



QUESTIONS REGARDING TERMINOLOGY AND MECHANICS

Q: What is a Long Term Care Benefit Plan?

A Long Term Care Benefit Plan is the conversion of an in-force life insurance policy into a funded, irrevocable FDIC insured bank account. The account is set up to make automatic monthly payments directly to long term care provider selected by you. *[If there is reference to Medicaid]* "This option extends the time a person would remain private pay and delays their entry onto Medicaid".

Q: What is an Irrevocable Benefit Account?

An Irrevocable Benefit Account is established for the insured with a nationally chartered bank and trust company: Christiana Trust, a division of Wilmington Savings Fund Society (WSFS). This protects the money and ensures that the Care Provider will be paid directly. We want to give the confidence to all enrollees that when a senior uses this program their care will get paid directly through this account. The account is under the insured's name and it's irrevocable. The care plan can be adjusted to match changing needs and costs, but the family does not have the options to use this money for services other than funding long term care.

Q: What is a Final Expense Funeral Benefit?

Every Long Term Care Benefit Plan maintains a reserve to assist in the payment of funeral expenses. The amount of the reserve is equal to 5% of the insurance policy death benefit up to a maximum of \$5,000. This amount is paid to the designated beneficiary upon the passing of the insured.

Q: Is the Long Term Care Benefit Plan a long term care insurance policy or a loan?

Conversion of a life insurance policy into a Long Term Care Benefit Plan is not a long term care insurance policy, a loan, annuity, or any form of hybrid life/LTCi policies. Instead, the Long Term Care Benefit Plan is a private market exchange of a life insurance policy for a pre-paid Benefit Plan. This exchange usually occurs at the time when there is a need for care. The transaction underlying this exchange is known as a "life settlement" and is regulated in most states.



Q: Is the insured actually transferring the ownership of the life insurance policy?

Yes, the insured will transfer all ownership and beneficiary rights to the life insurance policy to enroll in the Long Term Care Benefit Plan. This transfer of ownership of a life insurance policy is called a "life settlement" and is regulated in most state. We work with a licensed "Provider" to effect a life settlement in every state in accordance with their specific regulations. Once the life settlement is complete, the insured is no longer responsible for premium payments and the policy is no longer considered an asset that will count for future Medicaid eligibility.

Q: How long does the enrollment process take?

The typical enrollment time is 30-60 days. The actual time to complete the process will vary on the applicant's ability to provide the necessary requirements for review such as: signed application and authorizations, copy of life insurance policy, last two years of medical records, and offer/enrollment packet. We will request the medical records and policy information but may need the assistance from the applicant to obtain.

Q: Are there any fees or obligations to apply?

No, there are no application fees and no obligations to apply. Once a policy is converted by the owner, the Long Term Care Benefit payments begin immediately and the enrollee is relieved of any responsibility to pay any more premiums.



QUESTIONS REGARDING DISPOSITION OF BENEFIT AMOUNT

Q: How long do Long Term Care Benefit payments last?

The average enrollment period will last between one and three years. The Benefit is adjustable so an enrollee can customize the monthly Benefit payments to best meet their changing health care needs. The Benefit can also help a family set up a home for Homecare needs. Each case is unique and enrollees work with their families, and possibly a financial or legal advisor, to create a Benefit schedule to best meet their monthly budgets.

Q: Can the Benefit Plan start and stop?

The benefit can be adjusted according to the needs of the family. For example, if the person receiving care moves from home health care to an assisted living facility, the monthly payments could be re-directed to the assisted living facility. The benefit stays with the individual but must be used for long term care.

Q: What happens if the enrollee dies before all of the Benefit is paid out?

Should the enrollee pass away with additional funds remaining in their Benefit Account, the remaining balance is paid directly to the enrollee's named beneficiaries. Enrollees and/or their beneficiaries are assured to receive the full Benefit amount even if the enrollee dies before all monthly payments have been made.

Q: If there is a death, who receives the remaining benefit?

If the enrollee were to pass before the benefit account is entirely used up, the remaining balance is paid out to the enrollee's designated beneficiary. Said another way, the entire benefit amount is always paid – for the individual's care (while living) and the balance to their designated beneficiary.

Q: What happens after the benefit is exhausted?

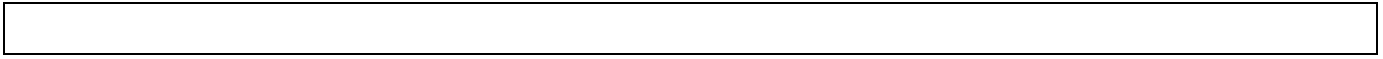
Benefit payments stop and the enrollee is responsible for paying for their care. The Account is a Medicaid qualified spend-down. If your senior care provider accepts Medicaid, you could apply for Medicaid assistance before the Benefit Account is depleted. Also, if the enrollee is a veteran or the spouse of a veteran, there are veteran benefits available for payment of long term care expenses. It can take a year or more to get approved for these veteran benefits, so this option should be explored right away.



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QUESTIONS REGARDING QUALIFYING

Q: What forms of Senior Care qualify?

The Benefit Plan will pay the following monthly expenses directly to the health care provider:

- Home Care (Private Duty/Non-medical or Skilled Nursing)
- Assisted Living
- Nursing Home
- Hospice Care

Q: Do all types of insurance policies qualify?

Except variable life policies and annuities, all other types of insurance policies qualify.

Q: Is there a policy size requirement?

Yes, the insurance policy death benefit needs to be at least \$50,000 in order for our program to be beneficial to the insured/family.

Q: Is there an age requirement?

No.

Q: Is it necessary to have a terminal diagnosis?

No.

Q: Are there any states that would not qualify for a Long Term Care Benefit Plan?

All states qualify. A life insurance policy owner has the legal property ownership right to convert their policy into a Long Term Care Benefit Plan in every state in America.

Q: Can I convert my policy to pay for my spouse's care?

Yes, however, the application will be based on your medical records and policy information for benefit determination.

QUESTIONS REGARDING VALUE

Q: How much will I get? (or Is there a cap on the percentage of the policy that I can use?)

Each case is individually reviewed so there's really no way to predetermine what the benefit will be prior to your application review. The amount paid will be determined by a number of factors including the type of policy you own and other information provided on your application.

Historically, conversion values are between 20-65% of face value and the average payout has been close to middle of that range. However, there are some situations where more or less than that range has been paid. There are no up-front costs or obligation for the review of your application.

Q: Is the value of the Life Care Benefit related to the surrender value of my policy?

The conversion option applies to any form of life insurance: Universal, Whole, Term, and Group. The value of the conversion is based on the death benefit, and surrender value that the insurance company will offer is not a factor in determining the conversion value of a life insurance policy.

Q: What determines the amount of the monthly Benefit Payment?

The conversion value of a life policy to fund the Long Term Care Benefit is based on an actuarial calculation that factors the face amount (death benefit) of the life insurance policy, annual premium payments and the health care needs of the applicant. Once the conversion value is determined and the enrollment is complete, expenses will be paid monthly to the appropriate health care provider.

NOTE: Benefits are only eligible for direct payments to the health care providers. Payments will not be made directly to enrollee. A Benefit Plan participant will need some form of accepted Senior Care within 3 months from the time of application to qualify. For applicants with a longer time frame, policies should be kept in-force for a future conversion and can be reviewed when need to fund Senior Care has become more immediate.

Q: Does the policy owner get a good value with a Long Term Care Benefit Plan?

Seniors lapse or surrender a life insurance policy because they either can no longer afford premium payments or they are preparing for Medicaid eligibility and they abandon the policy because it is an unqualified asset that will count against them. For a policy owner looking for an alternative to abandoning their policy and accessing private-pay dollars for Senior Care; the option to convert their



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life insurance policy into a Long Term Care Benefit Plan will allow them to realize the true, fair market value of their policy and spend it down in a Medicaid compliant manner. As long as the individual remains private pay they can choose whichever form of long term care they desire and are not constrained to only receive Medicaid covered services.

QUESTIONS REGARDING MEDICAID

Q: How does converting a life policy impact an enrollee's eligibility for Medicaid?

A life insurance policy is legally recognized as an asset of the policy owner and it counts against them when qualifying for Medicaid. If a policy has anything more than a minimal amount of cash value (usually in the range of \$2,000) it must be liquidated and that money spent towards cost of care before the owner will qualify for Medicaid. All Medicaid applications specifically ask if the applicant owns life insurance and full policy details. Failure to disclose and comply is fraud.

Some states allow for a final expense policy to be kept or transferred to a funeral home (but the funeral home would keep the entire death benefit). Medicaid recovery units have become much more forceful about looking for life insurance policy death benefits (declared and undeclared) that have paid out to families after the death of a Medicaid recipient. Medicaid budgets are now facing extreme pressure and asset recovery efforts can be very aggressive. Recovering the entire cost of care against a retained life insurance policy through legal actions against the estate and surviving family by pursuing the death benefit through probate action is a federally mandated requirement.

The Long Term Care Benefit Plan is a qualified spend-down of the policy asset, as the proceeds are held in the form of an irrevocable account and benefits are paid to cover the costs of care until exhausted. A partial death benefit is preserved over this spend-down period. Once the Benefit has been spent-down, the enrollee would be able to apply for Medicaid without the life insurance asset counting against them.

Q: How is the Benefit Plan administered to make sure it is a Medicaid qualified spend-down?

In order for a spend-down to be qualified, the monies must be used for health care costs. The Benefit Plan is held as an irrevocable FDIC insured Demand Deposit Account and the monthly benefit is administered by a third-party. As such, there is a record that the proceeds are being used for health care costs.

Q: What does the new [Texas] Medicaid Life Settlement Policy Conversion law mean?

Converting a life insurance policy into a Long Term Care Benefit Plan is the legal right of policy owners in every state! The [Texas] law grants authority to the Medicaid department to inform and educate citizens that they can convert life insurance policies into a Medicaid qualified Long Term Care Benefit

Plan to remain private pay and choose any form of long term care they want instead of abandoning a policy to go straight onto Medicaid.

Furthermore, the [Texas] law requires that the long term care benefit account be irrevocable and FDIC and that the payments are sent directly to the care provider. The person must be able to choose the form of care they want and a funeral benefit must be preserved. If there is any unpaid account balance when the person dies it must go to the designated account beneficiary.

This notification law has also been introduced in CA, FL, KY, LA, MA, ME, NJ, and NY and is intended to make sure people are informed by their Medicaid Departments that all policy owners have the right to do this and that this program is an accepted part of a Medicaid spend-down.



QUESTIONS REGARDING TAXES

Q: What are the tax consequences when using your program?

We are not accountants and cannot give tax advice, but basically the capital gain amount you receive is the only amount subject to possible taxes. The capital gain will be the difference between the total amount you receive and the premiums you have paid in over the life of the policy. For example, if you receive \$50,000 dollars and you have paid \$35,000 in premiums than the tax exposure would be the capital gain of \$15,000. Remember also, that there are tax deductions on spending the money on housing and long term care, so between the capital gain limit and the tax deductions the tax impact could be quite small to nothing. According to the IRS any tax implications for capital gains realized (e.g. through a policy conversion) would be offset by deductions based on spending the money for "the entire cost of maintenance in a nursing home or home for the aged" (sec. 1016 U.S. Master Tax Code 2008). The Health Insurance Portability and Accountability Act (HIPAA) also carves out an exemption for chronically ill persons to receive benefits tax free, subject to certain limitations Under *IRC Section 101(g)*.

You should seek the advice of your own accountant to make sure you fully understand how tax law impacts your particular situation and to ensure you are getting the full benefit of any exemptions or deductions that may apply.

Q: Why do you need a W9?

Due to the Patriot Act, there is a federal law that requires verification of identity when a new bank account is set up. This is accomplished with a W9 and a picture ID (e.g. driver's license). This is required for both the account holder and the person signing as the power-of-attorney.

QUESTIONS REGARDING CONSUMER PROTECTIONS

Q: How do I know this is not a scam?

The sponsor of the Long Term Care Benefit is a well-established, publicly traded national company that you will be able to read a lot of information about. The Provider holds licenses in all states as required. They have completed many policy conversions, have been discussed in national newspapers and on the radio and often speak at conferences. We can share more information on both companies including press reports and testimonials if you are interested in this program.

Q: How is this policy conversion option regulated? What kind of protections are in place for the consumer who enrolls in a Long Term Care Benefit Plan?

Converting a life insurance policy into a Long Term Care Benefit Plan provides multiple layers of consumer protections:

- The transfer of ownership of life insurance policies conforms to the rigorous regulatory standards that govern life settlements in each state.
- The irrevocable, FDIC insured Demand Deposit Account is held by a bank & trust company and must conform to federal and state banking regulations.
- Because the account is irrevocable and can only be spent on long term care services, the Benefit Plan is administered as a Medicaid qualified spend-down.
- Seniors are specifically protected by numerous federal and state elder laws and regulations governing the rights and care of seniors. Elder abuse (both physical and financial) is a serious crime and providers of long term care services are among the most highly regulated and scrutinized entities in the United States.

Q: How is a Long Term Care Benefit Account administered and safe-guarded?

The Benefit Plan is an irrevocable; FDIC insured account held by a nationally chartered Bank & Trust and then administered by a licensed, benefit administrator.