



# Help protect against potentially significant long-term care costs

The Long-Term Care Rider II from Nationwide® lets clients combine the benefits of life insurance and long-term care protection. The rider is available on both fixed and variable universal life policies for an additional cost.

## How does the rider work?

- Your clients choose the total amount of Long-Term Care Rider II coverage when they apply — anything from 10% to 100% of the policy's total specified amount (in New York, the long-term care specified amount must be equal to the policy's total specified amount)
- Long-term care benefits are paid out as an acceleration of the death benefit (after qualifying requirements are met) and are tax free; the amount of benefit available each month is the lesser of the elected acceleration percentage (2%, 3% or 4% of the specified amount) or twice the Health Insurance Portability and Accountability Act (HIPAA) per diem in the year of claim × 30 days
- If the entire death benefit is paid out as long-term care benefits, Nationwide will pay a minimum death benefit of 10% of the specified amount, minus policy indebtedness, to the beneficiary (not available in New York); guarantees are subject to the claims-paying ability of the issuing insurance company
- If your clients never need long-term care, the entire income tax-free death benefit will be paid to their beneficiaries, unlike most traditional long-term care policies

Keep in mind that, as an acceleration of the death benefit, the payment of the rider benefits will reduce both the death benefit and cash surrender value of the policy. Withdrawals and loans will also reduce both the cash value and the death benefit. Take care to make sure that life insurance needs continue to be met even if the rider pays out in full or after money is taken from the policy. There is no guarantee that the rider will cover the entire cost for all of the insured's long-term care, as this may vary with the needs of each insured. Nationwide pays the benefit to the policyowner; there is no guarantee the policyowner will use the benefit for the insured's long-term care expenses if the policy is owned by someone other than the insured.

The availability of this rider varies by product and state, and the rider may be known by different names in different states.

## Did you know?



About half of people over 65 will require some long-term care services at some point in their lives.<sup>1</sup>



Only about 11% of people have long-term care coverage.



The median daily rate for a private room in a nursing home is \$297 (\$108,405 annually).<sup>2</sup>



Medicare pays for a maximum of 100 days for skilled services or rehab care in a nursing home only.<sup>3</sup>

<sup>1</sup> "100 Must-Know Statistics About Long-Term Care: Pandemic Edition" Christine Benz, Morningstar (Dec. 8, 2020).

<sup>2</sup> "Cost of Care Survey 2021," Genworth (June 2, 2022).

<sup>3</sup> "Who pays for long-term care?" LongTermCare.gov. (Feb. 18, 2020).

## How do clients qualify for benefits?

### Insured individuals will qualify for long-term care benefits if they meet these criteria:

1. A U.S.-licensed health care practitioner certifies the insured is either cognitively impaired or is unable to perform 2 out of 6 activities of daily living (ADLs) for a period of at least 90 days. ADLs are:
  - Bathing
  - Eating
  - Contenance
  - Toileting
  - Dressing
  - Transferring (moving into or out of a bed, chair or wheelchair)
2. The 90-day (calendar days) elimination period (calendar days) has been completed.
  - Days do not need to be consecutive, but they must be within a continuous period of 730 days (2 years)
  - The elimination period needs to be satisfied only once in a lifetime while the rider is in effect
3. A plan of care written by a U.S.-licensed health care practitioner must be created for the insured.

### Exclusions may vary by state but generally include:

- Attempted suicide or self-inflicted injury
- Committed or attempted felony
- Alcoholism or drug addiction, unless as a result of administration of medication for treatment prescribed by a physician
- War or any act of war, declared or undeclared

### Pre-existing conditions:

- If the pre-existing condition is not listed on the application, it will not be covered if care begins during the first 6 months of the policy

## How are rider benefits calculated and paid?

Long-term care benefits are paid directly to the owner of the policy (who might not necessarily be the insured). Benefits can be used for any qualified service, including but not limited to home health care, assisted living, adult day care and nursing home care. Any long-term care benefits left over after paying for professional care can also be used for informal care, such as care from an immediate family member or friend.<sup>4</sup>

<b>The maximum monthly benefit amount is the lesser of:</b>	2%, 3% or 4% of the specified amount (elected at time of application) <b>or</b>
	Twice the HIPAA per diem amount <sup>5</sup> × 30 days

## What is the maximum lifetime benefit?

The policyowner will receive the lesser of:

- The long-term care specified amount
- OR
- The base policy specified amount, less any outstanding withdrawals, loans and loan interest

<sup>4</sup> Clients should talk to their tax professional about potential tax implications. Please keep in mind that Nationwide and its representatives do not give legal or tax advice.

<sup>5</sup> The 2022 per diem amount allowed by the Health Insurance Portability and Accountability Act is \$390.

## What can your client expect while receiving long-term care benefits?

- Upon the death of the insured, the beneficiary will receive the greater of:
  - The death benefit, less the accumulated benefits amount, less any outstanding withdrawals, loans and loan interest
- OR
- 10% of the base policy specified amount, less any withdrawals or loans (not available in New York)
- The policy lapse protection provision stipulates that while receiving benefits, the cost of the rider will be waived, but monthly deductions for other policy charges will continue to be deducted from the policy cash value; if, however, the policy cash value becomes insufficient to cover monthly deductions, the policy will not lapse and monthly deductions will be waived as long as the insured is on claim and rider benefits are being received; if the acceleration of the death benefit is no longer needed, the owner may need to pay back any premiums missed, plus interest, to prevent the policy from lapsing or to reinstate the policy to the original desired guarantees, if applicable
- The policyowner cannot take any loans or withdrawals while benefits are being received
- The cost of insurance (COI) on the rider is waived; however, the COI on the life insurance portion is not waived unless the cash value has been reduced to \$0 and the policyowner is collecting benefits
- Upon surrender of the policy, the policyowner will receive the base policy cash surrender value minus the accumulated benefits amount

## Are there any tax implications?

The rider is intended to be a qualified long-term care policy under Section 7702B of the Internal Revenue Code. While considering the information below, please remember that federal tax laws are complex and subject to change. The features discussed represent our current understanding of those laws. Nationwide and its representatives do not give legal or tax advice, so your clients should consult their attorney or tax advisor for answers to specific tax questions. Clients should also be made aware of the following situations:

1. The cost basis of the policy is equal to the premium payments, less withdrawals and less the cost of the insurance charges for the long-term care rider. The cost basis cannot go below \$0. The cost of the rider will not be taxable even if the cost basis is exhausted. However, should the policy be surrendered, the reduction of the cost basis due to the long-term care rider charges could result in a cash value gain that will be taxed as ordinary income.
2. The amount of tax-free benefits that may be received, cumulative of all long-term care policies owned on an individual insured, is the greater of the HIPAA per diem in effect for the given year of claim or the actual long-term care costs incurred. Any amounts collected in excess of this formula will be taxed as ordinary income.
3. Generally, the rider can be used in an irrevocable life insurance trust, with proper planning.

## What else should your client know?

- There is a 30-day “free look” period for the rider
- The rider has no cash surrender value and no loan value
- For additional premium, the rider can be added to existing policies with evidence of insurability; we reserve the right to charge a \$200 processing/underwriting fee
- The long-term care benefit stays level even if your clients choose death benefit option 2 (increasing death benefit) or the life insurance corridor forces the death benefit higher
- Claims payment flexibility allows your clients to receive less than the formula-calculated amount per month if they do not need the full benefit amount; upon the death of the insured, any death benefit not accelerated will be paid to the beneficiary
- Policyowners can save leftover benefits in a separate account owned outside the policy if the full monthly benefit is not needed for care expenses
- Nationwide will pay monthly long-term care benefits outside the United States whenever possible; in addition to the eligibility requirements for the rider, qualifications for international claims must also be met<sup>6</sup>

When choosing a product, make sure that life insurance and long-term care insurance needs are met. Be sure to choose a product that meets long-term life insurance needs, especially if personal situations change — for example, marriage, birth of a child or job promotion. Weigh the costs of the policy, and understand that life insurance, and long-term care coverage linked to life insurance, has fees and charges that vary with sex, health, age and tobacco use. Riders that customize a policy to fit individual needs usually carry an additional charge.

A universal life insurance policy allows policyholders to choose an appropriate amount of life insurance to fit their needs. Both the life policy and the rider have costs associated with them. For specific cost information, you and your clients can refer to their personalized sales illustration.

<sup>6</sup> All claims information and medical records must be submitted in English. Assessment of the insured must be done by a physician or health care practitioner [within the meaning of Section 1861(r)(1) of the Social Security Act 42 USCS 1395x(r)(1)] currently licensed to practice in the United States. Care services must be consistent with what is expected of a U.S. claim. Benefits are paid in U.S. dollars only. It is the responsibility of the contract owner to determine whether collecting benefits outside the United States will be subject to U.S. taxation or taxation from the country of residence, to any other form of taxation or to legal consequences. Nationwide and its affiliates do not give tax or legal advice.

At such time that the insured qualifies for long-term care benefits, Nationwide cannot guarantee it will be legally permissible to send U.S. currency to the country in which the policyowner resides at the time of claim. This is because foreign countries or areas within foreign countries considered acceptable at policy issue may not be in that category at the time of claim. However, at the time of claim, you can refer to the Office of Foreign Assets Control website of the United States Treasury Department for more information.



Our sales representatives are ready to assist you with more information or an illustration at:

<b>Life Insurance Solutions Center:</b>	<b>1-800-321-6064</b>
<b>For Brokerage General Agents:</b>	<b>1-888-767-7373</b>
<b>Producer Group Solutions Center:</b>	<b>1-844-867-8159</b>
<b>World Financial Group Solutions Center:</b>	<b>1-855-455-4139</b>



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