



Accelerated death benefit options

Life insurance benefits don't have to wait

When life insurance is paid to a terminally ill insured as an accelerated death benefit, the life insurance proceeds paid to beneficiaries will be reduced by this same amount.

Most people associate life insurance with a lump-sum payment to beneficiaries at the time of an insured's death. And while that is certainly the standard use of the product, there are times when the policy's death benefit may serve the needs of the insured while he or she is still alive.

An "accelerated death benefit" is an option found in many group life insurance policies. This provision allows terminally ill insureds to access a portion of their death benefit to help cover expenses such as health care and nursing homes.

If needed, covered individuals can typically request an accelerated benefit of up to 80% of their policy's standard death benefit. The percentage available depends on the terms of the policy, as some carriers have a minimum or maximum amount that can be requested.

While taking accelerated benefits will reduce the remaining death benefit that is passed on to beneficiaries, it can be reassuring for covered employees and their families to know that additional funds may be available should life take an unfortunate turn.

When can accelerated benefits be requested?

Accelerated death benefits can generally be requested when covered individuals experience a terminal illness or injury and death is expected within six to 24 months. Some states have specific requirements for how many months constitute a terminal illness, but 12 or 24 months are most common. Many carriers also limit accelerated benefits to those age 60 or under.

When applying for an accelerated death benefit, proof of the insured's illness is required from a physician, and the request is submitted through the carrier's standard claims process.

What happens after benefits are approved?

If approved for accelerated benefits, insureds may receive their funds in a lump sum or through other methods as outlined in their policy. Once paid, these benefits can be used at the insured's discretion.

Covered employees should understand that taking accelerated benefits will affect the final death benefit received by their beneficiaries. The amount taken in advance is deducted from the total death benefit with the remaining amount paid to beneficiaries at the time of the insured's death. If the entire death benefit proceeds are depleted (as permitted by the policy), no benefits will be paid at the time of death.

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Costs and other considerations

An accelerated death benefit option may be included in a group policy's premium, or added to the policy as a percentage of the base premium.

It's important to note that accelerated benefits may affect Medicaid eligibility, as the amount taken could be considered income. Covered employees should consider visiting with a tax professional before taking any benefits.

A full disclosure of the costs and tax implications of accelerated benefits should be provided during open enrollment. And while accelerated benefits can be used to support long-term health care needs, they should not be considered a replacement for traditional long-term care insurance, which provides benefits without depleting life insurance proceeds.

There when they need it

The accelerated death benefit option is an easy-to-understand employee benefit that can provide additional peace of mind. Taking care to educate covered employees on their options, and on the implications of their choices, will help ensure that the accelerated funding provides maximum comfort and care when needed most.

For more information on the accelerated death benefit option, talk with your group life insurance representative.



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