Care Solutions® Product Guide

This guide provides you with the necessary tools to discuss the products offered by The State Life Insurance Company® (State Life), a OneAmerica® company. With the help of this guide, you'll be able to educate yourself on the OneAmerica values, risks associated with long-term care (LTC) and all of our product offerings.

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Care Solutions Product Guide

Why OneAmerica?

Our commitment

You can feel confident knowing The State Life Insurance Company® is part of an organization that's been meeting customer commitments for more than 140 years. With billions in combined assets under administration and a conservative investment approach, we put strategies in place so we can be there when our customers need us most.

Our mutual philosophy

As a mutual organization, we make our policyholders our central focus. We encourage people to ASPIRE to achieve the OneAmerica vision to deliver on our promises to our customers.

A **Achievement** — The people at OneAmerica are achievers, succeeding through discipline, effort and skill. This results in exceptional value and service to our customers.

S **Stewardship** — We're stewards, faithfully protecting and managing all our customers have entrusted to us.

P **Partnership** — We're partners, building trusted relationships with advisors and customers to achieve shared goals.

I **Integrity** — The people at OneAmerica are principled, unwavering in our commitment to do the right thing regardless of circumstances.

R **Responsiveness** — As responders, we proactively identify and urgently resolve customer needs.

E **Excellence** — We pursue excellence to meet our customers' evolving expectations.

Our focus

With a mutual organization philosophy, we focus on three areas to continue our success in the future.

Growth

We're focused on reaching more people and delivering greater value.

Excellence

Exceptional people and operations drive excellent experience and competitive costs for our customers.

People

Our associates are empowered, accountable and constantly developing. When Home Office and the field (you!) help to inform and collaborate with each other, incredible things can happen.

How State Life fits in

The State Life Insurance Company® is a OneAmerica company. It's focused on providing asset-based long-term care products through our Care Solutions® line which utilize life insurance, fixed-interest deferred and immediate annuities.

State Life is widely recognized as a leader in providing these types of products. State Life has been a leader with its asset-based long-term care products for 30 years — that's more than a quarter of a century of providing quality care and meeting customers' needs as they prepare for future long-term care needs.

What is Long-Term Care (LTC)?

Before you can discuss funding options with your clients, it's important to help them define what long-term care is and how it works. Long-term care (LTC) is a wide range of medical and social services for people who have a chronic injury or illness that impacts everyday life. LTC may be provided at home or in a nursing home, an assisted living facility or elsewhere. Most of these services aren't covered by Medicare or health insurance.

Once your clients see the true value of proper LTC, the next question will be related to funding. Typically, there are three common ways to pay for LTC expenses.

Government programs

Programs like Medicare and Medicaid may help pay for some long-term care services, but only in very specific situations. Medicare has specific age and diagnosis requirements, and will not pay for most long-term care or personal care services. Medicaid can cover some long-term care services, but has eligibility requirements based on income that can force customers to spend down assets to qualify.

Traditional LTC Insurance

Many people choose to purchase traditional, health-based long-term care insurance (LTCi). In many circumstances, traditional LTCi can be very expensive, hard to qualify for and viewed as a "use it or lose it" policy. Consumers with this type of product have seen significant and unexpected premium increases, reduction in benefits and carriers leaving the market altogether.

Self-funding

Some consumers believe that they can cover any and all LTC expenses that come their way, but very few people can afford to pay out-of-pocket for each and every LTC expense. Attempting to do so can quickly wipe out assets they've worked their entire lives to build.

What is asset-based long-term care?

To eliminate the pitfalls of traditional LTC funding options, a strategy referred to as asset-based long-term care has been developed. Asset-based long-term care (also referred to as hybrid products, linked benefit products and combo products) is a whole life insurance policy or an annuity contract that allows access to 100% of the life policy death benefit and/or annuity cash value for qualifying LTC expenses (paid monthly).

Asset-based LTC products provide benefits if care is needed. If your client never needs care, their asset passes onto the next generation — making it a part of their legacy. This is one of many factors that makes asset-based LTC an innovative alternative to traditional LTCi.

What is Care Solutions?

The State Life Insurance Company®, a OneAmerica® company, offers a variety of asset-based long-term care products referred to as Care Solutions®. This product suite uses existing assets to fund whole-life or annuity contracts to provide clients with options on how to fund their LTC protection. When your clients choose Care Solutions® products, they're able to reposition existing assets to fund LTC protection with tax advantages. The product suite also offers options that increase flexibility for clients — which enhances their overall value. As a financial professional, you'll be able to successfully identify which Care Solutions® products allow your clients to effectively use their existing assets to fund their LTC needs while also allowing them to leave a legacy if they never need care.

Concept of OneAmerica Care Solutions

Base* + Continuation of Benefits (COB) **Limited**

or

Continuation of Benefits (COB) **Lifetime**

**Life Insurance (Asset Care) or Annuity (Annuity Care)*

Funding
- Single premium
- Recurring premiums
- Qualified money
- Non-qualified annuities
- Cash value life insurance
- Income from a SPIA or SPDA

Funding
- Single premium
- Recurring premiums

Asset Care®

Asset Care can help your clients protect against the risk of LTC expenses and provides a way to pass their assets down to the next generation if they never need care. Asset Care can accommodate many types of assets to fund LTC protection. All Asset Care policies include the following guarantees: death benefit, cash value growth, access to 100% of the death benefit for qualifying LTC expenses and an optional rider for lifetime LTC coverage at premiums guaranteed never to increase.

Overview of the Asset Care funding options

Single Premium Whole Life

- 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 with Return of Premium

- Single-premium whole life policy with an accelerated death benefit for qualifying LTC expenses
- Receive a full return of single premium (less any prior distributions taken) if policy is returned
- Lifetime Continuation Of Benefits is not available with this funding option

Recurring Premium Whole Life

- Whole life insurance with an accelerated death benefit for qualifying LTC expenses
- Available for issue ages 35–80 (5-pay, 10-pay and pay-to-95) or 35–74 (20-pay)
- Premiums can be paid annually or through modal options (monthly, quarterly or semiannually)

Single Premium Annuity Funding Whole Life

- An annuity and income rider that funds a 10-pay whole life policy with accelerated death benefit for qualifying LTC expenses using qualified or non-qualified dollars
- Issue ages: 59½–80
- Typically funded through money currently in qualified retirement plans such as 401(k)s, 403(b)s and IRAs or 1035 exchanges from existing non-qualified annuities and life insurance cash values

Funding options overview

Asset Care Single Premium Whole Life

Policy structure	Single-premium whole life insurance
Issue ages (age last birthday)	• Single and joint: 35–80 • Maximum 25-year age difference between unrated joint insureds
Source of premium	Simple reallocation of CDs, stocks, mutual funds, money markets, savings accounts or cash; transfers of existing life insurance via 1035 exchange
Guarantees	• No additional premium required* • Cash value growth • Death benefit (if not used for LTC) *****_Additional premiums for Continuation of Benefits Rider may be required if chosen at point of sale_
Benefit triggers	• On a monthly basis, the death benefit can be accelerated for qualifying LTC expenses. • All are reimbursement contracts. Qualification is based on receiving care because the chronically ill individual is either: — unable to perform two of six ADLs for a period that is expected to last at least 90 days, or — severely cognitively impaired.
Long-term care benefits	• Care in a LTC facility (all levels) • Care in an assisted living facility • Home health care, including homemaker service • Hospice care • Adult day care • International facility • Respite care • Bed reservation • Care coordination • Caregiver training • Supportive equipment (Benefit details can be found in the Outline of Coverage, including information on policy exclusions and limitations. Producers must provide the Outline of Coverage to applicants.)
Long-term care elimination period	• Benefits for LTC are available to be paid as soon as 0 days after home health care begins. • All other facility care requires 90 days of care within 270 calendar days before benefits will be paid.
Minimum face amount	$50,000 (differs in CA, SD, WA and WI)
Acceleration of benefits (AOB) duration options	50 months, 33 months, 25 months
Continuation of benefits (COB) Rider	• This optional rider can extend LTC benefits if the Acceleration of Benefits balance (AOB balance) has been reduced to zero for qualifying LTC expenses. • COB durations: — Lifetime — 50 months base = 50 months of extended benefits — 33 months base = 33 months of extended benefits — 25 months base = your choice of 25 or 50 months of extended benefits
COB funding frequency	• Single premium, or • Recurring premium (5-pay, 10-pay, 20-pay or pay-to-95)
Access to cash value	Loans made at 7.4% in advance
Type of policy for tax purposes	• Modified endowment contract (MEC). • Loans and withdrawals taxable to the extent of gain in the policy. See the Tax Treatment section of this guide for more information.

Asset Care with Return of Premium

Policy structure	Single-premium whole life insurance
Issue ages (age last birthday)	• Single and joint: 35–80 • Maximum 25-year age difference between unrated joint insureds
Source of premium	Simple reallocation of CDs, stocks, mutual funds, money markets, savings accounts or cash; transfers of existing life insurance via 1035 exchange
Return of premium	• The ROP benefit ensures clients can access their funds whether they're used for LTC expenses, passed on as a death benefit, or returned to the owner minus any prior distributions. • The return of premium benefit applies to the base life policy premium, the acceleration of benefits premium and the continuation of benefits premium. It does not apply to the Inflation Protection premium on the Acceleration of Benefits Rider or the Inflation Protection premium on the Continuation of Benefits Rider.
Guarantees	• No additional premium required • Cash value growth • Death benefit (if not used for LTC)
Benefit triggers	• On a monthly basis, the death benefit can be accelerated for qualifying LTC expenses. • All are reimbursement contracts. Qualification is based on receiving care because the chronically ill individual is either: — unable to perform two of six ADLs for a period that is expected to last at least 90 days, or — severely cognitively impaired.
Long-term care benefits	• Care in a LTC facility (all levels) • Care in an assisted living facility • Home health care, including homemaker services • Hospice care • Adult day care • International facility • Respite care • Bed reservation • Care coordination • Caregiver training • Supportive equipment (Benefit details can be found in the Outline of Coverage, including information on policy exclusions and limitations. Producers must provide the Outline of Coverage to applicants.)
Long-term care elimination period	• Benefits for LTC are available to be paid as soon as 0 days after home health care begins. • All other facility care requires 90 days of care within 270 calendar days before benefits will be paid.
Minimum face amount	$50,000 (differs in CA, SD, WA and WI)
LTC maximum monthly payout options	50 months
Continuation of benefits (COB) Rider	• This optional rider can extend LTC benefits if the Acceleration of Benefits balance (AOB balance) has been reduced to zero for qualifying LTC expenses. • COB duration: — 50 months base = 50 months of extended benefits
COB funding frequency	Single premium only
Access to cash value	Loans made at 7.4% in advance
Type of policy for tax purposes	• Modified endowment contract (MEC). • Loans and withdrawals taxable to the extent of gain in the policy. See the Tax Treatment section of this guide for more information.

Asset Care Recurring Premium Whole Life

Policy structure	Recurring-premium whole life insurance
Issue ages (age last birthday)	• Single and joint: 35–80 • Maximum 25-year age difference between unrated joint insureds
Source of premium	Use current income, cash, savings or simple reallocation of CDs, stocks, mutual funds, money markets; transfers of existing life insurance via 1035 exchange
Premium modes	5-pay, 10-pay, 20-pay or pay-to-95 (Pay-to-95 is based on the age of the older insured on a joint contract.)
Guarantees	• Cash value growth • Death benefit (if not used for LTC)
Benefit triggers	• On a monthly basis, the death benefit can be accelerated for qualifying LTC expenses. • All are reimbursement contracts. Qualification is based on receiving care because the chronically ill individual is either: — unable to perform two of six ADLs for a period that is expected to last at least 90 days, or — severely cognitively impaired.
Long-term care benefits	• Care in a LTC facility (all levels) • Care in an assisted living facility • Home health care, including homemaker services • Hospice care • Adult day care • International facility • Respite care • Bed reservation • Care coordination • Caregiver training • Supportive equipment (Benefit details can be found in the Outline of Coverage, including information on policy exclusions and limitations. Producers must provide the Outline of Coverage to applicants.)
Long-term care elimination period	• Benefits for LTC are available to be paid as soon as 0 days after home health care begins. • All other facility care requires 90 days of care within 270 calendar days before benefits will be paid.
Minimum face amount	$50,000 (differs in CA, SD, WA and WI)
LTC maximum monthly payout options	50 months, 33 months, 25 months
Continuation of benefits (COB) Rider	• This optional rider can extend LTC benefits if the Acceleration of Benefits balance (AOB balance) has been reduced to zero for qualifying LTC expenses. • COB durations: — Lifetime — 50 months base = 50 months of extended benefits — 33 months base = 33 months of extended benefits — 25 months base = your choice of 25 or 50 months of extended benefits
COB funding frequency	• Matches that of base policy
Access to cash value	• Loans made at 7.4% in advance
Type of policy for tax purposes	• Can vary on a case-by-case basis. • Loans and withdrawals taxable to the extent of gain in the policy. See the Tax Treatment section of this guide for more information.

Asset Care Annuity Funding Whole Life

Annuity policy structure	An annuity which funds a 10-pay whole life insurance policy with accelerated death benefits for qualifying LTC expenses using an income rider; can be funded with either qualified or non-qualified funds
Issue ages (age last birthday)	• Single and joint: 59 1/2–80 • Maximum 25-year age difference between unrated joint insureds
Source of premium	1035 exchange of existing nonqualified annuities or qualified money, direct transfer or rollover of an existing IRA, cash
Guarantees	• No additional premium required • Cash value growth • Death benefit (if not used for LTC)
Benefit triggers	• On a monthly basis, the death benefit can be accelerated for qualifying LTC expenses. • All are reimbursement contracts. Qualification is based on receiving care because the chronically ill individual is either: — unable to perform two of six ADLs for a period that is expected to last at least 90 days, or — severely cognitively impaired.
Long-term care benefits	• Care in a LTC facility (all levels) • Care in an assisted living facility • Home health care, including homemaker services • Hospice care • Adult day care • International facility • Respite care • Bed reservation • Care coordination • Caregiver training • Supportive equipment (Benefit details can be found in the Outline of Coverage, including information on policy exclusions and limitations. Producers must provide the Outline of Coverage to applicants.)
Long-term care elimination period	• Benefits for LTC are available to be paid as soon as 0 days after home health care begins. • All other facility care requires 90 days of care within 270 calendar days before benefits will be paid.
Minimum face amount	$50,000 (differs in CA, SD, WA and WI)
LTC maximum monthly payout options	50 months, 33 months, 25 months
Continuation of benefits (COB) Rider	• This optional rider can extend LTC benefits if the Acceleration of Benefits balance (AOB balance) has been reduced to zero for qualifying LTC expenses. • COB durations: — Lifetime — 50 months base = 50 months of extended benefits — 33 months base = 33 months of extended benefits — 25 months base = your choice of 25 or 50 months of extended benefits
COB funding frequency	10-pay (funded via the annuity withdrawals)
Access to cash value	Loans made at 7.4% in advance
Type of policy/ contract for tax purposes	• Can vary on a case-by-case basis • Loans and withdrawals taxable to the extent of gain in the policy/contract. See the Tax Treatment section of this guide for more information.

Product details

LTC benefits

- Care in a LTC facility (all levels), hospice care, adult day care, respite care (1x the AOB maximum benefit limit per calendar year)
- Care in an assisted living facility
- Home health care, including hospice care and homemaker services
- Bed reservation (30 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

Acceleration of Benefits (AOB)

The AOB provides monthly benefit payments for qualifying long-term care expenses. These benefit payments will reduce the policy's face amount and cash value.

The minimum benefit duration is chosen at the point of application:

- 50 months
- 33 months
- 25 months

Elimination period

Benefits for LTC are available to be paid as soon as 0 days after home health care begins.

All other facility care requires 90 days of care within 270 calendar days before benefits will be paid.

International facility

Coverage is provided for facility care received in locales outside the U.S., its territories, and Canada. There is no international coverage for non-facility care.

Benefits are only payable under the AOB (or base contract). Benefits are not payable for international facility care on the COB rider.

The monthly benefit amount will be 50% of the initial AOB monthly benefit limit. For example, if the base contract provides for $2,000 per month for care, the international facility benefit will provide $1,000 per month. May vary by state.

Benefit triggers do not differ for international facility coverage (2 of 6 ADLs, a plan of care, care provided by licensed healthcare practitioner, etc).

Canada is not treated as international coverage. All forms of contractual care is eligible. However, benefits will be reimbursement-based and the exchange rate to convert expenses incurred in Canadian dollars to US benefit dollars will be chosen by OneAmerica. May vary by state.

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.

Optional riders

Continuation of Benefits Rider

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. International Facility and Care Coordination benefits are not available on the rider.

Premiums can't increase, and only the policy owner 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
- Lifetime

The limited period depends on the maximum monthly LTC option:

- 50 months base = 50 months of extended benefits
- 33 months base = 33 months of extended benefits
- 25 months base = your choice of 25 or 50 months of extended benefits

On a joint policy, the lifetime benefit applies to both insureds for one premium rate.

Inflation protection and nonforfeiture benefits may be available on this rider for an extra premium.

Payments can be made on a single premium, 5-pay, 10-pay, 20-pay or lifetime (pay-to-95) basis depending on the funding option chosen.

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 the base policy LTC benefit will increase. This increase in turn increases the monthly maximum benefit for LTC. IPR premiums can't be cancelled.

Premiums can't increase, and only the policyowner can terminate the rider.

Options include 3% or 5% compound interest, for 20 years or a lifetime. If selected for both the base coverage and COB Rider, the interest rates and duration must match. The premiums are guaranteed never to increase.

Single Premium Drop-in Rider

The Single Premium Drop-in Rider allows clients to make up to two additional premium drop-ins within six months of policy issue. The minimum amount per drop-in is $10,000 with a maximum of $100,000. The maximum face amount that can be purchased by the drop-ins may not exceed $250,000. Clients will be underwritten for the assumed total face amount including initial premium and all drop-ins.

Note: The Single Premium drop-in Rider is only available on the Recurring Premium Whole Life funding option.

Base/Rider Pay Modes

	Base Premium Modes	COB Rider pay options	Base IPR pay options	COB IPR pay options
Asset Care Single Premium Whole Life	Single premium	Single, 5-pay, 10-pay, 20-pay, pay-to-95	Must match base premium mode	Must match COB Rider
Asset Care with Return of Premium	Single premium	Must match base premium mode	Must match base premium mode	Must match COB Rider
Asset Care Annuity Funding Whole Life	Annuity: Single premium Life: 10-pay	Must match life base premium mode (i.e., 10-pay)	Must match life base premium mode (i.e., 10-pay)	Must match COB Rider
Asset Care Recurring Premium Whole Life	5-pay, 10-pay, 20-pay, pay-to-95	Must match base premium mode	Must match base premium mode	Must match COB Rider

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 prepayment of the death benefit. This is true regardless of whether the policy is a modified endowment contract (MEC). MEC status affects treatment of loans and withdrawals, but not LTC benefits.

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

Single Premium Whole Life

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

Asset Care with Return of Premium

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

Single Premium Annuity Funding Whole Life

Amounts not paid for LTC benefits under the life policy pass income-tax free to the named beneficiary.

If the spouse is the beneficiary on the annuity, he or she can assume the contract and continue to defer any gain or select a payment option.

Recurring Premium Whole Life

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

Loans and withdrawals

Single Premium Whole Life

Single-premium whole life policies are always a MEC unless purchased using section 1035 exchange with no additional outside premiums. Lifetime distributions (loans and withdrawals) are gain first, then principal. Interest-first distributions are subject to income tax. Distributions taken by an owner before age 59½ are subject to an additional 10% tax by the IRS on the amount includible in income.

Single Premium Annuity Funding Whole Life

Withdrawals from the annuity portion are interest first, then principal. Interest-only distributions are subject to income tax. Annuity withdrawals with an owner younger than age 59½ are subject to income tax and an additional 10% tax by the IRS. (Consult your tax advisor for complete details.) Annuity withdrawals to fund the Asset Care policy are taxable as ordinary income to the extent any interest is withdrawn. Withdrawals from the annuity portion are fully taxable.

Recurring Premium Whole Life

Multi-pay policies may or may not be MECs depending on the pay period and other policy characteristics. Contact the Care Solutions Sales Desk for more information.

Additional information

Effective date

Asset Care coverage 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 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.

Asset Care face amount reductions

A face amount reduction will, by the same percentage, reduce the policy premium, the AOB balance and the AOB monthly benefit limit. If there is an outstanding loan amount any cash value that may be paid will be reduced.

Required minimum distribution qualified

State Life will calculate the required minimum distribution after age 72* according to current tax regulations. Any minimum distribution in excess of the life premium is forwarded directly to the policyholder.

Quotes and outlines of coverage

Outlines of coverage must be delivered before clients complete the application. Your OneAmerica marketing representative can give you more information on running quotes and obtaining outlines of coverage.

** Required minimum distributions (RMDs) are minimum amounts that U.S. law requires to be withdrawn annually from traditional IRAs and employer-sponsored retirement plans. Based on the Secure 2.0 Act of 2022, RMD distributions vary based on the individual's date of birth, falling somewhere between age 70½ and 75.*

FAQ

Q: Will there be prorating of premiums once an insured is on/off claim?

A: All recurring premiums will automatically be waived while an insured is on claim. LTC claim payments under the AOB rider and AOB inflation protection rider will reduce the premium for the life insurance policy and the AOB riders pro-rata. The annual premiums due, except ongoing COB premiums, will be reduced when/if an insured is no longer on claim.

Q: How does the cash value grow if there's no interest rate?

A: The cash value will grow over the life of the policy to equal the life insurance face amount at maturity, the same as traditional Whole Life. There is an underlying interest rate and mortality used in determine the cash value at any point in the life of a contract. To see what the cash value will be for a policy, please run a quote.

Q: We know the policy could pay dividends, but we are assuming it won't. Why is this?

A: The contract is structured as a participating whole life insurance policy with no dividends anticipated. This structure provides us with the option to introduce dividends for new business in a higher interest rate environment, though there are no plans to do so at this time.

Q: What happens when a client wants to move to a reduced paid up policy?

A: The contract does provide for a reduced paid up option. If the insured ceases paying premiums, we will reduce the death benefit and AOB accordingly. If the COB rider was purchased it would be terminated unless they purchased the nonforfeiture rider (which is not available in all states).

Q: With the zero-day elimination period for home care, what happens if the insured goes into a facility after that?

A: Days of care will be credited toward the 90-day elimination period. For example: Client goes on claim for Home Healthcare and receives 60 visits over the next 90 days. If a client then moves to a facility, they would need to pay out-of-pocket to satisfy the remaining 30 days of care toward the total 90-day elimination period.

Q: What are the available options for adding inflation protection to the AOB and COB?

A: If the policy doesn't have a COB rider, the client can choose to have inflation on the AOB or forgo the inflation protection rider. If the policy does have a COB rider, then:

- They can forego inflation entirely
- They can choose inflation on the COB but forego inflation on the AOB
- They can choose inflation on both the COB and AOB, in which case the rate and duration must be the same
- They cannot choose inflation on the AOB but forego inflation on the COB

Q: Can the COB rider be paid for after the base policy is issued?

A: No. The rider must be paid at same time as base.

Q: If an annual premium is selected for the COB on a Single Premium Whole life case, will the COB premiums be waived when on claim for the base?

A: Yes

Q: Most people are familiar with the 7-pay rule regarding MECs (Modified Endowment Contracts). Can you explain why a 10-pay may sometimes be considered a MEC?

A: A contract is considered a MEC if the customer pays more into the contract than a "seven-pay premium" would purchase. The seven-pay premium is a calculation that uses mortality and interest assumptions from the IRS assuming the contract was to be paid up in seven years. The seven-pay premium isn't a precise measurement of what a policy's actual premium would be, since the IRS calculation doesn't include all the costs associated with issuing and servicing policies.

As a result, contracts with pay periods LONGER than seven years may still be a MEC if the premium is greater than the IRS-calculated seven-pay premium. This will vary on a case-by-case basis.

Q: What is the Single Premium Drop-In Rider (SPDR)?
A: This is a rider that allows up to two additional premium drop-ins within 6 months of policy issue which buy additional paid-up amounts of insurance for each coverage (base and all riders).

Q: What are the minimums and maximums for premium drop-ins?
A: The minimum amount per drop-in is $10,000 with a maximum of $100,000.

Q: What is the maximum face amount purchased by the additional drop-ins?
A: The maximum face amount that can be purchased by the drop-ins may not exceed $250,000.

Q: Does the producer get compensated on the SPDR?
A: Yes, producers will be compensated the single pay commission rate for each additional drop-in.

Q: How does this affect the Net Amount at Risk (NAR)?
A: Insureds who choose the SPDR will be underwritten for the entire projected amount of initial single premium plus any additional drop-ins.

Q: What if an insured wants to drop in more than the amount for which they were originally underwritten?
A: We will decline the additional amount. However, it would be beneficial for the insured to apply for a little bit more than they expect to submit if they are unsure of how much money may come from a 1035 exchange.

Q: When is product training required?
A: Product training is required to be completed before selling the Annuity Funding Whole Life option if the product is being sold in an NAIC state.

Q: What will the interest rate on the cash accumulation value for the Annuity Funding Whole Life be at launch?
A: It will be 1.1%.

Q: Will clients receive an annual 1099 for withdrawals from the annuity?
A: Yes, the client will receive a 1099 each year for the withdrawals.

Q: How does the income rider work to pay the life premiums?
A: A premium bonus is used to create the income base that we take the withdrawals from to fund the whole life policy. For example, if the premium bonus was 10%, and premium was $100,000 it would create a $110,000 income base to fund the whole life policy. We would then withdraw $10,000 per year over 10 years. The Income Value reduced the Cash Value dollar-for-dollar. Therefore, the Cash Value will be depleted in year 8 or 9.

Q: Can you show an example of how Waiver of Premium impacts the Annuity Funding Whole Life?
A: If an insured goes on claim in the first 10 years while the Income Rider is funding the whole life policy, the life policy premium will be waived. The income rider withdrawal isn't needed because Waiver of Premium is a built-in benefit. The owner of the annuity can decide to forego the withdrawal or receive it directly.

Q: What if an insured goes on claim in the first 10 years?
A: All LTC benefits are provided by the life policy; the annuity value is not used for LTC benefits. With waiver of premium built in, annuity income rider withdrawals are not needed to pay the life premiums. The owner will receive income rider payments directly, since they are not needed to pay the life policy premium.

Q: What happens if the insured dies in the first 10 years?
A: If there's a joint insured, the income rider will still pay the life policy premiums. If it's a single insured and the owner dies after income rider withdrawals have begun, the beneficiary can either (1) receive the annuity cash value as a death benefit or (2) receive the remaining income rider payments directly.

Q: The new SPDA only has a 10-year period certain. If we need to decrease the annual 1099R exposure, can we still use the SPIA to Recurring Premium Whole Life strategy?
A: Yes

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 to be exchanged for single-premium whole life/annuity. Section 1035 does not allow one or more individual single life insurance policies to be exchanged for a joint Single Premium Whole Life policy. Nor can a client exchange an existing annuity for a Single Premium Whole Life policy.

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 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: Refer to the New Business section of the Process guide (I-32803) to determine which forms are necessary for each Asset Care funding option. If you have questions, call **1-844-883-5520**.

OneAmerica® Care Solutions Annuity Care®

The Care Solutions annuity products include: Annuity Care, Annuity Care II and Indexed Annuity Care. Annuity Care is a single-premium deferred annuity with a higher credited rate of interest for qualifying long-term care expenses. When clients utilize their Annuity Care for qualifying LTC expenses, any money received is federal income-tax free as a result of the Pension Protection Act.

Why Annuity Care?

Most people purchased an annuity because of the product's guarantees, tax deferral and interest rate. However, the reason they purchased the product may not be the reason they ultimately need it. Many things can change from the time the product is purchased to the time the product is used. Perhaps a client goes from having children at home or in college to an empty nest, from being employed to retiring and from having a mortgage to owning their home free and clear. As life changes, how does the annuity change with it?

Primary intended uses

Typically, annuity products are used for the same reasons from person to person. A large majority of individual annuity owners (87%)[1] expect to use their contracts as a financial cushion in case they live well beyond their life expectancy. To go along with their financial cushion and retirement income, owners say they intend to use their annuities as a resource to avoid being a burden to their children (79%).[1] Another use includes using annuities as a financial protection for other investments (73%)[1] and as an emergency fund for a catastrophic illness or nursing home care.

Tax treatment

A large majority of those who own individual annuities (86%) cite the tax treatment as a main reason why they chose the product.[1]

Guaranteed lifetime withdrawal benefit

Nearly 9 in 10 individual annuity owners (87%) value the guaranteed lifetime withdrawal benefit (GLWB). Plus, 77% of owners with the GLWB say the feature factored in their decision to purchase an annuity.[2]

1. *2013 Survey of Owners of Individual Annuity Contracts. The Committee of Annuity Insurers. The Gallup Organization and Matthew Greenwald & Associates. 2013. Page 10.* **2.** *Ibid. Page 11.*

Overview of our annuity solutions

Annuity Care®

An annuity that allows access to its cash value for qualifying LTC expenses with a higher credited interest rate for these funds.

- No medical exams
- Underwriting normally completed within 72 hours of receipt of the application at the home office
- Optional benefit can provide additional protection at never-to-increase premiums

Annuity Care® II

A single-premium deferred annuity that combines potential 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 if needed.

- No medical exams
- Qualifies for Pension Protection Act advantages

Indexed Annuity Care®

A single-premium fixed indexed annuity with guaranteed account growth and LTC protection.

- Several crediting options available to maximize account value
- Tax advantages for qualifying LTC expenses (if contract is funded with after-tax dollars)
- Optional COB rider allows your client to continue benefits after annuity value is exhausted

Annuity Care

Policy structure	Single-premium deferred annuity
Issue ages (single life or joint life spouses only)	50–85
Single premium	Minimum: $10,000 (may vary by state) Maximum: $500,000
Surrender charges (policy years) May vary by state. Please review an illustration or disclosure for state-specific information.	1–3 = 8% 4 = 7% 5 = 6% 6 = 5% 7 = 4% 8 = 3% 9 = 2% 10+ = 0 (nine years)
Free partial surrenders	At any time after the first policy year, clients can access 10% of the accumulated value with no surrender charges (may vary by state). Partial surrenders will reduce the amount available for LTC expenses. Withdrawals for LTC expenses from the LTC fund are not subject to surrender charges.
Death of owner/annuitant (single policy)	Surrender charges will be waived upon the death of the owner/annuitant (if same person).
Death of annuitant (joint policy)	Surrender charges will be waived upon the death of the surviving annuitant (second annuitant to die).
LTC fund withdrawals (may vary by state)	Clients can access the LTC fund of their annuity by qualifying in one of two ways: • Inability to perform two of six activities of daily living (bathing, continence, dressing, eating, toileting and transferring) • Severe cognitive impairment (for example, Alzheimer's disease) To be eligible for benefits, the annuitant or eligible person (covered person) must be a chronically ill individual (if funded with non-qualified money) with qualified long-term care services provided pursuant to a plan of care prescribed by a licensed health care practitioner.
LTC fund waiting period	There is a 7-day waiting period before LTC fund withdrawals can begin.
Types of care covered	Long-term care withdrawals under Annuity Care 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, providing detailed information on coverage, policy exclusions and limitations.)
LTC expenses paid (reimbursement)	Actual LTC expenses will be paid from the LTC fund, up to the amount of the monthly benefit limit. The monthly benefit limit is calculated by dividing the LTC fund balance at time of claim by 34.5. A minimum of 36 months of protection is available. (May vary by state.)
Interest rates	A minimum interest rate will be credited to both the accumulated and LTC funds. Please contact State Life for current and guaranteed interest rates for your state(s). The interest rate for the LTC fund is guaranteed for 5 years from the policy's effective date.
Continuation of Benefits for Long-Term Care Option (36-month extension and lifetime extension of LTC benefits are available. May not be available in all states.)	This option can extend LTC benefits if the annuity LTC benefits are exhausted. Premiums for the option are guaranteed and can be paid annually or with a one-time (single) premium. Inflation protection and nonforfeiture benefits are both available.

Annuity Care II

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 option (May vary by state. Please see an illustration for specific information.)	• 6 years (ages 40 through 69) • 3 years (ages 70+)
Single premium (nonqualified premium only)	Maximum: $300,000 (with inflation and/or nonforfeiture) $500,000 (without inflation and/or nonforfeiture)
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% of the accumulated value (as of the beginning of the contract year) without a surrender charge. May vary by state. • Full surrenders within 12 months of a partial surrender will result in a recapture of the waived surrender charges. May vary by state. • No surrender charge will be assessed on any qualifying LTC benefit withdrawal.
Tax advantages	Annuity Care II provides an effective way to protect assets from the potential expenses associated with end-of-life care. It is also tax efficient. • 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 death.
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 in one of two ways: • Inability to perform two of six ADLs (bathing, continence, dressing, eating, toileting and transferring); or • Severe cognitive impairment (for example, Alzheimer's disease) • To be eligible for benefits, the annuitant or eligible person (covered person) must be a chronically ill individual with qualified long-term care services provided pursuant to a plan of care prescribed by a licensed health care practitioner.
LTC elimination period	Clients have a 90-day elimination period before they can withdraw funds for LTC expenses.
LTC withdrawal methods	Reimbursement — the payment amount will be based upon the amount of actual expenses incurred for qualifying LTC expenses up to the monthly benefit limit.
Interest rates	A minimum interest rate will be credited to both the LTCAV and the AV. Please contact State Life for current and guaranteed interest rates in your state(s). The interest rate for the LTCAV is guaranteed for five years from the contract effective date.

Indexed Annuity Care

Contract structure	Single premium fixed-indexed annuity with LTC benefits
Issue ages	40–85 (age last birthday) Single or joint annuitant, single with eligible person
Minimum premium	$50,000
Maximum premium	$500,000 (single premium only)
Premium accepted from	Non-qualified, qualified (qualified funds not accepted in CA)
Surrender charges	9-year surrender period only; year 1=9%, declining 1% per year to 0% in years 10+ (may vary by state)
Surrender charge waivers	Death of owner or annuitant
Partial withdrawals	There are no surrender charges assessed on any qualifying LTC benefit withdrawal. For non-LTC withdrawals, up to 10% of account value after year 1 can be taken free of surrender charge. Minimum withdrawal amount is $500. Full surrenders within 12 months of a partial surrender will result in recapture of the waived surrender charges, subject to state variations.
Crediting strategies	• Fixed account • Point-to-point (PTP) with cap • Point-to-point (PTP) with a participation rate • Monthly average (MA) with cap • Monthly average (MA) with a participation rate
LTC payout	All are reimbursement contracts. Clients can access the LTC fund of their annuity by qualifying in one of two ways: • Inability to perform two of six activities of daily living (bathing, continence, dressing, eating, toileting and transferring) • Cognitive impairment (for example, Alzheimer's disease) • To be eligible for benefits, the annuitant or eligible person (covered person) must be a chronically ill individual with qualified long-term care services provided pursuant to a plan of care prescribed by a licensed health care practitioner.
LTC waiting period	After 60 days of qualifying long-term care received, Indexed Annuity Care will begin paying benefits.
LTC benefits	Long-term care withdrawals 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, contract exclusions and limitations)
Continuation of Benefits for Long-Term Care Option	This optional rider can extend LTC benefits if the LTC benefit balance is totally used for qualifying LTC expenses. Premiums for the rider are guaranteed to never increase and can be paid annually or with a one-time (single) premium. Inflation and nonforfeiture options are also available.

Optional riders

Continuation of Benefits Rider

Your clients who exhaust their annuity values through LTC benefits can receive an extension on their benefits. Plus, the premium for the option is guaranteed to never increase. And how about flexibility? The option offers inflation protection. The extension of benefits on Annuity Care II is paid by a monthly deduction from the annuity values, while the extension on Annuity Care and Indexed Annuity Care is paid by a separate premium.

Issue Ages

- Annuity Care: 50–85
- Annuity Care II: 40–80
- Indexed Annuity Care: 40–85

Continuation of Benefits Options

- Annuity Care: 36 months or lifetime
- Annuity Care II:
  - — 6 years (ages 40 through 69)
  - — 3 years (ages 70+)
- Indexed Annuity Care:
  - — Single Annuitant: 24 or 48 months or lifetime
  - — Joint Annuitants or annuitant with an eligible person: 30 or 60 months or lifetime

The Pension Protection Act and Long-Term Care

Frequently asked questions

What is the Pension Protection Act?

The Pension Protection Act, also known as Public Law 109–280, is a wide-ranging piece of legislation signed into law August 17, 2006. While the majority of it deals with changes and reforms to pension governance, Section 844 of the act deals specifically with annuities, long-term care and new tax advantages.

What does the Pension Protection Act do for annuities?

As of January 1, 2010, cash value withdrawals from non-qualified annuity contracts to pay for qualifying long-term care expenses or to pay qualifying long-term care insurance premiums, are no longer taxable income but considered as a reduction of cost basis. Benefit payments from long-term care insurance riders are also not taxable. "As a reduction of cost basis" means that distributions from the policy are non-taxable and reduce the owner's cost basis in the contract (but not below zero).

How does the Pension Protection Act do this?

The Pension Protection Act allows annuity contracts to include long-term care coverage and under new Code Section 7702B(e)(1), such coverage will be treated for tax purposes as a separate contract. By separating the annuity and LTC portions of the contract, it has become possible for the long-term care coverage to be qualifying under section 7702B as set forth by the Health Insurance Portability and Accountability Act or HIPAA (Public Law 104–191). Under new Code Section 72(e)(11), premium charges associated with long-term care coverage that are distributed from the cash value of an annuity contract will not be treated as taxable distribution, but as a non-taxable reduction of cost basis.

What is HIPAA?

The Health Insurance Portability and Accountability Act (HIPAA), enacted in 1997, among other things, set standards for a long-term care insurance policies to be considered federally qualifying and established that benefit payments from such qualifying policies are not subject to federal income taxation.

The primary difference between qualifying and non-qualifying long-term care insurance contracts is that the qualifying contracts must satisfy several specific benefit and consumer protection requirements. IRC Section 7702B(b), created by HIPAA, requires that an individual must be receiving care pursuant to a plan of care prescribed by a licensed health care practitioner, and that the individual be certified by a licensed health care practitioner as being “chronically ill” by either being unable to perform at least two activities of daily living or requiring substantial supervision due to a severe cognitive impairment.

Eligible Person Provision

Obtain joint coverage by transferring an existing annuity with a single owner

What is it?

If a client owns a tax-deferred annuity with a single annuitant/owner, he or she can transfer it to an annuity-based option via Section 1035 Exchange and have the opportunity to designate a spouse as an Eligible Person on the new annuity. An Eligible Person has no rights in the policy, but is eligible as an insured to receive payments for qualifying LTC expenses.

Why would clients want it?

This is a simple way for a client to secure protection for a spouse who might not be listed as an owner or annuitant on a current annuity.

How can clients get it?

When clients apply for coverage, they should check the Eligible Person box on the application. This requires that they also list the Eligible Person as the Primary Beneficiary.

FAQ

Q: With a guaranteed minimum rate of 3%, why would a client move this annuity?

A: Many people buy their annuity for a specific reason (e.g., the interest rate, guarantees or tax deferral), but that reason changes as the years pass (e.g., to health care, legacy or income). As a result, clients may need to earmark their annuity for age-related health care. In this case, the annuity should be able to provide much more than 3% annually.

Q: What is the minimum interest rate/interest rate/ internal rate of return?

A: Annuity Care features a minimum guaranteed interest rate. Current interest rates can be found on OneSource Online. The contract can earn more than the minimum, but remember why clients are attracted to Annuity Care. The product isn’t designed for higher accumulation, but to protect everything the client has worked to build. Annuity Care provides a monthly benefit for one or two people when they face expenses because they need care. If the client chooses the lifetime option, this benefit pays for one or two people for life — and the potential benefit amount is not likely found in any another annuity available today.

Q: Are withdrawals to pay for LTC expenses subject to taxes?

A: The Pension Protection Act of 2006 ensures that the owner does not pay taxes on any withdrawals used to pay for LTC expenses or for the COB Rider. A client qualifies for benefits when he or she is not able to perform two or more of the six activities of daily living and/or has a severe cognitive impairment.

Q: How does Annuity Care compare to other LTC annuities?

A: Care Solutions products have been paying claims for nearly 30 years. As long as the client is eligible for reimbursement for the entire month, our policies do not reduce the home health care benefit based on number of days care is needed, unlike other annuity LTC policies. The COB Rider, which provides lifetime benefits, is exclusive and offered only by OneAmerica Care Solutions. This is one of the most important features for all LTC planning due to the increased need for care up to and through retirement. Diseases like Alzheimer’s, Parkinson’s, and dementia are requiring care for a significantly longer duration and intensity. A lifetime option is the only way to ensure benefits for the entire length of these diagnoses.

Indexed Annuity Care — Help your clients protect and grow their legacy

How Indexed Annuity Care works

- Your client(s) pay a single premium for their Indexed Annuity Care contract.
- Indexed Annuity Care is available to single or joint annuitants and annuitants with an eligible person — with LTC benefits for both.
- Indexed Annuity Care is medically underwritten, so your clients must qualify for coverage.
- Your clients can link their contract's growth to several crediting strategies tied to the S&P 500® index — allowing them to enjoy growth during years of positive gain and protection from losses in down years. Crediting strategies include:
  — Point-to-point (PTP) with cap
  — Point-to-point (PTP) with a participation rate
  — Monthly average (MA) with cap
  — Monthly average (MA) with a participation rate
- Fixed account

See page 24 for details.

- As your clients' account value grows, so does the amount available for qualifying LTC expenses. This amount, also known as the LTC benefit balance, is increased by a certain percentage determined by the value and year of the contract — providing guaranteed leverage for LTC expenses.
  — Indexed Annuity Care's base contract provides 24 months of benefits to single annuitants and 30 months of coverage to joint annuitants or annuitants with an eligible person. In Connecticut, the LTC benefit balance and account value are the same.

Indexed Annuity Care options

Optional Continuation of Benefits Rider

Fixed indexed annuity with LTC benefits:
- 24 months, single
- 30 months, joint

+

Additional LTC benefit:
- 24 months, single
- 30 months, joint

= Double the initial benefit

or

Additional LTC benefit:
- 48 months, single
- 60 months, joint

= Triple the initial benefit

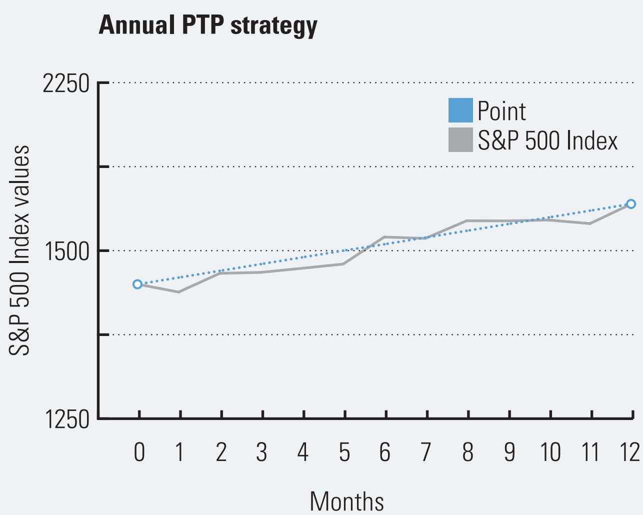
or

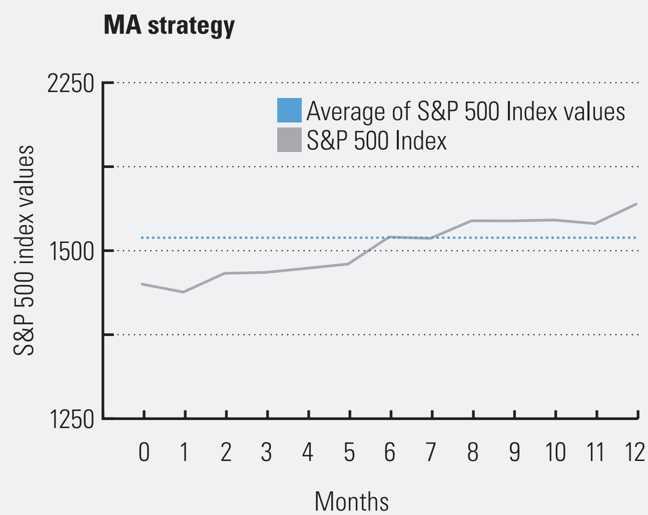
Additional LTC benefit:
Lifetime LTC benefit, single or joint

- At application, clients can purchase extended LTC benefits through the optional Continuation of Benefits (COB) Rider. This rider can continue LTC benefits after the base contract's LTC benefit balance is depleted by qualifying LTC withdrawals. The additional premium for this benefit is guaranteed never to increase, providing extra peace of mind. (See the insert for information about COB rider rates.)
- Benefits are available for qualifying LTC expenses, including care in a nursing facility, assisted living facility, home care, adult day care, hospice and more.
- Clients gain unique tax advantages afforded by the Pension Protection Act of 2006. Indexed Annuity Care meets the legislation's criteria, which makes the base annuity benefits free of federal income tax (as a reduction of cost basis). COB Rider benefits are likewise federal income-tax free.

Note: This applies to contracts funded with after-tax nonqualified sources. LTC benefits received from contracts funded with qualifying sources may be taxable.

Options for linking to the S&P 500® Index





Annual PTP strategy with a cap or participation rate

A PTP strategy credits interest to the contract annually based on the starting and ending points of the S&P 500 Index. Your clients can take advantage of positive market returns in some years while knowing their account value is protected from declines due to market performance in other years.

Any percentage gain is credited to the indexed account value, subject to the cap rate or participation rate declared annually.

MA strategy with a cap or participation rate

With the MA strategy, your client's contract can earn annual interest based on the monthly average value of the S&P 500 Index. The value of the S&P 500 at market close on the 14th day of every month will be tracked throughout the year to determine the average for the year. **Note:** If the 14th day falls on a weekend or holiday, the value is taken the next business day. The chart shows the values taken throughout the year. This average is compared to the beginning index value, and any percentage gain is credited to the indexed account value at the end of the contract year, subject to the cap rate or participation rate declared annually.

Understanding cap and participation rates

What is a cap?

The cap is a "ceiling" on how much interest can be earned in any given period. It represents the maximum amount of interest credited to the indexed strategy. The cap rate resets annually at the beginning of each new interest period, is determined by the contract and is based on current market conditions. The company sets a minimum cap for the indexed strategy.

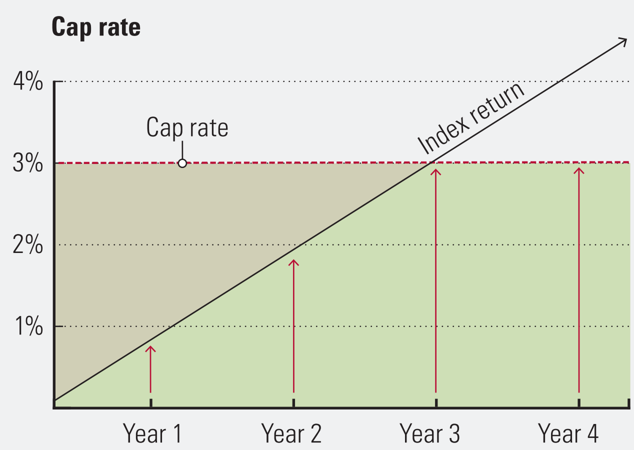
If the growth of the index is positive, your clients can receive interest for that annual period up to the stated cap. If it's negative, your clients are protected by the floor.

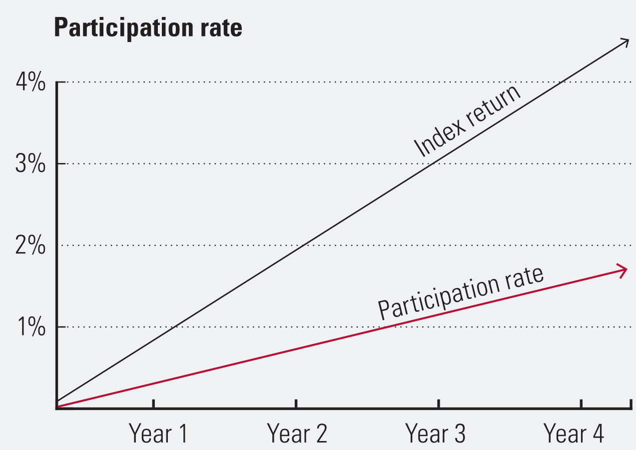
Interest is credited annually to the indexed account value, which means any withdrawals from an indexed account before the end of the term will not receive interest for that period.

What is a participation rate?

A participation rate lets your clients earn a percentage or portion of the index increase during the annual period of their contract.

How cap and participation rates work





Using a cap rate

A cap allows your clients to earn 100% of the index return up to the cap limit.

Using a participation rate

A participation rate lets your clients earn a percentage, or portion, of the index increase during the annual term of their contract.

How gains are credited to your client's contract

Will your client's account value go down if the S&P 500 Index goes down?

No. If the S&P 500 Index goes down, your client's account value doesn't decrease. It also does not increase.

Does your client earn interest if the S&P 500 goes up?

If the S&P 500 Index goes up, your clients have the opportunity to receive interest. The amount of interest depends on several factors, including the change in index value, the crediting strategies selected and the participation or cap rate declared by the company.

Is interest credited monthly or annually?

That depends on the crediting strategy selected. Index-linked interest is credited annually, and fixed account interest is credited monthly.

Can your client change the strategy allocation?

Your client will receive a reallocation notice 30 days before the contract anniversary. He or she then has until five business days before the contract anniversary to modify the allocation strategy. If no changes are requested, the contract account value will automatically rebalance every year based upon the most current percentages chosen by the client.

Once the interest is credited, does your client get to keep it?

Yes, once credited, additions to your client's account value cannot be lost. The gains may still be subject to surrender charges.

Fixed interest rate option

Your clients can choose to allocate all or a portion of their contract value to the fixed interest rate option. This option credits interest each month to your client's account value based on the fixed interest rate declared annually by the contract.

This interest rate, communicated annually before the contract anniversary, is in effect for the coming contract year.

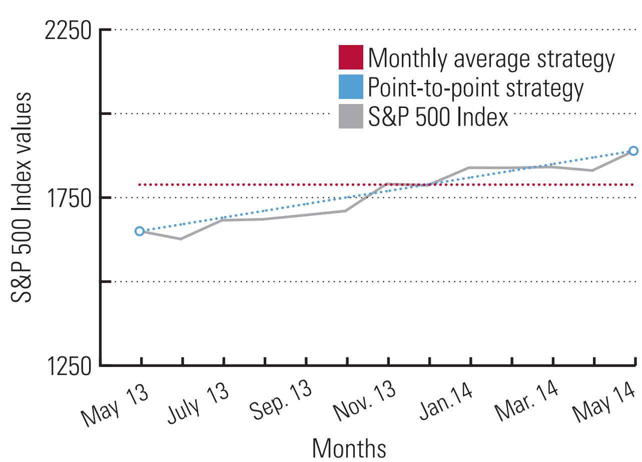
Crediting strategies in action

Let's take a look at how the different crediting strategies would perform in a hypothetical scenario using actual S&P 500 returns. The first scenario shows how the annual PTP strategy would credit interest, and the second scenario details the MA crediting method. Each scenario looks at actual S&P 500 returns from May 2013 through May 2014. Remember that the 14th of the month is the index date. If this date falls on a weekend or holiday, the value from the next business day is used.

Both scenarios assume:

Strategy	Cap	Participation rates
Point-to-point cap	3.00%	N/A
Point-to-point participation	N/A	20%
Monthly average cap	3.50%	N/A
Monthly average participation	N/A	40%
Fixed account	1.00%	

S&P 500 performance



Monthly average values

S&P 500 Index date	S&P 500 Index value
04/13/18	2,565.30
05/11/18	2,727.72
06/15/18	2,779.66
07/13/18	2,801.31
08/17/18	2,850.13
09/14/18	2,904.98
10/14/18	2,767.13
11/16/18	2,736.27
12/14/18	2,599.95
01/11/19	2,596.26
02/15/19	2,775.60
03/15/19	2,822.48
04/12/19	**2,907.41**
Total of values	**35,834.20**
Monthly average	**2,756.48**

How point-to-point and monthly average strategies work

Point-to-point (PTP)

Measuring PTP

This is the value of the S&P 500 index on the ending date of 4/12/19 (2,907.41) minus the index value on the beginning date of 4/13/18 (2,565.30). The index increased 342.11 points during the year.

PTP gain

This is the percentage increase in the index over the year, calculated by dividing the index increase of 342.11 points by the starting index value of 2,565.30. The index increased 13.33% for the year.

PTP with cap strategy

With this strategy, the client would receive the lesser of the cap limit (3.00%) or the index increase (13.33%). Therefore, the client would receive 3.00% interest credited to the account value allocated to this strategy.

PTP with participation rate strategy

The index increase of 13.33% is multiplied by the participation rate of 20% to determine the gain. In this example, the client would receive 2.66% in interest credited to the account value allocated to this strategy (13.33% x 20%).

Monthly average (MA)

Measuring MA

This is the sum of the monthly S&P 500 values (35,834.20) divided by the number of months in the year (12). The monthly average in this example is 2,986.18.

MA gain

The MA (2,986.18) is compared to the starting point of the index on 4/13/18 (2,565.30) to determine if there was a gain. In this example, there is a gain of 420.88 points.

MA return

This is calculated by dividing the point increase for the index during the year (420.88) by the starting point of the index on 4/13/18 (2,565.30). The monthly average return for the year was 16.40%.

MA with cap strategy

With this strategy, the client would receive the lesser of the cap limit (3.50) or the index average return (16.40%). Therefore, the client would receive 3.50% interest credited to the account value allocated to this strategy.

MA with participation rate strategy

The index increase of 16.40% is multiplied by the participation rate of 40% to determine the gain. In this example, the client would receive 6.56% in interest credited to the account value allocated to this strategy (16.40% x 40%).

Long-term care benefits and tax advantages

Actual LTC expenses are paid from the contract's LTC benefit balance, up to the monthly benefit limit. Indexed Annuity Care's base contract provides 24 months of LTC benefits to a single annuitant and 30 shared months to joint annuitants or annuitant with an eligible person. The LTC benefit balance is the amount of your clients contract's account value, increased by a certain percentage determined by the contract year. This gives an amount larger than your clients' accumulated value available for LTC expenses, and guaranteed leverage.

In the first 10 contract years, the account value is increased by the multiplier. After contract year 10 the LTC benefit balance is the greater of:

- The account value multiplied by the account value multiplier
- The net single premium multiplied by the adjusted net single premium factor (net single premium is the premium paid minus any partial withdrawals)

Types of care covered

Indexed Annuity Care provides qualifying LTC benefits for:

- Care in their home
- Care in an assisted living facility
- Nursing home care
- Adult day care
- Hospice care
- Respite care

How the LTC benefit balance of Indexed Annuity Care works

Contract years and LTC multipliers

Contract year	Account value multiplier	Adjusted net single premium factor
1	1.01	1.00
2	1.02	1.00
3	1.03	1.00
4	1.04	1.00
5	1.05	1.00
6	1.06	1.00
7	1.07	1.00
8	1.08	1.00
9	1.09	1.00
10	1.10	1.00
11	1.11	1.15
12	1.12	1.20
13	1.13	1.25
14	1.14	1.30
15	1.15	1.35
16	1.15	1.40
17	1.15	1.45
18	1.15	1.50
19	1.15	1.50
20+	1.15	1.50

Mr. and Mrs. Smith purchase an Indexed Annuity Care contract with a $100,000 single premium.
In contract year 15 the account value has grown to $153,832. The LTC benefit balance is the greater of:

1.15 The account value of $153,832 x the account value multiplier 115% = $176,907.

Or

1.35 The single premium (assuming no withdrawals) of $100,000 x the single premium multiplier 135% = $135,000.

Making the LTC benefit balance = $176,907

Note: In Connecticut, there is no account value multiplier. The LTC benefit balance is the same as the account value. If the COB Rider lapses for contract in CT, LTC benefits will not be income-tax free. All individuals used in all scenarios are fictitious, and all numeric examples are hypothetical and used for explanatory purposes only.

Optional Continuation of Benefits (COB) Rider

The COB Rider takes effect after the LTC benefit balance is depleted by qualifying LTC benefit payments. It can continue benefits for a predetermined period or for the lifetime of the annuitant. The additional premium for this extended coverage is noncancellable and can never increase in the future — for additional peace of mind for clients. Your clients can choose inflation protection and no forfeiture options, available with a recurring (lifetime) or single premium.

Extended benefit options

- 24 months — single, or 30 months — joint or annuitant with an eligible person
- 48 months — single, or 60 months — joint or annuitant with an eligible person
- Lifetime

Tax advantages

Indexed Annuity Care is an effective way to protect your client's assets from the potential expenses associated with end-of-life care. It does so in very tax-efficient ways thanks to provisions in the Pension Protection Act of 2006.

If your clients fund the contract with after-tax dollars:

- LTC benefit payments from the LTC benefit balance are income-tax free as a reduction of basis
- LTC benefit payments from the optional COB Rider are income-tax free

FAQ

Q: What if my clients want to make changes to their crediting strategies?

A: Your clients can make changes to their strategies at any time during the contract year — for the next year of their contract. At that time, they can elect to renew or reallocate their crediting strategy. This process repeats itself annually for the life of the contract. Your clients will be notified to revisit their crediting strategies.

Q: How does my client qualify for LTC benefits?

A: Your client qualifies for LTC benefits when he or she isn't able to perform two of six activities of daily living (bathing, continence, dressing, eating, toileting and transferring) or has a cognitive impairment (for example, Alzheimer's disease), after satisfying the 60-day elimination period.

Q: What happens if my client dies?

A: The designated beneficiary will receive the account value free of surrender charges.

Q: Do clients have a period of time to review their new contract?

A: Yes. Indexed Annuity Care offers a 30-day free look period, which may vary by state and may not be available in all states.

Q: What are the surrender charges?

A: The surrender charge period is the number of years the contract is subject to a charge.

Surrender charges

Contract year	Surrender charge
1	9%
2	8%
3	7%
4	6%
5	5%
6	4%
7	3%
8	2%
9	1%
10+	0%

Note: *The surrender charge schedule applies to most states.*

Additional resources: Fixed indexed annuity basics

What is a fixed indexed annuity?

Fixed indexed annuities enable your clients to receive interest that's linked to the performance of a market index, such as the S&P 500 Index. Your clients' contract has the protection of a "floor," which ensures their account will not lose value due to market performance, and they have the potential to earn a return that could outpace other fixed interest products.

Interest is credited to the account, either based on a fixed interest rate or linked to returns from the S&P 500 Index, enabling clients to participate in a portion of the index returns in years with positive returns with downside protection.

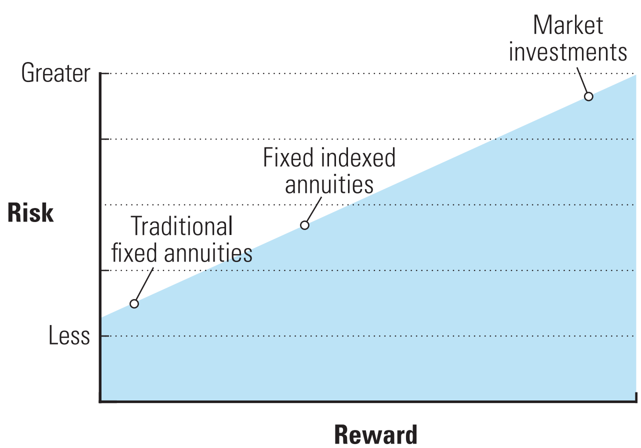
The balance of risk and reward

It's important when your clients choose from retirement product options that they understand the balance between risk and reward.

Explaining the risks and rewards of annuities

By helping clients understand the risks and rewards of different types of annuities, you take an important step in revealing a fixed indexed annuity's most appealing features.

Risk and reward spectrum



Fixed indexed annuities allow clients the opportunity to receive interest linked to the performance of the market index.

How Indexed Annuity Care can provide long-term stable growth

Indexed Annuity Care offers your clients the ability to make choices that suit their long-term retirement income objectives and risk/reward tolerance. There are two ways your clients can earn interest — and several strategies provide degrees of access to the index's upside potential.

Full product illustrations are available on Sales Connection (iPipeline) or by contacting the Sales Desk at **844-833-5520**. Obtain COB Rider premium rates online at **indexedannuitycare.com**. Here you'll find an easy-to-use tool to calculate premium based upon your client's age, gender and selected benefits.

Explaining crediting strategies and cap and participation rates to your clients

By helping clients understand the risks and rewards of different types of annuities, you take an important step in revealing all of the features of a fixed indexed annuity.

Key points to explain

- Clients should understand the difference between a fixed interest rate and the index-linked returns of the market.
- The indexing strategies are linked to the S&P 500 Index but are not invested directly in the market.
- Clients can choose point-to-point or monthly average links to the index.
- Clients should select the strategy that makes sense for their unique situation.
- If the market goes up, interest can be credited annually based on the cap or participation rate declared by State Life.
- The interest rate for the fixed account is set annually by State Life.
- Caps and participation rates are set annually by State Life.

Key points to explain

- It's important for clients to understand the differences between a cap and participation rate.
- Clients should understand the value of having a "floor" and the trade-off assumed as a result of the protection provided to the indexed account value.
- If the market goes up, interest can be credited annually based on the cap or participation rate declared by State Life.

Note: The numbers in these examples are hypothetical and may not reflect the current caps and participation rates.

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I-31591 08/17/23