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ADVANCED MARKETING BULLETIN

Shared Premium Long Term Care Insurance

A shared premium long term care (LTC) insurance arrangement may be an attractive executive fringe benefit. A shared premium plan is simply an agreement between two parties to share the premium payments for a long term care insurance policy. Typically, the parties to the plan are the employer and the employee. The most common splits are along the lines of the various elements of the contract: the premium, the benefit amount, the elimination period and/or any riders.

A shared premium plan using long term care insurance is different from a split dollar life insurance plan. In the LTC insurance industry, shared premium is merely a way to share the premium payments for a long term care insurance policy between two or more people. There are no shared ownership arrangements and no shared benefits. The employee is the sole owner of the policy and receives all benefits from the contract.

The employer generally chooses key people, often as a reward for their contributions, and helps them purchase long term care insurance through sharing the expense of the premium. The employer and employee generally enter into an arrangement outside of the insurance policy, in which the employer agrees to pay a percentage of the premium and the employee agrees to pay the balance of the premium payment. The split could be 50/50, 60/40, 70/30 or whatever percentage best reflects the agreement of the parties. In some cases, the employer may develop a scale, which would pay a higher percentage of premium based on the years of service.

Alternatively, the employer could agree to purchase a basic long term care insurance policy for each employee participant in the plan. The individual employee could custom design the long term care contract to meet his/her needs by paying for additional benefits and/or riders.

The terms of the plan should be detailed in the employer's resolution adopting the plan. In general, any premium paid by the employer is a deductible expense and not included in the employee's taxable income. Any premiums

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Principal underwriter: Capital Brokerage Corporation (dba GE Capital Brokerage Corporation in MN, IN, NM and TX), 3001 Summer Street, P.O. Box 120041, Stamford, CT 06912-0041 Member NASD/SIPC
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paid by the employee are treated as unreimbursed medical expenses (limited to the age-based eligible amounts) and may be deductible to the extent that when added together with other medical expenses incurred during the tax year exceed 7.5% of the individual’s AGI. For more details, please refer to our guide, <“2004 Tax Information: Tax-Qualified Long Term Care Insurance.”>

Some examples of shared premium for long term care insurance include the following (Please remember that these arrangements are between the employer and employee and do not involve the insurance provider. The employee is ultimately responsible for payment of premiums and therefore would receive lapse notices, etc., if premiums were not paid):

Benefit Split: The employer agrees to pay for a specified benefit amount. The employee can decide to purchase additional coverage.

Elimination Period Split: Generally, the employer will agree to pay for a long elimination period. The employee can decide that a shorter elimination period would be preferable and agrees to pay the premium difference.

Benefit Period Split: The employer agrees to pay for the shorter benefit period and the employee agrees to pay the premium difference for a longer benefit period.

Rider Split: The employer agrees to pay the premium for a basic policy. The employee may choose to add whatever riders the policy offers which best meet his/her needs and pays the difference in premium.

AN EXAMPLE:

Adam and Bob both work for the same employer. The employer considers both to be valuable employees and agrees to purchase a Privileged ChoiceSM long term care insurance policy* for each. Adam and Bob are both 50 years old. A Privileged Choice contract with a $2,500 per month benefit amount and a 90-day elimination period costs the employer $425 per year for each contract.

Adam decides that he would prefer to have a 30-day elimination period. The total premium for Adam, then, is $475 per year. Under the plan, the employer would pay a $425 annual premium for Adam’s policy, and Adam would pay the balance of $50. He would then have the contract that best meets his needs.

Bob is eligible for the same type of contract as Adam. However, Bob decides that he needs a benefit amount of at least $4,000 per month. The premium for Bob’s contract is $680 per year. The employer will pay $425 and Bob will pay $255 per year.

Both Adam and Bob have a shared premium plan using long term care insurance.

Please call us or email us at gefa.advanced.marketing@ge.com if you have questions.

* Long term care insurance products are underwritten by General Electric Capital Insurance, and in NY, by GE Capital Life Assurance Company of New York.

The discussion of tax treatment in this material is the Genworth Financial companies’ interpretation of the current tax law and is not intended as tax advice. Clients should consult the policy, product and portfolio prospectuses, and a tax professional for information related to their particular situation.