Living Benefits

Understanding the lien approach

Lien vs discount

When comparing accelerated death benefit amounts available on life insurance policies, it's important to understand that there are two primary methods of calculating the amount that can be accelerated: the "lien approach" and the "discount approach." Compare the strengths and weaknesses of each below.

Lien approach	Discount approach
Benefit amount is predetermined for qualifying conditions.	Benefit amount depends on life expectancy and severity of the condition.
Death benefit reduced by accelerated amount.	Death benefit recalculated and reduced in greater proportion than accelerated amount which may be less than needed and lead to no remaining death benefit.
Policy premium remains the same.	If death benefit remains, policy premium reduced.

Compare the numbers

With the lien approach, the accelerated benefit amount is transparent. If your clients are diagnosed with a qualifying condition, they will know exactly how much of the death benefit can be accelerated. Riders that use the discount method to determine the accelerated benefit amount provide a range of amounts based on the severity of the qualifying condition.

Consider a situation where a healthy, 40-year-old man who doesn't use tobacco is issued a $500,000 policy. At age 42 he is diagnosed with a critical illness. This competitor's product has a range from $2,500 to $381,321. If he receives any accelerated death benefit, there is no remaining coverage for his heirs. With Ameritas, he is eligible for a $125,000 accelerated death benefit and he will still have life insurance coverage to protect his heirs.

	$500,000 Initial Death Benefit	
Critical Illness Example	Accelerated Benefit Paid	Remaining Death Benefit
Ameritas living benefit rider	$125,000	$375,000*
Competitor with Discounted ABR	$2,500 (minimum) → $381,321 (life threatening)	$0

* The advanced payment plus an administrative fee plus accrued interest is treated as a lien against death benefit proceeds. In most states, the beneficiaries will receive the death benefit, reduced by the current lien amount.

The example used is for illustrative purposes only.

When comparing accelerated death benefit riders, it's important to look beyond the numbers and be sure you and your clients understand how the accelerated benefit amount is determined and what impact taking an acceleration will have on the policy's death benefit protection.

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Lien approach advantages

The lien approach offers several benefits that are important to clients.

Guarantees

Accelerated death benefit amount is guaranteed. Clients diagnosed with qualifying conditions know exactly how much death benefit can be accelerated.

Protection

The policy retains a portion of its death benefit to provide for the client's beneficiaries even if the accelerated death benefit is taken.

Easy to explain

Qualifying conditions are easy to explain and verify. There is no complicated formula or guesswork involved.

Think about your clients. Would they choose a policy and rider that provides a guaranteed accelerated benefit amount and a death benefit for their beneficiaries? Or would they prefer an unpredictable amount (even if the top of the range is higher) and no benefit for their loved ones? For many clients, a guaranteed acceleration amount and death benefit is the clear choice.

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