Genworth® Financial

ANSWERS TO FREQUENTLY ASKED QUESTIONS

Total Living Coverage Annuity

Underwritten by

Genworth Life Insurance Company

Lynchburg, VA

THE MARKETPLACE

Is this an annuity or long term care (LTC) product?

TLCA is first and foremost an annuity product and must be sold as such by state law. But it is more than an annuity – TLCA is an asset-based, long term care planning solution. Technically, the product is an SPDA with a long term care rider (LTCR) that multiplies the premium by a factor of two or three to determine the initial LTC benefit.

Is this a new concept in the industry?

While the first linked benefit annuity was introduced in the late 1990s, the complex nature of determining the tax status of LTC benefits paid by these products prevented most companies from entering the market. The recent Pension Protection Act of 2006 has changed that.

How does this annuity compare to the other fixed annuities we sell?

The base annuity is a generic SPDA, which makes it very much like other fixed annuities. However, the TLCA sale is more of an asset-repositioning sale rather than the interest-rate sale typically associated with SPDAs.

Who is a good prospect for this type of coverage?

The self-insurer who has parked emergency funds in annuities, CDs, low-risk mutual funds and/or savings accounts may be an excellent prospect.

Is the product partnership qualified?

While TLCA is not currently qualified for partnerships, it contains all the necessary features to become qualified. Genworth plans to continue moving the product toward qualification as states begin to determine and adopt partnership requirements.

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GENERAL PRODUCT INFORMATION

How long does the policy have to be in force before the LTC coverage begins?

LTC claims may be filed after the first two years, although Privileged Care Coordinators are available throughout the life of the policy. Inflation protection begins compounding in year one.

Is shared coverage available?

No.

What are the features of the annuity "piece" of the product?

Seven-year surrender charges and a no-lapse guarantee due to LTCR charges are features of interest. Also, we offer a 3% minimum guaranteed interest rate and a 10% waiver of surrender charge even in the first policy year, should emergency withdrawals occur for reasons other than LTC. Similar to features on other products with persistency features, we also require a two-year deferral period before LTC benefits are payable.

What surrender and early withdrawal charges are built into the product?

The surrender charge schedule is 7,7,7,6,5,4,3. LTC benefits do not result in a surrender charge. A 10% free withdrawal is also available, which is fairly typical on annuities.

How is the interest rate of the annuity determined?

The interest rate is based on Genworth's investment portfolio. It is not based on an index.

Does the product contain inflation protection?

Yes, both 3% and 5% compound inflation protection options are available.

What is the impact of adding inflation protection?

The initial leverage factor is reduced from 3x premium to 2x premium. Using the same 65 year-old example, if 5% compound inflation protection is elected, it takes ten years for total long-term care benefits to reach $300,000. In twenty years total long-term care benefits will grow to $505,000. At the current rate of 4%, the policy value is only $11,767 less. What are the discounts that apply to this product?

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A couples discount of 10% or 20% may be applied to the cost of the LTC rider.

How are discounts configured if the client and/ or spouse currently has an inforce traditional LTC policy?

Like TLC, if the applicant's spouse has a Genworth LTC policy, then the cost of the LTC rider is discounted by 20%.

Can I convert the annuity LTC rider to an individual traditional LTC policy?

No.

Is TLCA unisex?

Yes.

FEATURES/BENEFITS

How do the benefits and features provided by the LTCR on this policy compare to those of Privileged Choice® and Classic Select℠?

Features and benefits mimic Privileged Choice with the exception of the Home Care deductible and the lack of simple inflation options.

How does TLCA provide long-term care benefits?

TLCA includes a long-term care rider (LTCR) that not only waives surrender charges if long term care is needed, but also provides total long-term care benefits equal to three times the premium. Benefits can last for least six years. The first benefits paid are comprised of the policy value (premium plus accumulated interest). Even if the policy value is completely used for long-term care, benefits continue until three times the premium has been paid.

What if the policy value has grown to more than triple the premium?

At the point the policy value (account value) equals the total long-term care benefit, the benefits are all the client's money. However, at current interest rates (4%) that's a remote possibility for most TLCA clients. For example, a 65 year-old male with no spousal discount who puts $100,000 in TLCA will be 99 years old when the policy value reaches $300,000. However, interest rates will fluctuate over time and higher rates mean faster accumulation. For example, at 6% the policy value reaches $300,000 at age 89 for the same 65 year-old male.

Once the policy value equals or exceeds the total long-term care benefit, are benefits still income tax-free after 12/31/2009?

Yes. Using the same 65 year-old male, consider what the taxable consequences would be if the client were forced to liquidate a traditional SPDA to pay for long-term care compared to TLCA. The first $200,000 out of a traditional SPDA would be taxable. That's not the case with TLCA, which is a significant advantage.

PROCESSING

How do you process a 1035 exchange?

The TLC Touch Team will process 1035 exchanges just as they do for TLC.

Can a traditional annuity be rolled into this product?

Yes.

Can an IRA or other tax qualified plans be 1035ed into this product?

Only non-qualified annuities can be exchanged for TLCA. No rollovers of qualified plans are allowed.

What impact does replacing an existing Genworth Financial company annuity with this product have?

The normal internal replacement rules apply, as would the appropriate replacement forms and processes for the producer's state.

Can additional deposits be made to this policy?

No.

DEATH BENEFIT

How does the death benefit work for the TLCA product?

When the TLCA owner dies, a death benefit is payable. The death benefit is equal to the annuity policy value less LTC claims and withdrawals paid prior to death. Long term care coverage terminates upon the first death benefit choice made by any beneficiary.

What if the owner and the annuitant are different individuals?

Long term care coverage will end if the owner dies and a death benefit choice is made by any beneficiary. If the owner is not an individual, the death of the annuitant is treated as if it were the death of the owner, and a death benefit is payable.

UNDERWRITING

How is the policy underwritten?

Accept/reject underwriting applies. The applicant must complete a phone health interview. Applicants age 65 and over will also be given a cognitive screen as part of the phone health interview.

How does the underwriting of this product differ from traditional LTC?

TLCA uses non-medical underwriting and a phone cognitive assessment, whereas traditional individual LTC uses full medical underwriting. In addition, if a consumer has previously been declined for our traditional LTC, they are NOT eligible for the TLCA.

Exactly what is non-medical underwriting?

No exam, APS or other tests typically required during the underwriting process. Insurability is based solely on the phone health interview.

Is there an appeal process?

No, other than the normal adverse underwriting requirements of certain states.

Is this policy a fit for my previously declined LTC clients?

No. Those declined for LTCI will also be declined for TLCA.

TAXATION

What are the tax advantages of this product?

Beginning in 2010, benefits are qualified long term care (QLTC), which means that TLCA has the potential to convert taxable gain into tax-free LTC benefits providing that the entire annuity value is used to pay for LTC. Also, the LTC rider costs do not result in a 1099 beginning in 2010.

Are LTC benefits paid out income tax-free?

Yes, beginning in taxable year 2010. Monthly charges for long term care insurance are not included in the gross income of the policyowner, but they reduce income-tax basis (not below zero). No medical-expense income-tax deduction is available

What happens before 2010?

For Federal income-tax years beginning before January 1, 2010, long term care benefit payments and monthly charges for long term care insurance are taxable to the policyowner to the extent that annuity policy value exceeds the amount paid for the policy. The additional 10% tax may apply to these benefit payments and charges if the policyowner is under age 59 1/2 and any other available exception from the tax does not apply. Under certain circumstances a medical-expense income-tax deduction may be available.

Withdrawals from the annuity policy and the annuity policy value upon termination of the annuity policy are taxable to the policyowner to the extent the annuity policy value exceeds the amount paid for the annuity policy. The additional 10% tax may also apply.

Total Living Coverage Annuity single premium deferred annuity with long term care benefits is subject to Policy Form No. SPDAPLTC 806 et al. and Rider Form No. SPDARLTC 806 et al. Product may not be available in all states. Terms and conditions may vary by state.

All guarantees are based on the claims-paying ability of the issuing insurance company.

Generally, an annuity death benefit payable to your beneficiary is subject to Federal income tax to the extent that the benefit exceeds the amount paid for the annuity policy. Policy value that accumulates within the annuity policy grows on an income-tax deferred basis and is not subject to income tax until it is withdrawn or if the annuity policy terminates. If the policyowner is under age 59 1/2 when a withdrawal or termination occurs, the policyowner may be subject to an additional tax of 10% of the amount included in gross income unless an available exception applies.

The company has provided this information to help producers understand the ideas discussed. Any examples are hypothetical and are used only to help producers understand the concepts of the policy. What the company says about legal or tax matters is its understanding of current law, but the company is not offering legal or tax advice. Tax laws and IRS administrative positions may change. This material is not intended to be used by any taxpayer to avoid any IRS penalty. Your clients should consult independent tax and legal professionals for advice based on their particular circumstances.