Care Solutions

Prudential producer training guide

OneAmerica®

OneAmerica® is the marketing name for the companies of OneAmerica

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OneAmerica Care Solutions® offers a suite of asset-based long-term care (LTC) products that can provide individuals and couples with options to help them protect against the threat of LTC expenses — and still provide value if care is never needed.

Care Solutions Prudential Producer Training Guide

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Summary of asset-based LTC solutions from OneAmerica®

By using the time-tested concepts of life insurance and annuities as their foundation, the Care Solutions products can help your clients prepare for these retirement concerns:

- Living a long life
- Covering LTC costs
- Helping with asset accumulation
- Assisting with wealth transfer

An asset-based LTC contract offers:

- Premiums that never increase
- Benefits even if LTC is never needed
- Flexibility of either a single or two-person contract

Asset-Care®

Whole life insurance that allows access to 100 percent of the death benefit for qualifying LTC expenses (paid monthly).

- Multiple versions allow clients to use almost any asset as a funding source
  - — Asset-Care I: Single-premium version commonly funded with cash, CDs and money markets
  - — Asset-Care IV: Continuous premium and 10–20 pay versions
- Optional rider can provide lifetime protection at never-to-increase premiums
- Patented joint life insurance option provides benefits for two insureds with a single, second-to-die contract

Annuity Care® II

Single premium deferred annuity that combines long-term asset growth and long-term care (LTC) protection. With a built-in Continuation of Benefits (COB) provision, clients are provided with a combination of the annuity value and additional long-term care benefits should they be needed.

- No medical exams
- Minimal medical questions for the client to answer
- A modest telephone interview takes the place of Attending Physician's Statements
- Qualifies for Pension Protection Act advantages
- Multiple LTC benefit period options

Please review this booklet for more asset-based LTC solutions product information. If you have questions, please call Crump at **1-866-884-2194, option 3, then option 3.**

Asset-Care from OneAmerica®

Asset-Care protects against the risk of long-term care (LTC) expenses and provides a wealth-transfer mechanism through specially designed whole life insurance policies. All Asset-Care policies include the following guarantees: death benefit, cash value growth, access to 100 percent of the death benefit for qualifying LTC expenses and an optional rider for lifetime LTC coverage at never-to-increase premiums.

Asset-Care I

- Single-premium whole life policy with an accelerated death benefit for qualifying LTC expenses
- Available for issue ages 35–80 (age last birthday)
- Typically funded through money currently in CDs, money market funds, savings, stocks, bonds or life insurance cash values

Asset-Care IV

- Whole life insurance with an accelerated death benefit for qualifying LTC expenses
- Available for issue ages 20–80 (age last birthday)
- Premiums can be paid over the insured's lifetime to age 100 or with guaranteed payment options from 10 to 20 years
- Premiums can be paid annually or through modal options (monthly, quarterly or semiannually)

A hypothetical example of how Asset-Care® can work

Cash value

Or

Death benefit

Or

LTC benefits + Optional lifetime LTC coverage[1]

1. *Additional premium required*

Asset-Care I producer overview

	Single-pay
Issue ages (single and joint)[1]	35–80, maximum 25-year age difference between unrated joint insureds
Common funding sources	• Mutual funds • CD transfer • 1035 exchange from existing life insurance • Cash equivalents
Policy structure	Single premium whole life[2]
Long-term care benefits	Base policy provides up to 2% of death benefit per month, per insured, subject to policy limits. Applies to LTC facility, assisted living and home care. Option to use LTC benefits up to 3% or 4% per month, per insured (additional premium required). Continuation of Benefits rider (not available in all states and may vary by state) can extend LTC benefits to provide additional coverage (see page 10 for details).
Minimum premium (differs in CA, MN, SD and WI)	$10,000
Guarantees	Premiums never increase Cash value growth Death benefit
MEC Status	See page 12 for information.
Guaranteed interest rate	4%
Return of premium	Single premium paid for the base policy will be returned at surrender, unless cash surrender value is greater. This return of premium is reduced by any prior distributions, and does not apply to cost of enhanced LTC monthly payout (3% or 4%) or Long-Term Care Insurance Benefits Continuation Rider.
Surrender charge (as a percentages of cash value)	11% first year, decreasing over 10 years

1. *Joint coverage is not available in PA* **2.** *The policy is universal life in MD and PA*

Asset-Care IV producer overview

	10- to 20-pay	Whole life
Issue ages (single and joint)[1]	20–80, Maximum 25-year age difference between unrated joint insureds	20–80, Maximum 25-year age difference between unrated joint insureds
Common funding sources	• Cash premiums • Earned income • Pension income • Required minimum distributions	Same
Policy structure	Limited-payment whole life[2] (between 10 and 20 years)	Pay-to-100 whole life[2] (continuous premiums)
Long-term care benefits	Base policy provides up to 2% of death benefit per month, per insured, subject to policy limits. Applies to LTC facility, assisted living and home care. Option to use LTC benefits up to 3% or 4% per month, per insured (additional premium required). Continuation of Benefits Rider (not available in all states and may vary by state) can extend LTC benefits to provide additional coverage (see page 10 for details).	Same
Minimum premium (differs in CA, MN, SD and WI)	Issue ages 20–50: $100,000 Issue ages 51+: $50,000	Same
Guarantees	Premiums never increase Cash value growth Death benefit	Premiums never increase Cash value growth Death benefit
MEC Status	See page 12 for information	Same
Guaranteed interest rate	4%	4%
Modal factors	1.0000: Annual 0.5200: Semiannual 0.2650: Quarterly 0.0858: PAC	Same
Surrender charge (as a percentages of surrender dollar amount)	Years 1–5: 75% Years 6–10: Decreases by 5% per year Year 11: 35% Year 12: 20% Year 13+: 0%	Years 1–5: 100% Years 6–14: Decreases by 10% per year Years 15+: 0%
Waiver of premium	Available for an additional premium. Premium waived if qualifying care received and waiting period satisfied.	Same

1. *Joint coverage is not available in PA* **2.** *The policy is universal life in MD and PA*

LTC benefits

Asset-Care covers:

- Care in a LTC facility (all levels), hospice care, adult day care, respite care (21 days per calendar year)
- Care in an assisted living facility
- Home health care, including hospice care and homemaker services
- Bed reservation (31 days per calendar year)
- Care coordination and caregiver training
- Supportive equipment
- International facility coverage

Review your state's outline of coverage for a specific and complete list of policy exclusions and limitations.

Monthly benefits

The policy monthly LTC benefit is 2 percent of the death benefit per month for each insured or actual charges, whichever is less. The full monthly benefit is available for qualified expenses.

If the option to use 3 percent or 4 percent of the death benefit per month, per insured, for LTC is selected at issue, the same limits apply to care in all of the above-listed settings. Additional premium required for 3 percent and 4 percent options.

Waiting period

After 30 days of qualified home health care within a 180-day period, Asset-Care will pay benefits. For all other types of care, a 60-day waiting period applies.

Other information

Pre-existing conditions are covered if fully disclosed at application. Asset-Care benefits are not excluded if the chronically ill individual has LTC costs due to a mental or nervous disorder.

Note: Coverages vary by state.

Inflation Protection Rider

Asset-Care offers an Inflation Protection Rider (IPR) to help protect against the rising cost of qualifying LTC expenses. This optional benefit, available with an additional premium, guarantees that the base policy LTC benefit will increase. This increase in turn increases the monthly maximum benefit for LTC.

- IPR premiums are noncancelable. Premiums cannot increase, and only the policyowner can terminate the rider.
- Four choices are available to the policyowner:
  - — 3% simple growth (not available in all states)
  - — 3% compound growth (not available in all states)
  - — 5% simple growth
  - — 5% compound growth
- IPR premiums are paid in the following ways:
  - — Asset-Care I: Choice of premium and annual premiums to age 100
  - — Asset-Care IV: Premium is the same duration as the base premium (e.g., a 15-pay policy has a 15-year IPR payment period)
- Premiums are waived if an insured has satisfied the waiting/elimination period and is receiving qualifying care.
- On a joint life policy, premiums do not change after the first insured has died.
- IPR affects only the base Asset-Care coverage; see the Continuation of Benefits Rider for information about extending LTC benefits beyond the base policy.

Note: Not available in all states

Example (client age 60, base policy monthly benefit limit of $3,000)

Client age	No IPR	5% simple growth	5% compound growth
61	$3,000	$3,150	$3,150
65	$3,000	$3,750	$3,828
70	$3,000	$4,500	$4,886
75	$3,000	$5,250	$6,236
80	$3,000	$6,000	$7,959

Continuation of benefits

Asset-Care includes a Continuation of Benefits Rider that protects against the costs of extended qualifying care. The rider may be added to any Asset-Care base policy with an additional premium at application.

- This rider is noncancelable. Premiums cannot increase, and only the policyowner can terminate the rider.
- Rider benefits start after the base policy LTC benefits are reduced to zero.
- Two choices of extended benefit periods are offered: limited and lifetime.
- The limited period depends on the maximum monthly LTC option:
  — 2% = 50 months of extended benefits
  — 3% = 33 months of extended benefits
  — 4% = 25 months of extended benefits
- On a joint policy, the lifetime benefit applies to both insureds for one premium rate.
- Inflation protection and nonforfeiture benefits are available on this rider for an extra premium.
- Payments can be made on a single premium, 10-pay, 20-pay or pay-to-100 premium basis.

Note: Your Asset-Care illustration will provide continuation of benefits rates with the applicable options for your state. • Not available in all states.

Example

Asset-Care base policy guarantees benefits for at least 50 months (based on 2% LTC option)

+

Continuation of Benefits Rider 50-month extension = 100 months of available benefits

Or

Asset-Care base + lifetime extension = a lifetime of available benefits

Common questions and answers

Q: Should joint applicants name each other as beneficiaries?
A: No. It is very important to remember that Asset-Care policies do not pay the death benefit until the last insured dies. It is common on joint policies to name children, a trust, siblings or a charity as the beneficiary.

Q: What type of 1035 exchange is permissible?
A: Internal Revenue Service Code Section 1035 allows individual single life insurance Section 1035, however, does not allow one or more individual single life insurance policies to be exchanged for a joint Asset-Care I policy, nor can you exchange an existing annuity for an Asset-Care I.

Q: How does a certificate of deposit (CD) transfer work?
A: By completing a Request of Funds Form, the owner of the CD(s) authorizes the transfer of the full, matured value or a specific dollar amount to on the maturity date. Once the form is completed and sent in, it is forwarded to the appropriate financial institution. The CD funds are automatically transferred to State Life on the maturity date. This process is the most convenient way for the client to liquidate a CD.

Q: What forms should be included with submissions?
A: If you have questions on forms, please call **1-866-884-2194, option 3, then option 3.**

Taxation

LTC benefits

Under the Health Insurance Portability and Accountability Act of 1996, Asset-Care insureds who receive LTC policy benefits will have the entire amount treated as an income-tax free

Example

A client enters nursing home with a $100,000 death benefit and a $40,000 cash value:

- $25,000 original premium and $15,000 gain
- State Life pays $20,000 in LTC benefits during the calendar year
- The entire $20,000 is paid to the policyowner income-tax free

Death benefits

Asset-Care I

Amounts not paid for LTC pass income-tax free to the named beneficiary.

Asset-Care IV

Amounts not paid for LTC pass income-tax free to the named beneficiary

Loans and withdrawals

Asset-Care I

Asset-Care I policies are always a modified endowment contract (MEC). Lifetime distributions (loans and withdrawals) are interest first, then principal. Interest-only distributions are subject to income tax. Distributions taken by an owner before age 59½ are subject to an additional 10 percent tax by the IRS.

Asset-Care IV

Generally, Asset-Care IV policies are not MECs but some situations may cause a MEC to occur. Contact Crump for more information at **1-866-884-2194**, **option 3, then option 3.**

Additional information

Effective date

Asset-Care protection is effective the later of the date full premium is received or all required medical exams and tests are completed and received. See the conditional receipt with the Asset-Care application for more details.

Forms

The outline of coverage, illustration and NAIC Long-Term Care Shopper's Guide must be given to the client before the application is taken. After the sale, the customer must receive the Temporary Insurance Agreement, when applicable.

Loans

Life insurance policy loans are available but reduce the LTC benefits. Loans are typically for a temporary need. Unpaid loans can cause a policy to lapse. The net cost of borrowing is 4 percent.

Asset-Care withdrawals

Partial withdrawals proportionally reduce the policy's cash value, death benefit, LTC benefits and subsequent policy premiums. A withdrawal (unlike a loan) permanently reduces the death benefit.

Free withdrawals

Asset-Care I

After the first policy year, accumulated interest may be withdrawn without a surrender charge. However, if both principal and interest are withdrawn within a 180-day period, surrender charges apply on the total amount withdrawn.

Asset-Care IV

Withdrawals from the limited-pay whole life products are subject to applicable surrender charges.

Illustrations and outlines of coverage

Complete individualized Asset-Care illustrations must be given to each prospect. Outlines of coverage must be delivered before clients complete the application. Your OneAmerica marketing representative can give you more information on running illustrations and obtaining outlines of coverage.

Premium tax states

A front-end premium tax is imposed in Maine (2 percent), South Dakota (1.25 percent) and Wyoming (1 percent) on nonqualified annuities.

Submitting applications: Tips and notes

- Accurately and legibly complete the entire application. Be sure to indicate the amount of premium and the source on the application.
- On joint cases, both spouses must sign any attachments, such as beneficiary designations or additional medical information to be included with the application.
- On joint cases, do not name either of the insureds as the beneficiary. Joint life Asset-Care is a second-to-die policy, requiring another beneficiary to be chosen.
- If applicants have severe medical problems, contact Crump at **1-866-884-2194, option 3, then option 3**.
- Be sure to have the applicants sign and date all necessary applications, forms and attachments.

Special notes

- Provide your clients A Shopper's Guide to Long-Term Care Insurance and the appropriate outline of coverage before taking an application.
- Make sure your client needs the coverage you are offering.
  - — Inquire and make every reasonable effort to identify the coverage types and amounts the client has.
  - — Make every reasonable effort to determine that your client has adequate income or assets to purchase and maintain the recommended coverage.
  - — When replacing coverage with Asset-Care, confirm the client understands any coverage variance and all pertinent product differences (including issues relating to surrender charges and taxes).
- Have your client complete and sign the third party notice on the life application in case of unintentional lapse.
- Be sure to use a complete illustration and obtain the client's signature.

For support with quotes, supplies, sales and administrative needs, call Crump at **1-866-884-2194, option 3, then option 3.**

Annuity Care® II from OneAmerica®

Annuity Care II is a single-premium fixed interest, deferred annuity that combines long-term asset growth and long-term care (LTC) protection.

Annuity Care II is medically underwritten, but more concise than on other traditional LTC insurance products:

- There are minimal questions for clients to answer
- No exams to take
- A modest telephone interview takes the place of Attending Physician's Statements

With a built-in Continuation of Benefits provision, clients are provided with a combination of the annuity value and additional long-term care benefits should they be needed.

The single premium grows as the Accumulated Value (AV) with a guaranteed minimum interest rate. It is this value that passes to named heirs at death if LTC is never needed or not fully depleted. At the same time, the premium grows at a second, higher interest rate for the Long-Term Care Accumulated Value (LTCAV), the amount used for qualified LTC expenses.

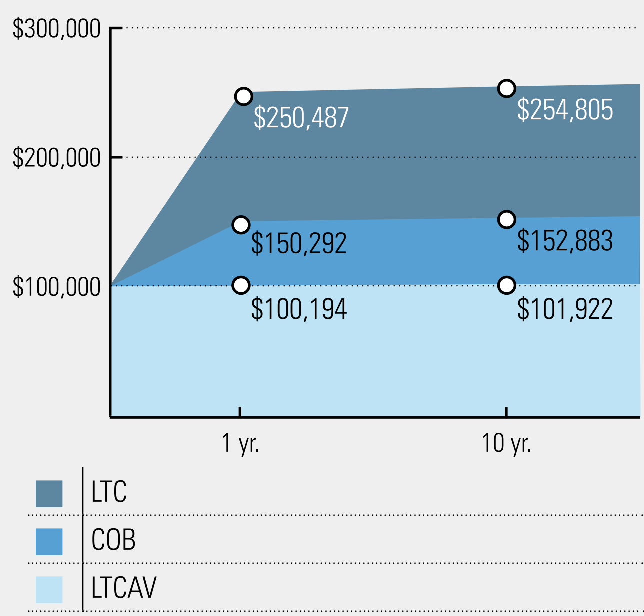
Once the LTCAV has been exhausted for qualified LTC expenses, Annuity Care II allows clients to extend their protection by automatically including a Continuation of Benefits (COB) balance. This additional protection is purchased through an insurance charge deducted monthly from the annuity values.

A hypothetical example of how Annuity Care II can work

Mary Johnson is a 65-year-old who has $100,000 accumulated in savings for which she has no income needs. She elects to apply for Annuity Care II and pays this amount into the contract. Her premium creates a pool of total LTC benefits equaling $250,487. Based on a minimum of 60 months of total protection available to her, she could access this amount for a monthly benefit of $4,175. So, using this example, Mary has $100,194 in her LTCAV and $150,292 in her COB Balance at the end of the first policy year. As the Long-Term Care Accumulated Value increases, so does the Continuation of Benefits Balance. So by year 10, in our example, the LTCAV equals $101,922 and the COB Balance is $152,883, giving Mary a total amount of $254,805 available for qualifying LTC expenses. She could access this amount for a monthly benefit of $4,246. All values in this hypothetical example assume a non-guaranteed interest rate of 1.15%. These values assume that no partial surrenders or LTC withdrawals are made.

Mary Johnson's available LTC funds

Based on $100,000 premium



Annuity Care II producer overview

Issue ages (Single life or joint life spouses only)	Minimum: 40 Maximum: 80 (age last birthday)
LTCAV withdrawal period	• 24 months — Single Annuitant • 30 months — Joint Annuitant or Single Annuitant with Eligible Person
Continuation of benefits options (Availability based upon the age of the oldest applicant)	• 3 years (ages 40 to 80) • 6 years (ages 40 to 75)[1] • 9 years (ages 40 to 70)[2]
Single premium (nonqualified premium only)	Minimum: $10,000 (May vary by state) Maximum: $300,000 if inflation protection is selected, $500,000 if inflation protection is not selected
Surrender charges (Nine years)	1 = 9% | 2 = 8% | 3 = 7% | 4 = 6% | 5 = 5% | 6 = 4% | 7 = 3% | 8 = 2% | 9 = 1% | 10=0%
Partial surrender	• After the first contract year, the owner may withdraw up to 10 percent of the accumulated cash value (as the beginning of the contract year) without a surrender charge. • Full surrenders within 12 months of a partial surrender will result in a recapture of the waived surrender charges. • No surrender charge will be assessed on any qualified LTC benefit withdrawal.
Tax advantages	Annuity Care II provides an effective way to protect your savings from the potential expenses associated with end of life care. And, it also does so in very tax-efficient ways! • Long-term care benefit payments from the LTCAV are income tax-free as a reduction of basis • Long-term care benefit payments from the COB balance are income tax-free • The monthly charge to pay for the COB balance is income tax-free as a reduction of basis in the LTCAV
Death of owner/ annuitant (Single policy)	Surrender charges will be waived upon the death of the owner or annuitant.
Types of care covered	Long-term care withdrawals under Annuity Care II may be taken for qualifying care of the following types: • Nursing home facility • Assisted living facility • Home health care • Adult day care • Hospice care • Respite care • Bed reservation Producers must provide applicants with the Outline of Coverage that provides detailed information on coverage, policy exclusions and limitations.
LTC withdrawals	Annuity Care II provides long-term care coverage when an annuitant or eligible person qualifies and has been certified by a licensed health care practitioner as having either: • The inability to perform two of six activities of daily living (bathing, continence, dressing, eating, toileting and transferring); or • Severe cognitive impairment (for example, Alzheimer's disease).
LTC elimination period	Clients have a 90-day elimination period before they can withdraw funds for LTC expenses.
LTC withdrawal method	Reimbursement — the payment amount will be based upon the amount of actual expenses incurred for qualified LTC expenses up to the Monthly Benefit Limit.

Note: *Form # SA35 may not be available in all states and may vary by state.* **1.** *40–70 in CA, SD and WA* **2.** *40–65 in CA, SD and WA*

Annuity Care® II and Tax Advantages under the Pension Protection Act (PPA)

Annuity Care II includes provisions that allow the product to qualify for PPA advantages, meaning:

- Long-term care (LTC) benefits from Long-Term Care Accumulated Value (LTCAV) are income tax-free as reduction of basis
- LTC benefits from Continuation of Benefits (COB) provision are income tax-free
- Monthly charge for COB is income tax-free as reduction of basis

Let's look at each of these elements using an example.

Utilizing the LTCAV for qualifying LTC expenses

Carol purchases Annuity Care II with a single premium of $85,000, which is her cost basis. After a number of years, the LTCAV has now grown to $110,000, and her cost basis is now $80,000. In that year, she withdraws $20,000 of her LTCAV for qualifying LTC expenses.

The result is no taxation to Carol, and a reduction in her cost basis to $60,000 ($80,000–$20,000).

Utilizing the COB provision for qualifying LTC expenses

Carol has utilized her entire LTCAV for long-term care expenses and is now accessing the COB provision of her Annuity Care II.

She accesses $60,000 of her COB Balance for qualifying LTC expenses in a given year.

The result is no taxation to Carol on the COB Balance used.

Paying for the COB provision through monthly charges

Each month, a charge is deducted from the Accumulated Value (AV) of Carol's Annuity Care II for the COB provision in the contract. Her cost basis/single premium is $80,000. In the first calendar year, the charges to her cash value for the COB provision total $500.

The result is no taxation to Carol, and a reduction in her cost basis to $79,500 ($80,000–$500).

Annuity Care II gives its policyowners the tax advantages of the PPA for qualifying LTC expenses, while retaining the standard taxation rules of nonqualified deferred annuities for non-LTC distributions, which include:

- Full and partial surrenders are treated as taxable to the extent of amounts received in excess of cash surrender value over the investment in the contract
- Payments made under an annuitization (settlement) provision will return the owner's cost basis in equal tax-free amounts over the payout period

Note: Any individuals used in scenarios are fictitious and all numeric examples are hypothetical and were used for explanatory purposes only. This material is provided for overview or general informational purposes only. These concepts were derived under current tax laws. Changes in the tax law may affect the information provided. This is not to be considered, or intended to be legal or tax advice. For answers to specific questions and before making any decisions, please consult a qualified attorney or tax advisor.

For support with products, state availability, illustrations and more, contact Crump at **1-866-884-2194, option 3, then option 3.**

Notes

Note: Products issued and underwritten by The State Life Insurance Company® (State Life), Indianapolis, IN, a OneAmerica company that offers the Care Solutions product suite. Asset-Care Form number series: L301, R501, R518, R519 and R525 (or state variation). Annuity Care II Form number series: SA 35 (or state variation). Not available in all states or may vary by state. Key aspects of the joint life Asset-Care have been awarded patent 6,584,446 by the U.S. Patent and Trademark Office. Prudential and Crump are not affiliates of State Life and are not OneAmerica companies. Guarantees are subject to the claims paying ability of State Life.

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About OneAmerica®

A national leader in the insurance and financial services marketplace for nearly 140 years, the companies of OneAmerica help customers build and protect their financial futures.

OneAmerica offers a variety of products and services to serve the financial needs of their policyholders and customers. These products include retirement plan products and recordkeeping services, individual life insurance, annuities, asset based long-term care solutions and employee benefit plan products.

Products are issued and underwritten by the companies of OneAmerica and distributed through a nationwide network of employees, agents, brokers and other sources that are committed to providing value to our customers.

To learn more about our products, services and the companies of OneAmerica, visit *OneAmerica.com/companies*.

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