Q: What is Long Term Care?
A: Long term care is the type of ongoing assistance and/or supervision people need when they are unable to perform normal daily activities on their own, such as bathing, dressing, eating, toileting, or getting in and out of bed or, when they are severely cognitively impaired. The need for long term care can arise from an accident or illness as well as the normal aging process.

Q: Doesn’t health insurance or Medicare help cover the cost of long term care?
A: Health insurance or Medicare can help pay for the cost of immediate medical expenses, such as a surgeon’s bill, or even some short-term rehabilitative care associated with a surgery or accident. However, in most cases, long term care costs are not covered under a health insurance plan or Medicare.

Q: Does receipt of LTC Rider benefits affect eligibility for Medicaid?
A: Under U.S. Department of Health and Human Services policy, the policy owner cannot be forced to collect accelerated benefits from his/her life insurance policy before qualifying for Medicaid. But if the owner chooses to receive accelerated benefits, that money could be considered income, which might affect his/her Medicaid eligibility. Benefits from the LTC Rider are payable to the owner of the policy. The policy will not be included in the Medicaid asset base of the insured if the insured does not own any fraction of the policy. That said, Medicaid planning is complex, and there is a long look back period for asset transfers made to become eligible for Medicaid. The evaluation of a particular individual’s Medicaid eligibility ultimately requires a legal opinion, which can only be provided by an attorney.
Long Term Care Rider F.A.Q.s

THE LONG TERM CARE (LTC) RIDER

The Long Term Care Rider or LTC Rider, available on select Transamerica life insurance policies, is designed to provide clients with a safeguard against the financial burden of long term care. The LTC Rider coverage can give clients the ability to help:

» Maintain their family’s standard of living
» Preserve their spouse’s financial security and independence
» Manage long term care costs
» Choose how and where to receive care

Q: How does the LTC Rider work?
A: The LTC Rider provides an acceleration of the death benefit to help pay for costs involved with long term care. Excess accelerated benefit payments not needed for long term care may be used for any expense, not just those directly related to LTC costs. The payments under the rider may not cover all the costs incurred with long term care.

Q: What type of LTC Rider plan does Transamerica offer?
A: The benefits of the Long Term Care Rider on select Transamerica life insurance policies are payable on an indemnity basis rather than a reimbursement basis. This means that LTC benefits will be paid by Transamerica without regard to the actual dollar amount of LTC expenses incurred. We will, however, require evidence of receipt of qualified LTC services during the elimination* period and each month during the benefit period.

Q: Can a client choose to buy a Transamerica life insurance policy without the LTC Rider?
A: Yes, the LTC Rider is optional.

Q: Can the LTC Rider be added to a Transamerica life insurance policy after it has been issued?
A: No, the rider may only be added at issue for states in which the rider is currently approved.

Q: Can other riders be attached to a Transamerica life insurance base policy?
A: No other optional riders can be selected in conjunction with the LTC Rider.

Q: Will Transamerica LTC Rider charges increase in the future?
A: Although current and guaranteed monthly rider charges increase by attained age, the current table of rates will only be changed if we change rates for all insureds of the same age, sex and risk class. Any increase in monthly rider charges is guaranteed not to exceed the table of maximum rates shown in the contract.

For information on rider charges for the Transamerica LTC Rider, please refer to the Transamerica LTC Producer Guide (OL 3200).

Q: What is the maximum face amount on a Transamerica life insurance policy with the LTC Rider?
A: The maximum face amount on a certain selected Transamerica life insurance policy with the LTC Rider is $1,000,000. A separate Transamerica life insurance policy must be submitted if the policy owner requires a death benefit greater than $1,000,000. The separate policy will not have the LTC Rider.

Q: Can the face amount on a Transamerica life insurance policy be different than the LTC Specified Amount?
A: No. The LTC Specified Amount always equals the base Transamerica life insurance policy face amount.

Q: Where can long term care be obtained?
A: The monthly benefit payments will help take care of qualifying costs, including costs associated with:

» Long Term Care Facility Confinement
» Home Health Care Services
» Home Care Services
» Adult Day Care in an Adult Day Care Center
» Hospice Care by a Hospice Care Provider
» Respite Care

Q: Can a policy with the LTC Rider be purchased in a qualified plan (defined benefit plan)?
A: Generally, no. There are many types of qualified plans, but the most frequently used defined benefit plan (or pension plan) will not be permitted to purchase a policy with the LTC Rider. This is due to the restrictions on non-retirement benefits in such a plan, which must be incidental to the primary purpose

* Named Eligibility Period in the State of New York.
of providing retirement income. The IRS has provided extensive guidance on the amount of life insurance which will be considered an incidental benefit, but long term care or other health related services are not permitted as incidental benefits. Defined contribution retirement plans are subject to this same restriction. For other types of qualified plans, Transamerica will review on a case-by-case basis. However, there may be tax implications. Please consult a personal tax advisor for more information on how this may affect the policy owner based on his or her specific situation. Chronic illness / long term care coverage under a qualified long term care rider is treated as an acceleration of death benefit. Because it is an acceleration of death benefit, it is generally income tax-free.

**BENEFITS ELIGIBILITY**

Q: How does an insured become eligible to receive LTC benefits?

A: To be initially eligible for benefits, the following conditions must be satisfied:

a. The insured must be certified as a Chronically Ill Individual;

b. There must be a Plan of Care for the insured;

c. Proof of loss must be documented; and

d. The elimination period* must be satisfied.

Q: How is an individual certified as Chronically Ill?

A: An individual is certified as Chronically Ill by a Licensed Health Care Practitioner when the individual:

a. Is unable to perform, without substantial assistance from another individual, at least two out of the six activities of daily living (ADLs) — bathing, continence, dressing, eating, toileting, transferring—for an expected period of at least 90 days due to a loss of functional capacity; or

b. Has a severe cognitive impairment that requires substantial supervision to protect the individual from threats to health and safety.

Q: Is there a waiting period before the policy owner may be eligible to receive benefit payouts under the LTC Rider?

A: Yes, a waiting period (elimination period) of 90 separate days must be satisfied. This is the number of days during which the insured otherwise qualifies as a Chronically Ill individual, receives qualifying long term care services, and has incurred expenses for those services. Benefits are not payable during the elimination period. The elimination period need only be satisfied once. In New York, the eligibility period must be met within a period of 180 days and benefits are paid retroactively. Please see the LTC Guide (OL 3200) for complete details.

Q: Does the LTC Rider cover LTC services received outside of the United States?

A: Transamerica’s Long Term Care Rider does NOT cover qualified long term care services received outside the 50 United States, District of Columbia or Canada.

**LONG TERM CARE BENEFITS**

Q: What is the maximum monthly benefit amount?

A: The maximum monthly long term care benefit payout for any calendar month will be equal to the lesser of “a” or “b” where:

a. 2% of the Long Term Care Specified Amount, at commencement of benefits; or

b. the HIPAA per diem amount times the number of days in the calendar month

Q: What is the current HIPAA per diem amount?

A: The 2015 HIPAA per diem amount is $330 (i.e., approximately $9,900 per month).

Q: Can an insured take less than the maximum monthly benefit?

A: Yes. If the insured does not require the entire maximum monthly benefit amount, the policy owner can elect to take an amount between the maximum allowable benefit and the minimum monthly benefit of $500.

Q: Does the LTC Rider cover services rendered by a family member/unlicensed person for home care services?

A: LTC services performed by a family member are not covered unless the family member provides the service in the capacity of a regular employee of an organization that is engaged in providing the LTC service. The organization must receive payment for the service and the family member must receive normal compensation from the employer/organization for performing the service.

* Named Eligibility Period in the State of New York.
Q: Once the LTC Rider benefit amount is selected, can the policy owner request a different amount?
A: Yes. Once the LTC Rider benefit amount is selected, it will remain in effect for the remainder of the current calendar year. The policy owner can change his or her election for subsequent calendar years by giving us written notice at least 30 days before the beginning of that calendar year.

Q: Are any other forms required for the LTC Rider other than the Supplemental Application?
A: Yes. HIPAA Authorization (form ICC12 HIP1011) is also required with the base product application and supplemental application.

Q: Can LTC Rider benefit hypothetical scenarios be illustrated on Transware?
A: Yes. Transware will allow illustrations of hypothetical LTC benefit scenarios and will appear in an LTC supplemental report (subject to state availability).

Q: Can the policy owner voluntarily terminate the LTC Rider after the policy has been issued?
A: Yes. The LTC Rider can be terminated at any time after the policy has been issued. All LTC Rider charges will stop at the time of termination.

Q: Can the policy owner request face amount changes if there is an LTC Rider attached to the policy?
A: Increases in the face amount of the policy or the LTC Specified Amount are not allowed except for those that occur with a death benefit option change. Decreases are allowed but we will not allow face reductions below $100,000*.

* Face amount may not be reduced below $112,500 in Vermont and $150,000 in South Dakota
CLAIMS GUIDELINES

Q: Are premiums required while the insured is on claim?
A: Premiums are not required while the insured is on claim. We will not charge monthly charges for this rider for any policy month while rider benefits are being paid. However, other policy charges will continue to apply.

Q: Can the policy lapse while on claim?
A: No. While the insured is on claim, the policy will not lapse due to insufficient Cash Surrender Value.

Q: What happens when the entire LTC benefit amount has been paid?
A: No further LTC Rider benefits will be payable and no further rider monthly charges will be taken. A residual death benefit, however, may be payable. The residual death benefit, which is provided by a separate endorsement, is the lesser of: (a) 10% of the lowest face amount of the base policy from its inception, less any outstanding policy loans, or (b) $10,000.

Q: What kind of evidence is required at the time of claim?
A: The claims process begins when we receive a notice of claim. Upon receipt of notice of claim from the policy owner, we will send out a claims packet (claim forms) which must be completed and returned to us. The company will then schedule a face-to-face assessment of the insured to assess the insured’s need for services in order to determine the insured’s eligibility for LTC Rider benefits. In addition, the policy owner must provide us with written proof of loss (“evidence”). Written proof of loss means information or documents satisfactory to us to enable us to determine whether benefits are payable under the rider. Such proof includes: (1) a certification by a licensed health care practitioner (doctor, registered nurse or licensed social worker) that the insured is a chronically ill individual (ADL deficient or severely cognitively impaired); (2) documentation (e.g. receipts) to show that the insured received qualified long term care services and incurred a charge for those services during the elimination period and for each month that the insured claims benefits; and (3) a copy of the plan of care which is a written comprehensive assessment of the insured’s physical and cognitive abilities, and specifies the type, frequency and providers of all the services that the insured requires. Other documentation may also be required, such as, medical records, physician’s order, or other claim forms.

TAX-RELATED QUESTIONS

Q: What are the income tax consequences of receiving benefit payments under the LTC Rider?
A: The LTC Rider is intended to provide a federally tax-qualified benefit under IRC Sec. 101 and Sec. 7702B. As such, receipt of LTC benefits should not create income tax liability so long as the benefits are under the HIPAA per diem limits, except for certain business related policies under Sec. 101(g).

Q: If the insured receives an amount greater than the HIPAA per diem amount, will the LTC Rider benefits be subject to income taxation?
A: LTC benefits received in excess of the HIPAA per diem limit are generally taxable to the extent the LTC benefits exceed the greater of the per diem limit and the actual unreimbursed LTC expenses incurred. All contracts covering the same insured are combined with the per diem limit allocated first to the insured. The combined benefits paid under multiple policies may exceed the HIPAA per diem amount and the excess will be treated as taxable income.

Q: Can an existing life insurance policy be exchanged for a life insurance policy with an attached LTC Rider through a 1035 exchange?
A: Yes, an existing policy, whether or not it is a Modified Endowment Contract (MEC), can be 1035 exchanged to a new life insurance policy with the LTC Rider.

Q: Can an irrevocable life insurance trust (ILIT) hold a life insurance policy with the LTC Rider?
A: Yes. However, the LTC benefits will be paid to the trust and the terms of the trust must be consulted regarding use of the benefits to pay the insured’s LTC expenses. For example, the ILIT may have a provision to allow early or special distributions to ILIT beneficiaries before the death of the grantor.

Q: Are LTC Rider premiums/charges deductible as a medical expense?
A: No. Under IRC Section 7702B(e)(2), LTC Rider charges (which are not treated as a taxable distribution of cash value inside a life insurance policy) are not allowed an IRC Section 213(a) medical expense deduction for premiums/rider charges paid. A medical expense deduction is not allowed for any payment made for coverage under a qualified LTC insurance contract if the payment is made as a charge against the cash value of a life insurance policy.
The Long Term Care Rider is available on the TransNavigator℠ index universal life insurance policy and the Transamerica Journey℠ variable universal life insurance policy (named Transamerica Journey℠ NY in New York). Life insurance products issued by Transamerica Life Insurance Company, Cedar Rapids, IA, or Transamerica Financial Life Insurance Company, Harrison, NY. All products may not be available in all jurisdictions. Transamerica Financial Life Insurance Company is authorized to conduct business in New York. Transamerica Life Insurance Company is authorized to conduct business in all other states.

Long Term Care rider Forms LTCR03, ICC12 LTCR03, and LTCR03 CA are underwritten by Transamerica Life Insurance Company. Rider Form LTCR03 NY is underwritten by Transamerica Financial Life Insurance Company. Rider form numbers, availability, provisions and benefits may vary by state.