

The Newest Life Insurance Living Benefit Rider – Alzheimer’s

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We know from everyday experience that products and services constantly get reinvented and transformed. Not that long ago, cars could only run on gasoline, and had minimal technology. Today, some vehicles are completely powered by electricity, and advanced technology has improved driver safety with overhead and side view cameras, and alerts when other vehicles are approaching.

Life insurance too has evolved over time — it’s not your grandmother’s protection product, providing only a death benefit. While the death benefit continues to be the most important reason to buy life insurance, today’s products come with riders that can provide protection for a wider array of risks, as well as other benefits.

We see electric vehicles on the roads every day, so most of us are aware of the innovation that is driving the car industry forward. But not as many people outside of the industry have looked under the hood of modern life insurance, and most remain unaware that life insurance can also provide protection during their lifetime.

Many carriers now offer life insurance products that include optional accelerated benefits riders¹. These riders may allow the policyholder to receive a discounted portion of the death benefit during their lifetime — in other words, accelerate the death benefit — in the event of a qualifying serious illness. Such benefits are referred to as “[living benefits](#)” because the benefit is received when the insured is still living.

This innovation has been very beneficial to policyholders confronted with the financial stress that comes with a serious illness, including from a loss of income, increased expenses, or the need to hire help not covered by health insurance. Being able to use life insurance as a financial resource during a health crisis may help provide relief from financial distress.

Adapting living benefits for an aging population

Just like in the automotive industry, innovation in the life insurance industry doesn’t stop. One such example is how life insurance companies are responding to the increasing prevalence of

Alzheimer's disease. While the effects of this debilitating and progressive disease may be covered by a variety of insurance products and riders, a stand-alone [Alzheimer's](#) disease rider is new to individual life insurance policies. Last year, the insurance companies of National Life Group launched a new Alzheimer's Disease rider available on their life insurance policies. The rider provides an accelerated payment of the death benefit when the insured is diagnosed with Lewy body dementia or Alzheimer's disease². The tax-free benefit can be as high as \$1.5 million (on a policy with a sufficiently high death benefit) and is paid as a lump sum.

That payout can be more than welcome because caring for someone who has Alzheimer's isn't cheap. According to an annual report by the Alzheimer's Association, "the total lifetime cost of care for a person living with dementia is estimated at almost \$400,000. Seventy percent of these costs are borne by family caregivers in the forms of unpaid caregiving and out-of-pocket expenses.³"

Given the potential financial severity of such a condition, it is important for families to include the financial risk of Alzheimer's disease when planning their financial future, and consider what solutions or resources they may have to address it. When families don't have a plan to address a risk of this nature, they may get saddled with unmanageable expenses when a loved one needs care.

Many of us have a personal connection to a family member or friend who was diagnosed with Alzheimer's disease, so the following story highlighting the financial and emotional challenges may sound familiar.

My dear friend Barry was a very successful businessman with a loving family. In July 2018, at the age of 60, he was diagnosed with Alzheimer's. In the early stages, he would forget what day it was or what he ate for dinner, but as the illness progressed, things got worse. Barry forgot how to perform activities such as toileting and showering. It got to a point where he could not eat a meal on his own. But not being able to perform activities of daily living wasn't the worst part; what was even more devastating is that he no longer recognized his loved ones.

Barry required around-the-clock care and could not be left alone, which was very stressful for the family. They were faced with two options, and both were a heavy burden: They could struggle to take care of their loved one at home or look for a form of professional care, which was cost prohibitive. Barry did not have a long-term care policy or a life insurance policy with a rider that would cover this condition, and the out-of-pocket expense that would have been required for professional care for Barry was more than substantial.

If Barry had been covered by a product that would have provided protection when he was diagnosed, his family would still have gone through a tough time emotionally, but financially they may have been in a much better position.

With millions paid out in living benefits claims each year, life insurance policies with accelerated

benefits riders have helped to relieve the financial burden for policyholders confronted with out-of-pocket expenses for cancer, heart attacks, strokes, and many other serious illnesses. With Alzheimer's disease touching so many families in the United States, this sort of protection is needed now more than ever.

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1 Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event, may affect a client's eligibility for public assistance programs, and may reduce or eliminate other policy and rider benefits. Clients should consult with their personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect them.

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client also has a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products. The use of one benefit may reduce or eliminate other policy or rider benefits.

2 Alzheimer's Disease Rider, form series 20817(0622) is underwritten by National Life Insurance Company (NLIC), Montpelier, Vermont, and form series 20818(0622) is underwritten by Life Insurance Company of the Southwest (LSW), Addison, Texas. This rider is available on term and permanent life insurance policies issued by NLIC and LSW. In addition to a qualifying diagnosis of Lewy Body Dementia or Alzheimer's, receipt of benefits is dependent on other limitations and exclusions as defined by the rider form, as well as certification by a medical specialist of the severity of the condition. If considering a policy with this rider, please ask your agent for full rider details. National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest, Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

3 2024 Alzheimer's Disease Facts and Figures,
<https://www.alz.org/media/Documents/alzheimers-facts-and-figures.pdf>, March 2024
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