional charges and are subject to availability, restrictions, and limitations. Clients should be shown policy illustrations with and without riders to help show the rider's impact on the policy's values.

† The Premier LTC Rider charge is included as part of the monthly deduction for the policy. Rates for long-term care coverage under this rider may increase over time, but not above those stated in the policy. Policy charges for this rider and other riders are deducted from the policy's accumulated value on a monthly basis. Policy lapse will only occur where the policy's cash value less policy debt is not sufficient to cover monthly policy charges, unless a no-lapse guarantee is in effect. Prior to lapse, the policy provides 61 days to pay premium sufficient to keep the policy in force.



## CHOICES IN PLAN DESIGN

---

The riders can add flexibility to a variety of life insurance policy designs.

Both riders offer an indemnity benefit, which means they pay a cash benefit that may be used for any reason—medical or non-medical upon qualifying condition. Both have the same eligibility requirements to be issued.<sup>‡</sup> Here are some considerations when it comes to planned policy use.

### LIFE INSURANCE RETIREMENT PLAN (LIRP) DESIGNS

*Premier Living Benefits Rider May Add Value*

- No monthly rider charge if rider benefits are never used.
- May be elected on a policy with the Benefit Distribution Rider.<sup>4</sup>
- Policy loans and withdrawals may occur at the same time as rider benefit payments.<sup>5</sup>
- Has fewer ownership considerations with trust or business-owned policies or collaterally assigned policies. To learn more, visit [Lifeline.PacificLife.com](http://Lifeline.PacificLife.com) or contact the Advanced Designs Unit.

### DEATH BENEFIT DESIGNS

*Premier LTC Rider May Add Value*

- Offers greater control over the amount of LTC Benefits, a couples discount, lapse protection while on claim, and Care Coordination Services included at no additional charge.
- Monthly rider charge deducted from policy cash value whether benefits are used or not.
- Rider CANNOT be elected on a policy with the Benefit Distribution Rider.<sup>4</sup>
- Policy loans and withdrawals CANNOT occur at the same time as rider benefit payments.<sup>5</sup>
- Rider charges reported on IRS Form 1099-R, which reduces cost basis for tax implications of rider benefit payments.<sup>3</sup>

<sup>‡</sup> Eligible insureds for both riders are issue ages 18–75, subject to additional underwriting requirements and a one chronic illness or long-term care rider per insured issue limit. Riders are not available on Juvenile, Guaranteed Issue, or Simplified Issue policies, policies issued as a conversion from another policy (unless the rider was included in the original policy), or on policies with scheduled face amount increases. The Premier LTC Rider is not available on a policy with the Benefit Distribution Rider or the Premier Living Benefits Rider. The Premier LTC Rider is subject to eligibility and underwriting approval. The policy to which this rider is attached is subject to a medical exam, Medical Information Bureau (MIB), and prescription report; and may include obtaining records from your physician, a Personal History Interview, and a Cognitive Assessment.

## About the Benefit Distribution Rider<sup>4</sup>

Electing the optional rider at policy issue for no additional charge provides two important benefits. First, it allows clients to help their policy beneficiaries manage the policy's death benefit. Instead of a single payment, the policyowner can designate 50% to 100% of the death proceeds to be paid to policy beneficiaries as guaranteed monthly or annual income over 5 to 30 years. Second, as a benefit to the policyowner, Pacific Life may reduce the policy's charges on a nonguaranteed basis.<sup>§</sup> Lower policy charges may increase long-term cash value potential for potentially lower premiums or higher policy distributions.

**Save time. Prequalify your prospects for their choice of  
long-term care or chronic illness rider.**

Download our pre-qualifying questionnaires from [Lifeline.PacificLife.com](http://Lifeline.PacificLife.com).

*§ Non-guaranteed/current elements are not guaranteed by definition. As such, Pacific Life reserves the right to change or modify any of these elements. This right to change these elements is not limited to a specific time or reason.*

### ENDNOTES

- 1 Premier Living Benefits Rider (Form #R12CII or ICC12 R12CII, based on state of policy issue). Benefits paid by accelerating the policy's death benefit may or may not qualify for favorable tax treatment under Section 101(g) of the Internal Revenue Code of 1986.*
- 2 Premier LTC Rider (Form #R15LTC, R15LTC SP or ICC15 R15LTC, ICC15 R15LTC SP, based on state of policy issue). The Premier LTC Rider benefits accelerate your policy's Death Benefit and will reduce any proceeds payable upon the insured's death or at time of surrender. This rider is intended to provide federally tax-qualified long-term care insurance as defined in IRC Section 7702B(b). This rider is not qualified under any state long-term care insurance partnership program. For more information on Partnership Qualified products, clients should contact the state department of insurance.*
- 3 Tax treatment may depend on factors such as the amount of benefits, the amount of qualified expenses incurred, or if similar benefits are being received under other contracts. For the Premier Living Benefits Rider, these amounts may also be in relation to certain IRS limitation (referred to as "per diem" limits). Tax laws relating to accelerated death benefits are complex. Receipt of accelerated death benefits may affect eligibility for public assistance such as Medicaid. When benefits are received from multiple policies providing long-term care or chronic illness benefits for a given insured, including policies with different owners, all of those benefits must be aggregated to determine their taxability. Pacific Life*
- 4 Benefit Distribution Rider (Form #R15BDR). Pacific Life may reduce policy charges on a non-guaranteed basis in the form of a non-guaranteed Benefit Distribution Rider Credit. The rider's Periodic Payment of the death benefit reflects a guaranteed, level 2% annual interest rate. If the rider is not elected, the beneficiary can elect to receive periodic payments under an Income Benefit plan we make available to them at the insured's death that may credit a higher or lower interest rate than the rider's 2% guaranteed rate. However, the election of an Income Benefit plan at the insured's death will not result in any non-guaranteed reduction of policy charges while the policy is in force. Once elected at policy issue, the rider's payment elections may not be changed unless the policyowner is approved for an unscheduled face amount increase as specified in the contract. Exercising other available riders may adversely affect or limit the Benefit Distribution Rider. Premier LTC Rider is not available on a policy with the Benefit Distribution Rider. Riders will likely incur additional charges and are subject to availability, restrictions, and limitations. Clients should be shown policy illustrations with and without riders to help show the rider's impact on the policy's values.*
- 5 Any policy withdrawals, loans and loan interest will reduce policy values and may reduce benefits.*

This material is not intended to be used, nor can it be used by any taxpayer, for the purpose of avoiding U.S. federal, state or local tax penalties. This material is written to support the promotion or marketing of the transaction(s) or matter(s) addressed by this material. Pacific Life, its affiliates, their distributors and respective representatives do not provide tax, accounting or legal advice. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor or attorney.

This material may not be used in the solicitation of a variable life insurance product.

**PREMIER LTC RIDER EXCLUSIONS, EXCEPTIONS, AND LIMITATIONS:** We will not pay benefits for any room and board, care, treatment, services, equipment, or other items for care or services: 1) provided by the insured's immediate family unless he or she is a regular employee of an organization which is providing the treatment, service or care; and the organization receives the payment for the treatment, service or care; 2) for which no charge is normally made in the absence of insurance; 3) that result from an attempt at suicide (while sane or insane) or an intentionally self-inflicted injury; 4) that result from alcoholism, or drug addiction; 5) that result from participation in or attempting a felony, riot, or insurrection; 6) provided outside the United States of America unless the initial and any annual renewal certification are completed by a Licensed Health Care Practitioner; 7) that result from active duty in foreign or U.S. armed forces; 8) that result from an act of war; 9) provided in a government facility (unless otherwise required by law); 10) for which benefits are available under Medicare (including amounts that would be reimbursable but for the application of a deductible or coinsurance amount) or other governmental program (except Medicaid), any state or federal workers' compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law; 11) for preexisting conditions that are not disclosed in the application, if services begin with the first six months of policy issue; or 12) received while the rider is not in force.

*Many life insurance products have some flexibility in how they are structured. Each policy selected, illustrated, and sold should be structured based upon your client's particular insurance needs and financial objectives. It is your responsibility to know that the particular policy selected, illustrated, and sold will meet your client's needs and objectives.*

Indexed Universal Life Insurance generally requires additional premium payments after the initial premium. If either no premiums are paid, or subsequent premiums are insufficient to continue coverage, it is possible that coverage will expire.



**PACIFIC LIFE**

Pacific Life Insurance Company  
Newport Beach, CA • (800) 800-7681 • www.PacificLife.com

Pacific Life Insurance Company is licensed to issue insurance products in all states except New York. Product availability and features may vary by state. Insurance products and their guarantees, including optional benefits and any crediting rates, are backed by the financial strength and claims-paying ability of the issuing insurance company. Look to the strength of the life insurance company with regard to such guarantees as these guarantees are not backed by the broker-dealer, insurance agency, or their affiliates from which products are purchased. Neither these entities nor their representatives make any representation or assurance regarding the claims-paying ability of the life insurance company.

Pacific Life Insurance Company's individual life insurance products are marketed exclusively through independent third-party life insurance producers, which may include bank affiliated entities. Some selling entities may limit availability of some optional riders based on their client's age and other factors. Your broker-dealer or firm can help you determine which optional riders and investment options are available and appropriate for your clients.

Investment and Insurance Products: Not a Deposit	Not Insured by any Federal Government Agency	
Not FDIC Insured	No Bank Guarantee	May Lose Value