Long Term Care Agreement

Financial professional's guide

Take care of tomorrow, today.

MINNESOTA LIFE

A Securian Company

With baby boomers aging, life expectancies increasing and health care costs rising – the demand for long term care coverage has never been greater. In addition to providing your clients with a death benefit, you can help protect their lifestyles, financial stability and families with Minnesota Life's Long Term Care Agreement (LTCA)[1] available on select products.[2]

This agreement provides tax-qualified benefits to help cover expenses for care in a facility or the home, while still maintaining life insurance benefits. It has a variety of important benefits, including:

Financial independence

Help clients avoid financially burdening family members or depending on government services for care.

Asset protection

Help clients prevent long term care expenses from draining retirement assets and other savings.

Choice of care

Based on the plan of care, the client can choose care from a licensed or informal caregiver, such as a family member. They can also choose a location, such as their home or a facility.

Benefits paid no matter what

The premiums and additional charges become benefits whether or not your clients require long term care. Benefits will either be paid to cover long term care expenses, to their beneficiaries as a death benefit, or both.[3, 4]

Control of benefits

Clients can choose the amount of benefits they want to receive. Unlike many of our competitors' agreements that only pay the actual expenses incurred, they can choose the monthly maximum, or a lesser amount – allowing benefits to last longer.

Tax advantages

The maximum benefit paid for long term care expenses is the maximum daily benefit permitted by the IRS. This means the benefits paid to the client may receive favorable income tax treatment.[5, 6]

In this guide, you'll find technical details about the LTCA that can help you answer questions from your clients on the benefits and protection of this agreement. Help your clients take care of tomorrow, today.

[1] Referred to as an Accelerated Benefit Agreement for Chronic Illness in some states.

[2] Available on Eclipse Indexed Life, Eclipse Protector Indexed Life, Accumulator Variable Universal Life and Accumulator Universal Life. Available at an additional cost and subject to restrictions.

[3] Distributions under this agreement, as with any policy loans and withdrawals, may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the cash value and death benefit.

[4] Guarantees are based on the claims-paying ability of Minnesota Life Insurance Company.

[5] The IRS daily per diem rate takes into consideration benefits received by an individual from all long term care contracts.

[6] Based on current federal tax law, there is uncertainty as to whether some or all of benefit payments from life insurance Long Term Care Agreements are taxed when received. We cannot assure you that Long Term Care Agreement benefit payments will be treated as tax-free death benefits. Clients should consult a tax advisor before purchasing a Long Term Care Agreement.

The Company behind the LTCA

With a long history in offering protection products, Minnesota Life has been committed to fulfilling its obligations to clients since 1880. Minnesota Life is highly rated by the major independent rating agencies that analyze the claims-paying ability of insurance companies. For more information about the ratings agencies and to see where Minnesota Life's rating appear relative to other ratings, please see our web site at minnesotalife.com/financials.

The market

The LTCA brings a fresh alternative to clients seeking long term care protection. Unlike traditional long term care products, the LTCA allows clients to receive benefits regardless of whether they require long term care. Clients will receive long term care benefits, a death benefit or both.

The LTCA is for people who want:

- Protection for their families and assets from the potentially devastating effects of long term care expenses.
- A long term care solution as part of their life insurance policy.
- Control over their long term care benefits.
- Choice of who provides care and whether it's in a facility or home.

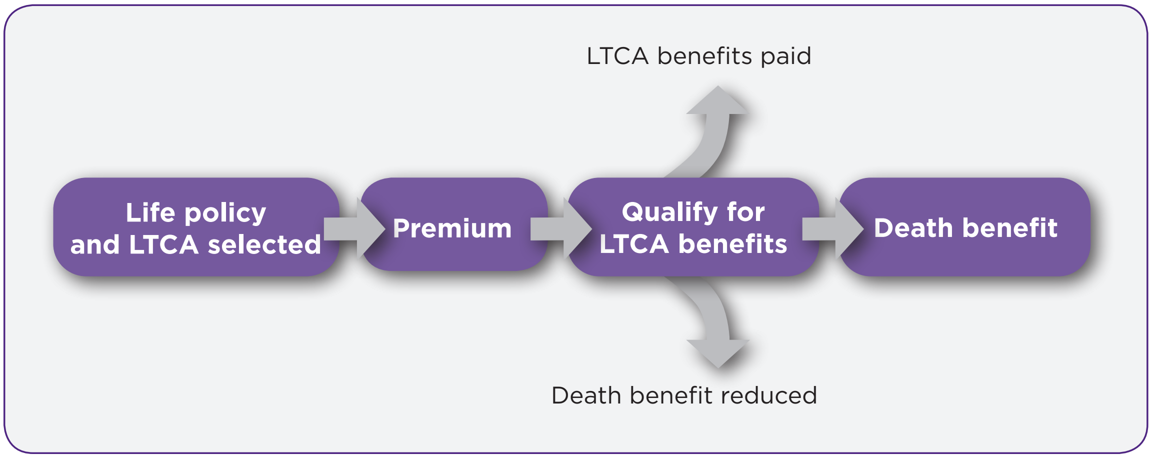
How the LTCA works

- **A life insurance face amount** is determined.
- **The client adds the LTCA and chooses what percentage** of the life insurance face amount can be spent on agreement benefits. The percentage must be 10 to 100 percent and cannot exceed $5 million.
- **The client pays premiums** into the life insurance policy, the cost of the LTCA is deducted.
- **The client qualifies** to receive LTCA benefits. The request for benefits will include instructions for Minnesota Life to automatically transfer the accumulation value in the subaccounts to the guaranteed interest account.
- **Monthly LTCA benefits are paid.** Maximum benefits are the lesser of the IRS per diem amount or the monthly percentage selected at the time of issue. The maximum percentage is 2 or 4 percent of the total LTCA or $300 per day.[7]
- **The life insurance policy continues,** but the total life insurance benefits are reduced based on the annual LTCA benefits paid.[8]

[7]Amount shown for 2011; adjusted each year for inflation. IRC Sec 105 (b), IRC Sec 7702B (a) (2), IRC Sec 7702B (d) (1), IRC Sec 7702B (d) (d).

[8]Distributions under this agreement, as with any policy loans and withdrawals, may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the cash value and death benefit.

- **Monthly LTCA benefits continue** until they're depleted, the client passes away, the policy is surrendered or the client is no longer eligible for benefits.
- **If the life insurance face amount is depleted,** beneficiaries still receive a minimum death benefit of 10 percent of the life insurance face amount. If the minimum death benefit provision applies, the maximum amount of death benefit the beneficiaries may receive is $25,000.



Agreement provisions

The LTCA pays a monthly benefit for qualified long term care services received from nursing care or home and community based care. It's an acceleration of the policy's death benefit, and it reduces the death benefit and accumulation value.

Monthly LTCA benefit	**LTCA amount** equals the **lesser** of: 1. **Monthly benefit percentage** shown on the policy data pages multiplied by the **LTCA amount**; or 2. **Per diem amount*** allowed by the Internal Revenue Service (IRS) multiplied by the **number of days in the month.** *The per diem amount is adjusted annually for inflation by the federal government.
Base life insurance face amount reduction	**LTCA amount** equals the **lesser** of: 1. **LTCA amount prior to reduction;** or 2. **New face amount.**
Partial surrenders	**LTCA amount** equals: **LTCA amount immediately** prior to the partial surrender multiplied by (**death benefit* after** the partial surrender divided by **death benefit* immediately prior** to the partial surrender). *Without regard to policy loan. Note: See the example on page 4 for more details.
Payment as a result of Accelerated Death Benefit Agreement	**LTCA amount** equals the **lesser** of: 1. **LTCA amount immediately prior** to the accelerated death benefit payment; or 2. **Death benefit* immediately prior** to the payment of accelerated death benefit payment minus the accelerated death benefit **payment.** *Without regard to policy loan.

Partial surrender example:

*Assumes no loan

Before	After partial surrender of $10,000 (2%)
Death benefit = $500,000	Death benefit = $490,000
LTCA amount = $400,000	LTCA amount = $392,000

Note: Partial surrender of the death benefit is reduced proportionately to the LTCA amount.

Eligibility requirements for payment of benefits

For LTCA benefits to be payable, all these requirements must be met:

1. The insured must be certified by a licensed health care practitioner as being chronically ill and expected to remain so for at least 90 calendar days.
2. The insured must be receiving qualified long term care services[9] covered under this agreement which are specified in a plan of care.
3. The plan of care must be submitted to Minnesota Life.
4. The elimination period must be satisfied.

Charges

There is a monthly charge against the policy accumulation value.

Monthly charge	**Charge** equals: LTCA **cost of insurance** rate multiplied by LTCA **net amount at risk.**
Maximum monthly LTCA cost of insurance rate	Shown on the policy data pages.
LTCA net amount at risk	**Amount at risk** equals the greater of: 1. Zero; or 2. LTCA amount – proportionate* amount of the policy accumulation value. *Proportion is equal to the LTCA amount divided by the policy face amount.
Subject to change	Charges can change on a **uniform basis** for insureds of the same gender, risk class and age when the agreement became effective.

[9]Qualified long term care services may be provided informally by a caregiver, such as a family member.

Underwriting *requirements*

- **Supplemental application is required** because underwriting takes into account medical conditions that may cause a disability but not necessarily result in death. This is required to gather all of the necessary medical information to underwrite this agreement.
- **Different ratings are possible** since the LTCA is underwritten for morbidity instead of mortality.
- **Three underwriting classes:** Preferred, Standard and Substandard.
- **Ability to add on approved products** is allowed after issue or with a term conversion based on full underwriting for the agreement only.
- **Not available** on life insurance contracts rated Table E or higher.

Third-party, trust and entity owned *life insurance*

If a life insurance policy with the LTCA is owned by someone other than the insured, such as a trust or other entity, fiduciary responsibility, dividend payments and/or gift tax implications should be considered. Clients are strongly encouraged to consult their estate planning attorney prior to purchasing such plans. If the policy is employer owned, the tax-free status of the death benefit may be subject to meeting the insured's notice, consent and income requirements of Employer Owned Life Insurance (IRC Section 101(j)).

Life insurance *settlements*

If a life insurance policy with the LTCA is sold in a life settlement, the settlement owner may choose not to distribute benefits to an insured in a qualifying event. Clients are strongly encouraged to consult their estate planning attorney prior to entering into such an arrangement.

Compensation

The LTCA has its own target premium, much like other policy agreements. Addition of the LTCA will increase the total target premium for the policy. Please refer to your compensation agreements for information on a particular policy's compensation plan.

Claims *procedures*

- Written notice of claim must be sent to the Home Office in St. Paul, Minnesota **within 30 days** after covered loss starts and the elimination period has been satisfied. If this is not reasonably possible, proof must be given no later than one year from the time specified unless the owner was legally incapacitated.
- Proof of loss must be given to the Home Office in St. Paul, Minnesota **within 90 days** after a loss begins and the elimination period has been satisfied. If it is not reasonably possible to give written proof in the time required, proof must be given no later than one year from the time specified unless the owner is legally incapacitated.
- If Minnesota Life requires the insured to be medically examined to verify the eligibility requirements for benefit payments are met, Minnesota Life may do this as often as reasonably required while benefits are being considered or paid.

Notification of stopped care and benefits

The owner must notify us immediately if the insured is no longer receiving care covered by the LTCA. If the insured is not receiving covered care, no benefits will be paid.

Forms

Once notice of claim is received, Minnesota Life will send the client forms for filing proof of loss.

- Each month, Minnesota Life requires proof of loss be submitted. Monthly benefit payments are not made if proof of loss is not received.
- Recertification by a licensed health care practitioner that the insured is chronically ill is required at least annually. Minnesota Life will never require recertification of chronic illness more frequently than monthly.
- A revised plan of care must be provided to Minnesota Life within 30 days if the insured's condition changes and the plan of care is revised. Minnesota Life will request updates of the plan of care annually or as often as reasonably required, but no more frequently than once every 30 days.

Payment of benefits

Who gets benefits

- All benefits are paid to the policy owner provided he or she is legally competent at the time.
- The policy owner can assign the benefit payments to a named alternative payee designated by the policy owner or a legal representative if he or she is legally competent at the time of assignment.
- If the insured dies while receiving benefit payments, the remaining death benefit is paid according to the provisions of the policy.
- LTCA benefits reduce the death benefit.
- Any eligible benefits due and payable prior to the insured's death will be paid if Minnesota Life receives proof of loss within the 15 day period following notice of death.

When benefits are paid

Benefits for any loss covered under this agreement will be paid monthly when the insured satisfies the eligibility requirements and we receive written proof of loss.

Non-duplication of benefits

Benefits are not payable for:

1. Expenses that are reimbursable under Medicare, or would be reimbursable, except for application of a deductible or coinsurance amount; or
2. Any other state or federal workers compensation plan or other governmental program (except Medicaid).

If coverage is excluded due to the non-duplication of benefits provision, days still count towards satisfaction of the elimination period. The insured must satisfy eligibility for the payment of benefits provision.

Policy changes and transactions

Allowed:

1. Decrease in face amount
2. Partial surrender request to apply towards any policy loan

Not allowed:

1. Change in risk class
2. Increase in the policy face amount
3. Addition of agreements to the policy
4. Transfer to sub-accounts or indexed accounts, or to a loan account, if applicable
5. Request for loans
6. Partial surrenders other than those described previously
7. Change in death benefit option
8. Change in account allocations

Effect of LTCA benefit payments

Death benefit	**New death benefit** equals: – Death benefit prior to the benefit payment minus the **LTCA benefit payment** amount.
Accumulation value	**New accumulation value** equals: – **Accumulation value immediately prior** to the benefit payment multiplied by (**New death benefit*** divided by **death benefit* immediately prior** to the benefit payment). * Without regard to policy loan
Minimum accumulation value	**Adjusted the same as the accumulation value.**
Death Benefit Guarantee Agreement	While the insured is on an LTCA claim, Minnesota Life will continue to deduct all charges from the DBGA account, with the exception of the LTCA. Regardless of accumulation or DBGA account value, the policy will remain in force. If the insured goes off claim, the contract will have an adjusted death benefit based on LTCA benefits paid and will perform as it did prior to the LTCA claim. If the DBGA account has a negative balance, the owner must repay the full amount of the negative balance prior to the DBGA being reactivated. The contract, with the adjusted death benefit, will remain inforce provided either the DBGA or the accumulation value maintains a positive balance.
Outstanding loan	– **A portion of the benefit payment will be applied to repay the loan.** – **Benefit payment applied to the policy loan equals the lesser of:** **1. Benefit payment;** or **2. Loan interest due** at the time of the benefit payment plus **policy loan immediately prior** to the benefit payment multiplied by **(one** minus **new death benefit*** divided by **death benefit* immediately prior** to the benefit payment). * Without regard to policy loan. Note: See the example on page 9 for more details.
Accumulation value in the sub-accounts of the separate account	– **Automatic transfer** any value in each sub-account to the **guaranteed interest account.** – **No further premium allocations** may be made to sub-accounts of a separate account.
Accumulation value in an index account segment	– **A request for benefits will include an instruction for Minnesota Life to automatically transfer any value in each segment** of the index accounts to the fixed account at each segment's next anniversary. – **No further account allocations** may be made to the index accounts.
Policy loans	– **Automatic change of variable interest rate** loans to **fixed interest rate loans.** – Automatic transfer of accumulation value to the fixed loan account in the amount of the policy loan **plus** any unpaid policy loan interest.
Waiver of agreement charges	– Waiver of agreement charges waived. – All other charges continue to be assessed against the policy. – **No waiver of other charges unless policy accumulation** value drops to **zero.** Then, Minnesota Life waives all policy and agreement charges that would otherwise be assessed against the policy accumulation value.
Termination of benefit payments	– Monthly benefit payments will stop when one or more of the following happens: • 100 percent of the LTCA amount has been paid • insured is no longer eligible for the benefit • policy is surrendered • policy terminates when the policy loan plus unpaid policy loan interest exceeds the policy accumulation value • Minnesota Life receives a request to cancel this agreement • insured dies
Minimum death benefit	– The minimum death benefit amount is shown on the policy data pages. – If the policy death benefit, without regard to policy loan, is less than the minimum death benefit amount, then the minimum death benefit amount less any policy loan and unpaid policy loan interest is payable at the death of the insured.
Alternative plan of care	– If the insured is chronically ill and satisfies the claim procedures provision, Minnesota Life will consider paying benefits under an alternative plan of care for qualified long term care services not specifically available under this agreement. – We reserve the right to make the final decision on any request for an alternative plan of care. – We must agree that the alternative plan of care is both medically acceptable and the most cost effective manner to provide benefits for the insured's claim under this agreement.

Outstanding loan example:

LTCA amount	$200,000
Monthly benefit percentage	2%
Initial loan	$1,000
Initial death benefit (without loan)	$200,000
Gross LTCA benefit	$4,000
Death benefit (without loan) immediately after	$196,000
Loan interest due at LTCA benefit	$3.27
1 minus new death benefit / old death benefit	2%
Policy loan repayment	$20
Benefit applied to loan	$23.27

Agreement features

Products	• Eclipse Indexed Life • Eclipse Protector Indexed Life • Accumulator Variable Universal Life • Accumulator Universal Life
Issue ages	20-80
Maximum LTCA face amount	Amount selected by the policyholder at time of issue. Amount starts at 10 percent of the life insurance base face amount and cannot exceed 100 percent of the life insurance base face amount. The maximum LTCA face amount is $5 million.
Minimum death benefit	10 percent of the maximum life insurance face amount. If the minimum death benefit provision applies, the maximum amount of death benefit the beneficiaries may receive is $25,000.
Rate classifications	Preferred, Standard, Substandard.
Charges	Flat rate per $1,000 of face amount. Rate varies by age and underwriting class.
Elimination period	90 days of service. Consecutive days not required.
Benefit eligibility	The policyholder has been certified by a Licensed Health Care Practitioner (a physician, a registered nurse or licensed social work) as (1) being unable to perform, without substantial assistance, at least two Activities of Daily Living for an expected period of at least 90 days[10] due to the loss of functional capacity. Activities of Daily Living include eating, bathing, toileting, continence, dressing and transferring; or (2) having a severe cognitive impairment.
Care providers	Based on plan of care, choice of licensed or informal caregiver.
Maximum LTCA monthly benefits[11]	The lesser of 2 or 4 percent of the LTCA face amount or the number of service days in the month times $300. ($300 is the amount allowed in the year 2011 and is adjusted for inflation each year following).[12]
Impact to base life insurance policy	While monthly LTCA benefits are being paid: • Life insurance face amount is reduced. • A portion of the LTCA benefit may be applied to any outstanding loans, if applicable. • No loans or partial surrenders are allowed.

[10] The expected 90 day period for loss of functional capacity does not establish a waiting period beyond the Elimination Period before benefits become payable under the policy.

[11] Distributions under this agreement, as with any policy loans and withdrawals, may create an adverse tax result in the event of a lapse or policy surrender, and will reduce both the cash value and death benefit.

[12] IRC Sec 105 (b), IRC Sec 7702B (a) (2), IRC Sec 7702B (d) (1), IRC Sec 7702B (d) (d).

Long Term Care Agreement definitions

Activities of Daily Living (ADL)	Bathing, continence, dressing, eating, toileting and transferring.
Alternative plan of care	A plan which may be employed at some point in the future to pay for services not specifically shown as being available under this agreement.
Chronically ill	The individual has been certified by a Licensed Health Care Practitioner as: 1. Being unable to perform, without substantial assistance, at least two of the six Activities of Daily Living for a period of at least 90 days due to loss of functional capacity: or 2. Having a severe cognitive impairment.
Elimination period	The number of days the insured must receive care, beginning with the day the Eligibility for the Payment of Benefits provision is satisfied, before Minnesota Life will begin paying benefits.
Face amount	The face amount of the base contract which the LTCA is being added.
Home and community based care	Qualified long term care services provided through Adult Day Care or Home Health Care.
Informal caregiver	Qualified long term care services provided by non-licensed providers or persons who may or may not be paid for their services but are part of the approved plan of care. Informal caregivers may include family members.
Licensed health care practitioner	Any physician, registered professional nurse, licensed social worker or other individual who meets the requirements prescribed by the Secretary of the Treasury. This does not include the policyholder, insured, or a member of the policyowners or insured's immediate family.
LTCA amount	An amount that represents the maximum total amount of benefits available under this agreement.
LTCA cost of insurance	The cost of the LTCA. This amount is assessed monthly against the policy accumulation value. The LTCA cost of insurance equals the monthly LTCA rate multiplied by the LTCA net amount at risk.
LTCA net amount at risk	The difference between the LTCA amount and a proportionate amount of the policy accumulation value. The proportion is equal to the LTCA amount divided by the policy face amount.
Monthly LTCA benefit percentage	The maximum percentage of the LTCA amount that can be paid out while eligible for benefits.
Morbidity	An incidence of ill health. Measured by the probability that a randomly selected individual in a population at some point will become seriously ill for some period of time.
Nursing care	Qualified long term care services provided in a Nursing Care Facility or Assisted Living Facility; or maintenance or personal care services performed in an Assisted Living Facility.
Per diem amount	Determined by the IRS. The maximum amount of LTCA benefits payable tax-free without reimbursable expenses.
Plan of care	A written plan for qualified long term care services prescribed by a licensed health care practitioner based on an assessment indicating the insured is a chronically ill individual. It must specify the type, frequency and the most appropriate types of providers of all services the insured person requires.
Proof of loss	Detailed written documentation which describes and confirms the insured is chronically ill and is receiving care that is covered by this agreement.

Notes

Notes

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods. Variable life insurance products contain additional fees, such as management fees and fund expenses. The variable investment options are subject to market risk, including loss of principal. Policyholders could lose money in this product.

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