Help protect against potentially devastating long-term care costs

The Long-term Care rider 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 coverage when they apply — anywhere from 10% to 100% of the policy’s total specified amount (in New York and the Virgin Islands, the long-term care specified amount is automatically 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 2% of the specified amount or the Health Insurance Portability and Accountability Act (HIPAA) per diem rate in effect for that year, times 30

• 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 or the Virgin Islands); 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 values of the policy. Loans and withdrawals will also reduce both the cash values and the death benefit. Care should be taken 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.

Availability for this rider varies by product and state, and the rider may be known by different names in different states.

Did you know?

About 70% of people over 65 will require some long-term care services at some point in their lives.¹

An average of 8% of people between age 40 and 50 have a disability that might require long-term care services.¹

The median daily rate for a private room in a nursing home is $250 ($91,250 annually).²

People 65+ represented 13% of the population in the year 2010 but are expected to grow to be 19% of the population by 2030.³

How do clients qualify for benefits?

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

1. A licensed health care practitioner certifies the insured is either cognitively impaired or is unable to perform two out of six activities of daily living (ADLs) for a period of at least 90 days. ADLs are:
   - Bathing
   - Continence
   - Dressing
   - Eating
   - Toileting
   - Transferring (moving into or out of a bed, chair or wheelchair)

2. The 90-day eligibility period (calendar days) has been completed.
   - Days do not need to be consecutive, but they must be within a continuous period of 730 days
   - 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 licensed health care practitioner must be submitted with the claim.

Exclusions may vary by state but generally include:
- Attempted suicide or self-inflicted injury
- Committing or attempting to commit a felony
- Alcoholism or drug addiction, unless as a result of administration of drugs 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 six 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 may 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. Benefits can also be used for informal care, such as care from an immediate family member or friend.

| Maximum monthly benefit amount | 2% of the specified amount or The HIPAA per diem amount × 30 days |

What is the maximum lifetime benefit?

The policyowner will receive the lesser of:
- The long-term care specified amount
- The base policy specified amount less any outstanding withdrawals, loans and loan interest

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4 The policyowner may use benefits to pay an informal caregiver, including a friend or family member, to provide care as long as the licensed health care practitioner certifies that this type of care is appropriate. 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.

5 The 2016 per diem amount allowed by the Health Insurance Portability and Accountability Act is $340.
What can your client expect while receiving long-term care benefits?

- An accumulated benefits account that charges 0% interest will be established upon receiving any benefits under the rider.
- Upon surrender of the policy, the policyowner will receive the base policy cash surrender value minus the accumulated benefits amount.
- 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 or the Virgin Islands).
- Policy lapse protection provision — while receiving benefits, the cost of the rider will be waived, but monthly deductions or 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 may not 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.

Are there any tax implications?

The rider is intended to be a qualified long-term care policy under Section 7702B(b) 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 rider. Cost basis cannot go below $0. The cost of the rider will not be taxable even if the cost basis is exhausted.
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 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 benefit stays level, even if your clients choose death benefit option 2 (increasing death benefit), or if corridor forces the death benefit higher
- Claim 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 death of the insured, any death benefit not accelerated will be paid to the beneficiary
- Policyowners can save excess benefits not needed for long-term care services by depositing them into a savings vehicle of their choice, or they can use the Nationwide Benefit Banking program; the program is an optional service available through the excess benefit account feature — a separately established, secure, interest-bearing money market account with check-writing privileges through Nationwide Bank®; this account is not an asset held by Nationwide Life Insurance Company; the policyowner has full receipt and ownership of these funds
- 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

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.

6 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 §1861(r)(1) of the Social Security Act 42 USCS 1395x(r)(1)] 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 if 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 legal consequences. Nationwide and its affiliates do not give tax or legal advice. 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 for qualified benefits. 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 (OFAC) website of the United States Treasury for more information.

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

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