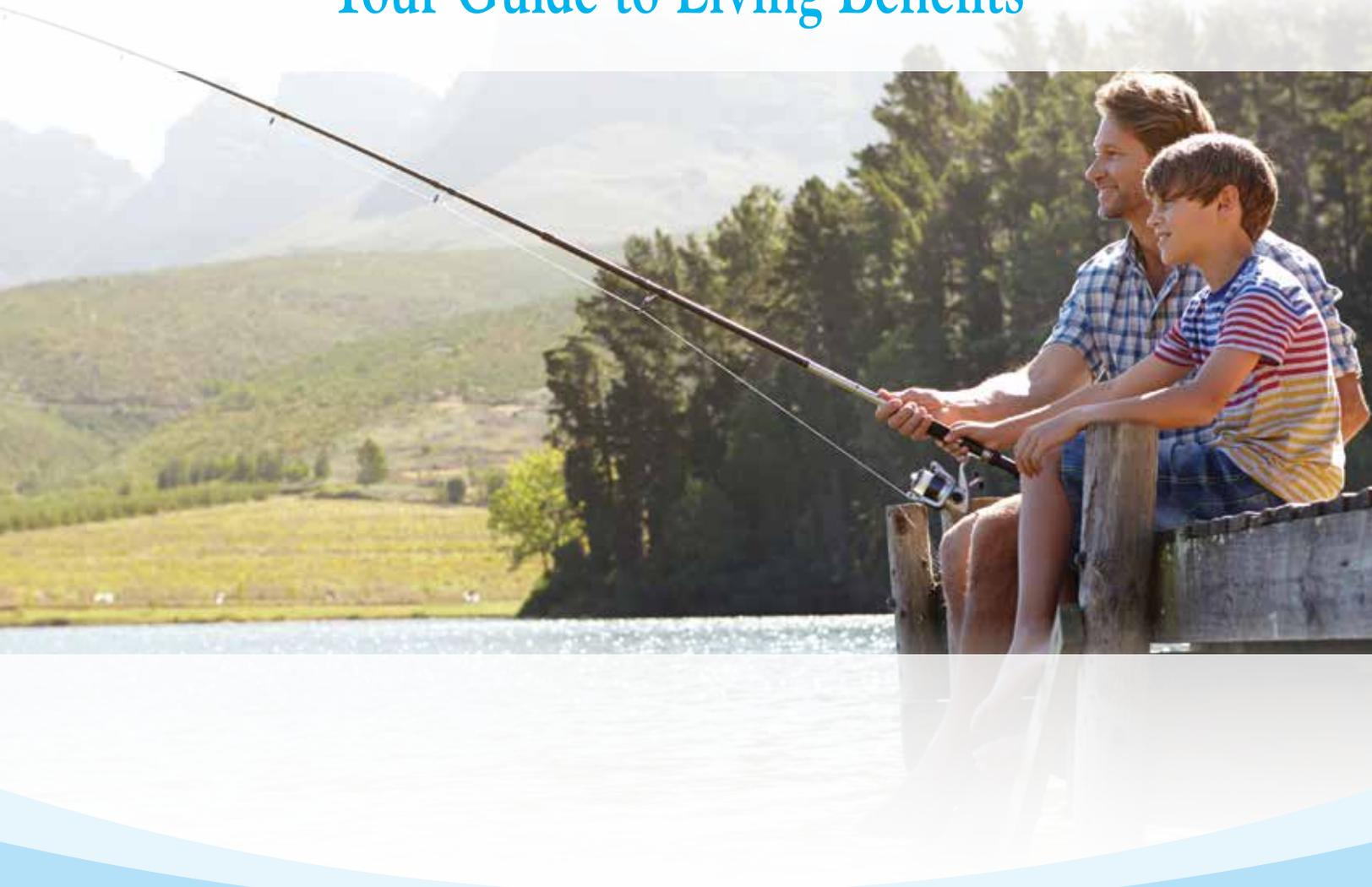


Living Benefits... When You Need Them Most

California

Accelerated Benefit Riders

Your Guide to Living Benefits



What is a Living Benefit?

American National's Living Benefits are Accelerated Benefit Riders (ABRs) which provide the potential to receive a partial or full accelerated life insurance benefit if the insured is diagnosed with a qualifying medical condition.

- **Partial Acceleration** is paid in lieu of a portion of the policy's death benefit.
- **Full Acceleration** is paid in lieu of the policy's death benefit. In the case of a full acceleration, the policy will be terminated after acceleration is paid.

The Accelerated Benefit Riders can provide an unrestricted cash benefit when it is needed to help you at a critical time and help protect the money you have saved for retirement and other life needs.



The Accelerated Benefit Riders provide living benefit options for no additional premium.¹

For many years, insurance was purchased to provide death benefit protection for surviving family members. However, insurance did not help when an insured was struck down by a debilitating Critical, Chronic, or Terminal illness. American National offers you the potential to access part of your life insurance death benefit in the event you suffer a qualifying illness and may not be able to work.

American National's Accelerated Benefits Riders for Critical, Chronic, and Terminal illness may provide you a full acceleration of your life insurance policy or a partial benefit that will allow you to keep the remainder of your policy. Multiple partial benefits are available if a partial benefit is taken. For example if 25% of the death benefit is accelerated, 75% of the death benefit would remain and could be accessed later, if needed.

The partial or full accelerated death benefit may be paid in a lump sum or applied to an annuity that will provide income for a specified period. You may use the benefit for any purpose.

Terminal Illness

Imagine for a moment that you go to the Doctor for a routine test and the Doctor tells you that you have at most six months to live. Let that sink in. It would feel like you had been kicked in the gut by a mule. It would be like sitting on a stool and having someone pull it out from under you. And that same feeling will be experienced by every family member and every friend you have. How do you deal with it? And how do you deal with the fact you will be unable to return to work to provide for your family; be unable to pay all of the mounting medical bills that will come in addition to life's daily expenses? Instead of being the care-giver for your family, your family becomes your care-giver. How do you pay for all of that?

Chronic Illness

Chronic Illness is a health condition or disease that is persistent or otherwise long lasting. Chronic Illness causes about 70% of deaths in the U.S.² Nearly 92% of seniors have at least one chronic disease and 77% have two or more chronic illnesses.³ With numbers like this, the majority of Americans will experience a debilitating Chronic Illness sometime in their life. When that happens your financial world is turned upside-down. How do you pay for that?

Critical Illness

A 25 year old male non-smoker has a 24% chance of having a critical illness (cancer, heart attack, or stroke) prior to turning age 65. That same age male who smokes has a 49% chance of having a critical illness prior to age 65.⁴ It is not only older Americans who are susceptible to Critical Illness as younger people also suffer from cancer, heart attacks, and strokes. Whether you are young or old, the same issues can arise. You could become unable to work full-time, require family members to miss work to provide care, and face astronomical medical bills. Where does the help come from?

¹The benefit is subject to an administrative fee of up to \$500 and an actuarial discount that will be assessed when the benefit is elected. The maximum administrative fee may vary by state.

²Centers for Disease Control and Prevention. Chronic Disease Overview. <http://www.cdc.gov/nccdphp/overview.htm>. May 2014.

³National Council on Aging. Chronic Disease Self Management Fact Sheet. December 2014.

⁴National Critical Illness Risk Assessment Study, published by the American Association for Critical Illness Insurance. January 2010.



Certainly, carrying disability insurance and/or long term care insurance is ideal for such situations and should be considered by everyone but not everyone can afford to purchase such coverage or keep the coverage in place for the rest of their lives.

For those individuals who need life insurance coverage and are seeking protection in the event of Chronic, Critical, and Terminal Illnesses, American National's Accelerated Benefit Riders may be an option to potentially provide an additional financial resource if someone becomes afflicted by a qualifying illness that results in a greatly reduced life expectancy.

The benefit these riders provide is not tied to medical bills incurred but are instead tied to the face amount of the policy, the cash value at the time a claim is made, and the reduction in future life expectancy as a result of the illness. There is no restriction on how you may use the funds you receive.

When computing the amount of available benefit, American National discounts the future premiums due under the policy. If someone has a Life expectancy of 24 months, the death benefit would only be reduced by a small amount to account for the loss of two premium paying years. However, if someone has a debilitating condition, but a ten year life expectancy, the death benefit would be reduced by a larger amount to account for the loss of 10 premium paying years.

For example, if someone who is 50 years old has a heart attack and is back at work in three months there would not be a substantial available benefit since the life expectancy was not dramatically impacted. However, if that 50 year old has a very severe heart attack that results in a 33% chance of living for five years, their life expectancy would be dramatically diminished resulting in a larger available benefit.

Accelerated Benefit Riders can be a safety net if a qualifying illness arises and results in a significantly reduced life expectancy. ABRs are not a substitute for long term care insurance but can provide a potential source of funds under the proper circumstances.

Qualifying Conditions:

<p>Terminal Illness Rider</p>	<ul style="list-style-type: none"> • If an eligible insured is diagnosed with an illness or condition that is expected to result in death within 24 months or less. • Available on all rate classes
<p>Chronic Illness Rider</p>	<ul style="list-style-type: none"> • If an eligible insured is unable to perform 2 of 6 activities of daily living for a period of at least 90 days or requires constant supervision to protect from threats to health or safety due to severe cognitive impairment. • The ADLs include bathing, continence, dressing, eating, toileting, and transferring.
<p>Critical Illness Rider</p>	<ul style="list-style-type: none"> • If an eligible insured is diagnosed with a critical illness¹. • See rider for complete list of critical illnesses and definitions. Covered critical illnesses may include: <ol style="list-style-type: none"> 1. Heart Attack 2. Stroke 3. Invasive Cancer 4. End Stage Renal Failure 5. Major Organ Transplant 6. ALS 7. Blindness 8. Paralysis 9. Arterial Aneurysms 10. Central Nervous System Tumors 11. Severe Disease of Any Organ (resulting in significantly altered life expectancy) 12. Major Burns (>40% BSA, 3rd Degree) 13. Loss of Limbs

<p>Minimum Death Benefit Requirements:</p>	<p>Maximum Total Death Benefit Available for Acceleration</p>
<ul style="list-style-type: none"> • Minimum \$25,000 for Terminal Illness Rider • Minimum \$50,000 for Critical or Chronic Illness Rider 	<ul style="list-style-type: none"> • \$2,000,000 for issue ages 0-65 • \$1,000,000 for issue ages 66+ (including all eligible riders attached to the base policy)

¹Claims will not be processed until at least thirty days after the qualifying illness has occurred

Rider Availability/Limitations:

- A supplemental application is required to determine eligibility for critical and chronic illness riders.
- The chronic and critical illness versions are not available for applicants issue age 65 and older.
- Chronic illness is not available in conjunction with term coverage whether it is as the base policy or a rider.
- Accelerated benefits will not be paid for conditions resulting from self-inflicted injury or attempted suicide.
- No accelerated benefit will be paid for any qualifying event that occurs on or before the date of issue of the base policy.

Policies with death benefits exceeding the maximum amount available for acceleration will still contain the Accelerated Benefit Riders; however, the owner will only be able to accelerate up to the maximum amount available for acceleration. For example, on a \$4,000,000 policy (where eligible), the owner will only be able to accelerate \$2,000,000 for an insured under 65.

Death Benefit Eligible for Acceleration:

- Primary Insured Riders are included in the Total Death Benefit to be accelerated on the Base Insured.
- Paid Up Additions Rider (Form Series: MLPUAR)
- ANICO Signature Term Rider - The ANICO Signature Term Rider also covers other insured parties (Form Series: ARTR12; ULLTR13; ULLTR13(NY))
- The Other Insured Party death benefits are available for acceleration only if the Other Insured experiences a qualifying condition.

Please note that the death benefit provided by a Children's Term Rider is not eligible for acceleration.

¹The maximum administrative fee may vary by state.

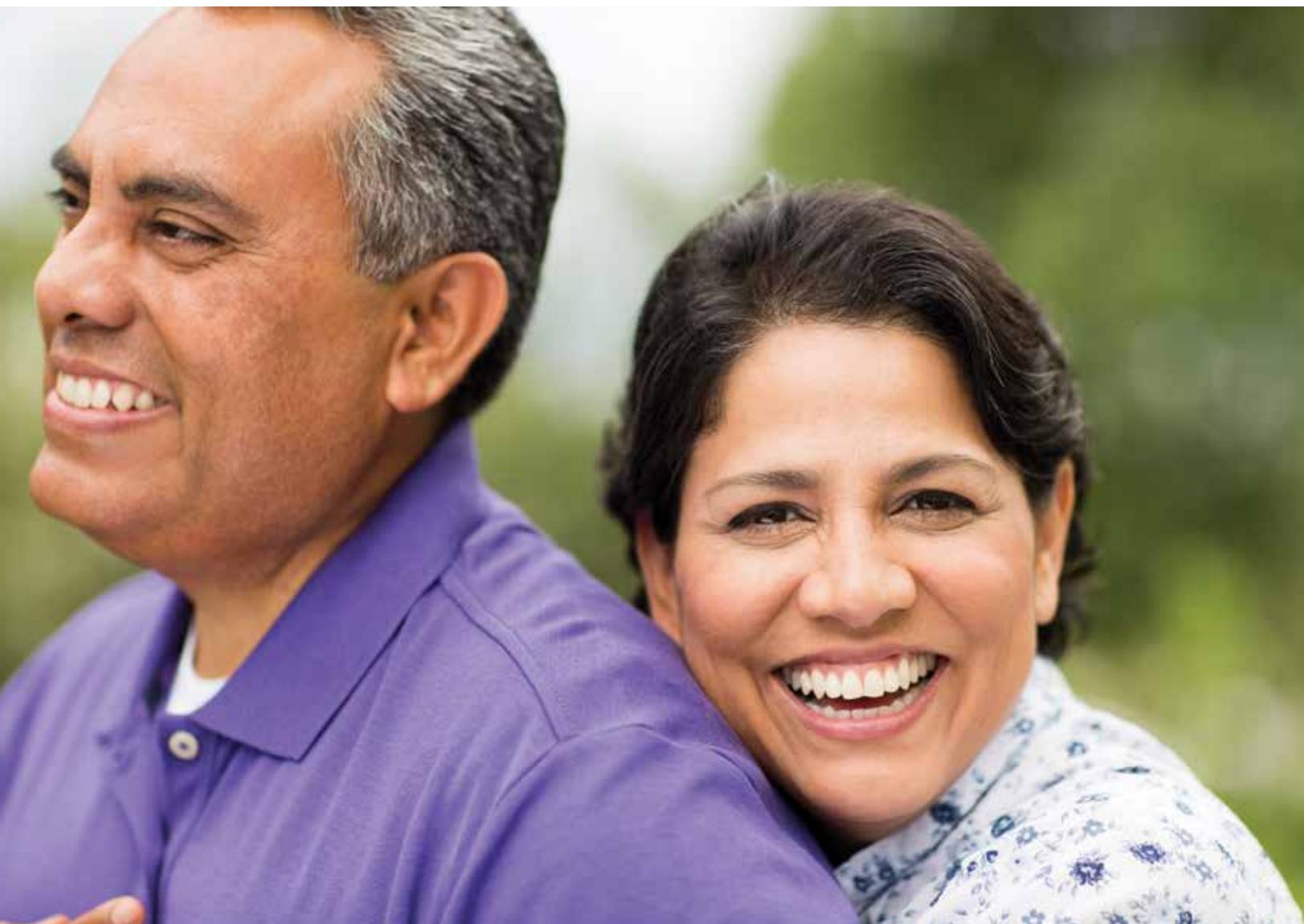
²The amount of outstanding policy loans plus accumulated interest will be deducted only if the qualifying insured is the insured under the base policy.

Accelerated Benefit Amount:

The accelerated benefit amount is computed using the following formula where the actuarial discount reflects the cost of paying a death benefit prior to the actual death of the Insured. The accelerated benefit amount will never be less than the cash value associated with the eligible death benefit.

- Eligible Death Benefit
- Actuarial Discount
 - Administrative Fee (not to exceed \$500¹)
 - Pro-rata percentage of Outstanding Policy Debt²
- = Accelerated Benefit Amount

Please note the Owner must submit supporting documentation and medical records including certification from the appropriate health care practitioner that insured has one of the qualifying conditions. If a partial benefit is requested such as 25% and there is outstanding policy debt, 25% of the debt would be deducted from the Accelerated Benefit Amount.



Frequently Asked Questions

How much do these riders cost?

The Accelerated Benefit Riders are offered for no additional premium; however, the accelerated benefit is reduced by an amount calculated based on American National's evaluation of the insured's future expected mortality at the time the benefit is exercised as well as an administrative fee of up to \$500 assessed when the benefits are elected.

The illustration shows slight, moderate, and severe impairment categories. How do you determine if an illness is slight, moderate, or severe?

Illnesses do not fall into these specific categories, these categories are just meant to provide an example of a range of payments. One critical illness, such as cancer, could easily result in any of the impairment categories, depending on the severity of the illness and its impact on life expectancy.

- A slight impairment is one that does not have a severe impact on life expectancy.
- A severe impairment corresponds with an illness that is almost terminal, but not quite (roughly a 3 year life expectancy).
- A moderate impairment would be a condition that has some impact on life expectancy but not to the same extent as a severe impairment.

For example, early treated cancer could produce a slight impairment that would produce a minimum payment while advanced stage cancer could produce a severe impairment with a payment close to terminal, all within the cancer illness.

What amount can I expect to be offered if the qualifying illness is a heart attack?

The benefit amount you can expect will vary with the severity of the heart attack and its impact on future life expectancy. For example, if the doctor tells you that with proper care you should live a reasonably long life, this would likely be in the "slight" category that would result in only the cash value in the policy being available. However, if the doctor indicated a very limited life expectancy due to the severity of the heart attack, then the death benefit would be discounted less and a larger benefit would be available.



How is the benefit calculated?

The death benefit accelerated is reduced by:

- an actuarial discount,
- an administrative fee (not to exceed \$500¹) and,
- a pro-rata percentage of outstanding policy debt²

The size of the actuarial discount is primarily dictated by the expected future mortality of the insured. A shorter life expectancy will result in a smaller discount and a larger end payment. The actuarial discount represents the cost to the company of paying the benefit before the actual death of the insured. This discount includes the value of all premiums the company expects to receive prior to the death of the insured as well as lost investment income. Additionally, the actuarial discount can vary based on how well a policy is funded. A policy that is close to lapsing will have a larger discount than one that is well funded (because less future premiums are expected or required).

What factors affect the amount of the actuarial discount?

The following factors will affect the amount of the actuarial discount relative to the eligible death benefit.

- **Accelerated Benefit Interest Rate:** The greater the interest rate, the larger the actuarial discount will be. The accelerated benefit interest rate is determined by American National subject to a maximum value defined in the riders.
- **Severity of the Qualifying Medical Condition:** The severity of the qualifying medical condition will determine the mortality table used by us to determine the actuarial discount. The terminal illness version will use a standard mortality table for terminally ill insureds, determined by us, in computing the actuarial discount. The chronic and critical illness versions will use a custom mortality table, determined by us, based on our evaluation of the qualifying insured's specific health condition. In general, the terminal illness version is expected to result in the smallest actuarial discount. Qualifying medical conditions with higher future expected mortality rates will result in smaller actuarial discounts than conditions with lower future expected mortality rates. It is possible that minor qualifying conditions will result in an accelerated benefit amount that is equal to or only slightly greater than the cash value associated with the eligible death benefit.
- **Future Premiums:** The greater the premium required to keep the eligible death benefit in force, the greater the actuarial discount will be.
- **Future Anticipated Dividends:** The actuarial discount will be decreased by the present value of future anticipated dividends, if any, for your policy.

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- **Cash Value Associated with Eligible Death Benefit:** In general, larger cash values will result in smaller actuarial discounts as larger cash values are correlated with lower future premium requirements. In addition, the cash value associated with the eligible death benefit determines the minimum benefit amount payable.
- **Type of Life Insurance Accelerated:** In most cases, the actuarial discount will be much larger on term coverage than on permanent coverage.

¹The maximum administrative fee may vary by state.

²The amount of outstanding policy loans plus accumulated interest will be deducted only if the qualifying insured is the insured under the base policy.

What are the procedures for making a claim?

Reporting: You must provide notice that a covered insured has suffered a qualifying medical condition. This must be done within 365 days of the qualifying illness for the Accelerated Benefit Rider for Critical Illness. American National will provide you with a claim form and will request records of the insured's medical history, diagnoses, and treatments. In your claim form, you will tell us what percentage of the policy you wish to accelerate. In the event of multiple partial accelerations, proof of qualification may be requested for each claim. If you reside outside of the United States at the time of the claim, you will be required to see a U.S. doctor in order to accelerate your benefits

Offer: If we determine that benefits are payable, we will provide you with an accelerated benefit election form which will include an offer for an accelerated benefit payment based upon your request.

Election: In most states, you will have fifteen days following the receipt of the accelerated benefit election form to accept our offer of an accelerated benefit payment. You will be under no obligation to accept this offer.

Is my doctor required to certify that the condition is permanent?

No. But your doctor is required to complete a certification in regard to your health so that American National may determine if you have suffered a qualifying illness. Note: California Residents making a claim under the Chronic Illness Rider may request that American National have a licensed healthcare provider that is not employed by American National certify the chronic illness in lieu of providing a certification from a licensed healthcare professional of their choice.

How do I know if I should submit a claim?

Submitting a claim for an accelerated death benefit is a personal decision that will be based on an individual's health and financial condition. If you think you have a qualifying illness ask your doctor how it impacts your life expectancy. If you make a claim you will never be obligated to accelerate your policy.



Is the benefit amount calculated differently if the qualifying illness is Chronic or Critical illness?

The calculations are performed exactly the same. The focus is on future expected mortality regardless of the illness. The reduction in future life expectancy determines the amount of the available benefit.

What are the tax implications of the riders?

The receipt of an accelerated benefit payment may be a taxable event. The tax law pertaining to accelerated benefits can be complicated. You should consult your tax advisor regarding the tax status of any benefits paid under these riders. The qualifying conditions for the terminal and chronic illness riders are designed to comply with the Internal Revenue Code requirements for favorable tax treatment under §101(g). Generally, the accelerated death benefit paid for terminal illness is treated like a regular life insurance death benefit.

The amount of an accelerated benefit payment due to chronic illness that may receive favorable tax treatment is limited by IRS Section 7702B (Treatment of Qualified Long-Term Care Insurance). You should consult with your tax advisor to determine how these limits apply to your situation. We cannot manage these benefit limits for you.

The Accelerated Benefit Rider for Critical illness is not designed to receive favorable tax treatment. However, accelerated benefit payments under the Accelerated Benefit Rider for Critical Illness may receive favorable tax treatment under Internal Revenue Code Section 105(b) and 105(c).

Consult your tax advisor to determine the applicability to your individual situation.

If my policy is a Modified Endowment Contract (MEC)* and I accelerate my death benefit, what are the tax implications?

Again, American National cannot guarantee tax treatment under any situation, including a MEC. Terminal illness is typically treated as a death benefit in which the MEC rule should not apply. Chronic Illness typically is classified under the long term care rules which would indicate it may not be treated as a MEC. Critical Illness is likely to be treated as a MEC.

We have not seen any IRS rulings on the treatment of a MEC for a Chronic or Critical Illness and would advise you to consult your tax professionals regarding taxability prior to accepting an offer.

American National cannot be responsible for how the IRS treats any Accelerated Benefit Rider.

*A MEC is a life insurance policy that has been funded in excess of federal guidelines and no longer receives the preferential federal tax treatment that is generally afforded life insurance policies.

If I am taking out a policy for the minimum face amount (\$25,000) that only includes the terminal illness rider, once the account value grows to over \$50K, can the chronic and critical riders be added at a later date?

No – riders are subject to the minimum face amount requirements. In this case, the Chronic and Critical riders would not be added to the policy.

If I complete a face amount increase request, are the additional ABRs added once the increased amount is approved?

American National can add the ABRs when the increase is performed. A supplemental application will be required.

What can I use the proceeds on?

American National and the rider contracts do not have any restrictions on how the payment is used. The check is made out to the policy owner and can be used for any purpose you choose. It is your money to spend how you want.

Is a certain condition covered?

Please see the policy form for qualifying illnesses covered under this rider.



What is the qualification if I suffer from loss of limbs?

The qualifying condition must be the complete severance of two or more limbs through or above the elbow or knee joint due to trauma or accident and results in a reduced life expectancy.

Loss of limbs as a result of a disease process is excluded from this definition.

Will a benefit be available to me under the Accelerated Benefit Rider for Chronic Illness rider if I am able to perform some of the activities of daily living?

The payment is not determined on the inability to perform the activities of daily living. The activities of daily living are part of the definition of chronic illness which is required to be satisfied before any benefit amount is available under the rider. Once the qualifying illness requirement has been satisfied then the benefit amount will be determined based on future expected mortality.

Who determines the value of my accelerated benefit payment?

First, the American National doctor reviews the claim to determine if it satisfies the qualified illness requirement. Then, he will determine the future expected mortality. Then, the actuarial department calculates the accelerated benefit payment.

Can I apply for acceleration of a specific dollar amount or percentage? I need a specific dollar amount, how do I apply for that?

The accelerated benefit request should be for the death benefit the policyholder wishes to accelerate. After an accelerated benefit quote is calculated the claims department can help roughly determine what percentage would need to be accelerated to provide a certain dollar payment, if possible.

Why isn't the available accelerated benefit related to the amount of my medical expenses?

The payment is in no way tied to the cost of medical expenses. The value of the accelerated benefit is based on the value of the life insurance policy and the insured's future expected mortality.

Are there any benefit limitations?

Yes. Accelerated benefits will not be paid for conditions resulting from self-inflicted injury or attempted suicide. Accelerated benefits will not be paid for qualifying illnesses that occur prior to the issue date.

May I accelerate only a portion of the eligible death benefit?

Yes. You may accelerate any percentage of the policy you choose, subject to the maximum total death benefit available for acceleration. There is no minimum amount to accelerate and you may take multiple partial accelerations; however, the minimum face amount on the issued policy must be maintained in order to keep the policy in force. Although proof of qualification may be required at each time of claim, recertification is not necessary should you elect installment payments. The policies are also eligible for full acceleration.

What happens if the insured dies before the owner receives the accelerated benefit amount?

If the insured dies after reporting the claim, but before receiving the accelerated benefit amount, then we will rescind the offer to pay an accelerated death benefit and pay the death benefit pursuant to the terms of the policy.

Will receipt of an Accelerated Benefit lump sum distribution impact my eligibility for government benefits?

An Accelerated Benefit payment may affect your eligibility for government benefits. The rules for eligibility for government benefits such as Medicaid, supplemental security income, etc. can be very stringent with very low maximums as far as income and assets are concerned. Many of these rules vary from state to state. Consult an independent advisor to determine the impact on your eligibility before applying for Accelerated Benefits.

Once I elect a payment option, can that option be changed prior to the release of the proceeds (e.g. changing from installments vs. lump sum)?

You can choose to change the option prior to payment. This change can be requested via fax or written email instructions. Once proceeds are released as either installments or lump sum, the payment option cannot be changed.

How long does it typically take for me to receive my benefit once all processing has been completed?

Typically, claims will be processed within seven to ten business days.



If a claim is made for a chronic illness and the condition worsens, can another claim be filed for the same condition under the critical illness rider?

Each claim is evaluated individually based on eligibility under the rider. You can submit multiple partial accelerations; however, you must apply and be approved for the claim each time you request an acceleration of the policy, even if the claim is for the same condition approved on a previous acceleration.

If I applied for a policy with an initial face amount of \$500,000 but reduced the face amount to \$250,000 and then had a qualifying condition one month later, can I accelerate the higher face amount since I paid premiums for the \$500,000 face amount for most of the time I had the policy?

You are only able to accelerate funds from your policy based on the face amount at the time of the requested acceleration, regardless of the previous history of your policy.



Accelerated Benefit Rider Notice:

Policy Form Series: ABR14-TM; ABR14-CH; ABR14-CT. Have your agent refer to rider forms for a complete list of illnesses and definitions. The riders are subject to an administrative fee of up to \$500 and an actuarial discount that will be assessed when the benefit is elected. Outstanding Policy Loans will reduce the amount of the benefit payment. The accelerated death benefit is an unrestricted cash payment. The Chronic and Terminal rider are intended to receive favorable tax treatment under 101(g) of the IRS. Receipt of a benefit could be a taxable event. You should consult a tax advisor regarding the tax status of any benefit paid under these riders. Receipt of Accelerated Benefits may affect your eligibility for Medicaid, supplemental security income, or other governmental benefits or entitlements. Before accelerating any benefit you should consult an advisor to determine the impact on your eligibility. Accelerated Benefit Riders are not replacements for Long Term Care Insurance. **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 or certificate does not provide long-term care insurance subject to California long-term care insurance law. The policy or certificate is not a California Partnership for Long-Term Care program policy. This policy or certificate is not a Medicare supplement policy.**

Accelerated benefit riders ("ABR") and long-term care insurance ("LTCI") provide different types of benefits. An ABR allows the insured to access a portion of the life insurance policy's death benefit while living and may be used for any purpose.

LTCI provides reimbursement for necessary care received due to the inability to perform activities of daily living or cognitive impairment. Coverage may include reimbursement for the cost of a nursing home, assisted living, home health care, homemaker services, adult day care, hospice services or respite care for the primary caretaker. The benefits may be conditioned on certain requirements or meeting an elimination period or limited by type of service, the number of days or a maximum dollar limit. Benefits under some ABRs and all LTCI are conditioned upon the insured not being able to perform two or more of the activities of daily living or being cognitively impaired. California: See form 10741-CM for a more detailed comparison of benefits provided by an ABR and LTCI.

Neither American National nor its representatives give legal or tax advice. Agents can only discuss general benefits of conversion and must refer clients to their tax advisor or attorney for tax or legal advice.

American National Insurance Company, Galveston, Texas

Not FDIC/NCUA insured	Not a deposit	Not insured by any federal government agency	No bank/CU guarantee	May lose value
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