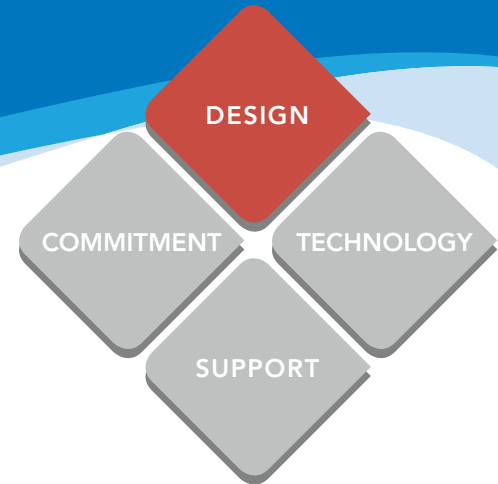




Columbus Life  
Insurance Company

A member of Western & Southern Financial Group



## Design Matters:

# The Lien Method vs. Discounted Death Benefit

With an estimated price tag of \$341,000 from diagnosis to death<sup>1</sup>, Alzheimer's can be a chronic illness that no one is prepared for. None of us can see what's ahead in life — but when planning for their financial future, your clients want to know that some things are predictable.

With Columbus Life, the Life *Plus* Accelerated Death Benefit Rider® is available at no additional cost<sup>2</sup> on all universal life policies and allows the client to advance a portion of their death benefit should they meet the required criteria. While other companies offer living benefit riders, Columbus Life remains one of the few to offer a truly predictable living benefit that uses a straightforward formula to calculate an advance of the policy holder's death benefit.

Many of our competitors use what is known as the Discounted Death Benefit. As shown in the example below, the Discounted Death Benefit formula can be complicated, lengthy and may still leave you and your clients with questions. How comfortable would you feel presenting this type of complex formula to your clients?

### DISCOUNTED DEATH BENEFIT EXAMPLE

#### Accelerated Benefit Payment = greater of

1. [Death Benefit Accelerated - Actuarial Discount - (Policy Debt X Reduction Percentage)] - Fee
2. Cash Surrender Value X Reduction Percentage

**Where:** Actuarial Discount = [Total Death Benefit - (PVFB + PVFD - PVFP)] X Reduction Percentage

#### Modified Mortality Table=

$$q_{x+k}^{IMP} = 75\% \times q_{x+k} \times (1 - MI\%)^{(k)}$$

$$q'_{x+k} = \text{MAX}(1, q_{x+k}^{IMP} + \text{Flat})$$

#### Actuarial Discount=

$$PVFB = DB \times \bar{A}_{x:95-x}^1$$

#### Where:

- **Total Death Benefit** = Total Death Benefit immediately prior to election.
- **Death Benefit Accelerated** = Death Benefit requested for acceleration.
- **PVFB** = Present value of future death benefits assuming sufficient premiums are paid to take the policy to maturity or expiry. The calculation uses the modified mortality table for the Insured and the Accelerated Benefit Interest Rate. Death Benefits are assumed to be paid on a continuous basis.
- **PVFD** = Present value of future dividends scheduled to be payable. The future dividends will be based on the then current scale adjusted to be consistent with the Accelerated Benefit Interest Rate. The calculation uses the modified mortality table for the Insured and the Accelerated Benefit Interest Rate. Dividends are assumed to be paid at the end of the year.

- **PVFP** = Present value of future premiums to take the policy to maturity or expiry at the election date. For Flexible Premium Adjustable Life policies this is a level annual premium to get the policy to maturity under current assumptions, including the effect of any secondary guarantees. The projected current crediting rates will be adjusted to be consistent with the Accelerated Benefit Interest Rate. For traditional policies the future annual mode premium due is used. The calculation uses the modified mortality table for the Insured and the Accelerated Benefit Interest Rate. Premiums are assumed to be paid at the beginning of the year.
- **Reduction Percentage** = Death Benefit Accelerated / Total Eligible Death Benefit.
- **Policy Debt** = Outstanding Policy Debt immediately prior to election.
- **Fee** = Administrative charge, not to exceed \$500.

Formula reflects the details found within an ADBR rider filing that uses the Discounted Death Benefit.

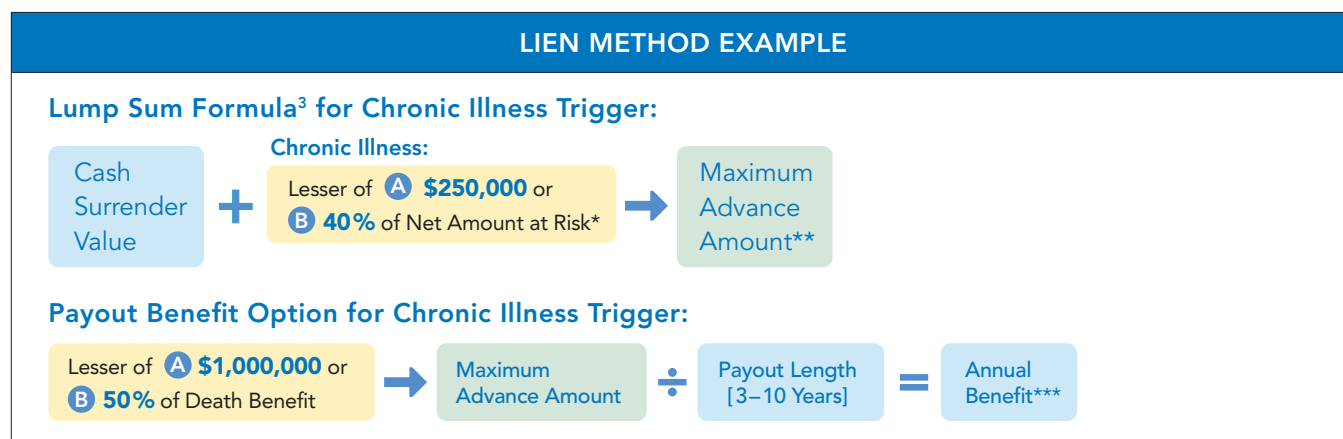
<sup>1</sup> <https://www.beingpatient.com/alzheimers-cost/>

<sup>2</sup> This rider is added at no additional premium; however, we may charge a fee of up to \$250.00 (state variations may apply) for an advance payment. An advance is treated as a lien secured by the Death Benefit of the policy. The advance will accrue interest each year. The rate of interest will depend on the cash value of your policy and may vary as required by the laws of your state. The lien may be increased if necessary to keep this policy in effect.

At Columbus Life, our universal life products use the straightforward **lien method**. With multiple payout options and a simple to explain formula, you'll be able to help your clients easily gauge what their advance could be prior to making a claim. The predictability of Columbus Life's lien method can help meet your clients' needs whether they see a lump sum or multiple payouts as their best option. As shown in the example below, our **lump-sum payment calculation** and our **payout benefit option**

**calculation** for the Chronic Illness trigger are easy for your clients to understand. These types of straightforward calculations can help you feel confident as you present your clients with predictable options to meet their needs.

When difficult times arise, predictability and design matter. The lien method not only helps to give your clients assurance that they know what they will receive, but adds flexibility by allowing unpaid premiums to be added to the lien — helping to prevent the policy from lapsing.



\*Net Amount at Risk refers to approximately the existing Death Benefit plus indebtedness less accrued account value.

\*\*Maximum Advance Amount may be reduced by interest.

\*\*\*The annualized amount is not to exceed the lesser of the Annualized IRS Per Diem Limit or \$240,000 in a given year.

**Interested in learning more about Columbus Life's Life *Plus* Accelerated Death Benefit Rider?**  
**Talk to your Regional Vice President or call the Sales Desk at 800.677.9696, option 4.**

3 If more than one qualifying event occurs simultaneously, we will use the qualifying event with the highest maximum advance amount to determine the available lump-sum payment unless you request otherwise.

Living benefits are accessed through an advance of the policy's death benefit, provided the insured meets eligibility requirements under the applicable rider. An advance is treated as a lien against the policy and will reduce the Death Benefit payable if not repaid. The advance will accrue interest each year. The lien may be increased if necessary to keep your policy in effect. We may charge a fee of up to \$250.00 for an advance payment. The accelerated death benefit will terminate with the policy.

Life insurance proceeds paid in the form of an accelerated death benefit when the insured has become chronically or terminally ill, and is otherwise eligible for benefits, are intended to receive favorable tax treatment under Section 101(g) of the Internal Revenue Code (26 U.S.C. Sec. 101(g)). There may be tax consequences in some situations in accepting an accelerated benefit payment amount. Consult your tax advisor before taking an advance.

**This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy does not provide long-term care insurance subject to California long-term care insurance law. This policy is not a California Partnership for Long-Term Care program policy. This policy is not a Medicare Supplement policy.**

Product features differ between long-term care insurance and life insurance accelerated death benefit riders. Accelerated death benefit riders pay an unrestricted advance of a portion of the life insurance death benefit when the insured experiences terminal or chronic illness as defined in the rider. You do not have to show incurred care expenses associated with an accelerated death benefit. The maximum benefit payable is based on the policy's cash value and face amount. Any advance paid will reduce the death benefit of the policy. Long-term care policies or riders, on the other hand, pay benefits based on expenses incurred by the policyholder for long-term care. The total benefits available for long-term care insurance are selected by the policyholder at issue. Long-term care insurance is a stand-alone insurance policy or a rider designed to pay for the cost of long-term care services. Long-term care insurance may include coverage for such qualifying events as institutional care, care in a nursing home or skilled nursing facility, home care coverage, hospice care, respite care, or community care. Receipt of Accelerated Benefit payments may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements. They may also be considered taxable by the Internal Revenue Service. You should contact your personal tax advisor for assistance.

**Life insurance products are not bank products, are not a deposit, are not insured by the FDIC, nor any other federal entity, have no bank guarantee, and may lose value.** Payment of the benefits of Columbus Life Insurance Company life insurance products is backed by the full financial strength of Columbus Life Insurance Company, Cincinnati, Ohio. Guarantees are based on the claims-paying ability of the insurer. Columbus Life Insurance Company is licensed in the District of Columbia and all states except New York.

Earnings and pre-tax payments are subject to ordinary income tax at withdrawal. Neither Columbus Life nor its agents offer tax advice. Please advise your customer to contact their tax or legal advisor regarding their situation. Interest rates are declared by the insurance company at annual effective rates, taking into account daily compounding of interest. Product and feature availability, as well as benefit provisions, vary by state. Accelerated Death Benefit Rider series CLR-202 1409. Life Plus Accelerated Death Benefit Rider may not be available in all states. Check the approved state variation.

Competitor information is obtained from sources believed to be reliable, but its accuracy or completeness is not guaranteed. This data is for informational purposes. Premium rates and underwriting classes may vary by company.

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