

GLIC06-18
March 17, 2006

More Information and Frequently Asked Questions (FAQs) About Long Term Care Insurance Partnership Expansion

What is this new legislation?

The Deficit Reduction Omnibus Reconciliation Act of 2005 was recently passed by Congress and signed into law on February 8, 2006. It is expected to reduce Federal Medicaid spending by approximately \$40 billion over the next five years.

Partnership Segment:

This legislation **encourages** the expansion of Long Term Care Partnership programs to new states. Prior to the legislation, only NY, CA, IN and CT offered Partnership plans.

Medicaid Segment:

The Medicaid changes are significant and will vary by state. In order to familiarize yourself with these changes, here are some links to third-party sources where you will find additional information:

www.elderlawanswers.com

www.ahip.org

What the new legislation means in brief:

- Long term care insurance becomes more important than ever.
- The Medicaid “safety net” remains only for low income elderly and disabled individuals.
- If adopted by each state, the Partnership plan will help individuals prepare for their long term care needs with dollar-for-dollar Medicaid asset protection.

Please continue to read the following FAQs and look for further communications on this very important topic.

Frequently Asked Questions:

Has this legislation been enacted into law?

Yes, President Bush signed this legislation into law on February 8, 2006. **It is now up to each state to decide whether or not to participate in the Partnership program.**

Long Term Care Insurance underwritten by:
Genworth Life Insurance Company
Genworth Life Insurance Company of New York

FOR PRODUCER USE ONLY. NOT TO BE REPRODUCED OR SHOWN TO THE PUBLIC.

©2006 Genworth Financial, Inc. All rights reserved.

What is a Partnership plan as described in the new legislation?

Under this legislation, Partnership plans will provide Medicaid asset protection as an incentive for consumers to purchase private long term care insurance.

New Partnership plan key components:

- a. Policies must be tax-qualified
- b. Policies must have certain inflation protection requirements
 - i. Ages 0 to 60: Compound inflation protection required
 - ii. Ages 61 to 75: some form of inflation protection is required (simple permitted)
 - iii. Age 76 plus: no requirements on inflation
- c. Dollar-for-dollar Medicaid asset protection
- d. Partnership plans must meet specified requirements of the NAIC 2000 Long Term Care Insurance Model Regulations and Model Act

What effect will the new Partnership expansion have on my state?

In CA, CT, IN and NY no changes are anticipated. Other states will have the opportunity to participate in the Partnership program by amending their Medicaid plans filed with the U.S. Department of Health and Human Services. Some states may choose not to participate and may not be affected by this legislation.

When can I start selling a Partnership plan in my state?

Your state must opt into the program by amending its Medicaid plan with the U.S. Department of Health and Human Services, and that process is not likely to begin prior to mid 2006. It is expected that states will begin to opt in by the end of this year. Please remember that in most states the new Partnership plan may not be available until sometime in 2007 or later. Furthermore, some states may choose not to participate in the program.

If I have current prospects, should I wait to sell them a Partnership policy?

Absolutely not. Some states may choose not to participate in the Partnership program since it is completely voluntary. If you wait, your clients' insurability may be compromised and their advancing age may adversely impact their premium. Continue selling and covering lives.

What is the impact on existing policyholders? Can they switch to the Partnership program?

Guidelines on permitted exchanges have not yet been finalized at the Federal and state level. We will be working to develop an exchange program based on guidance from each state and the Department of Health and Human Services.

Will Genworth be communicating with existing policyholders about the Partnership program?

There are no immediate plans to communicate with policyholders. We will advise you if and when it becomes necessary to communicate to policyholders.

Why is the Partnership plan a good thing for my clients?

As with traditional LTC insurance, your clients will receive LTC benefits if they meet the provisions outlined in their policies. The Partnership component helps protect your clients from having to completely “spend down” their personal assets once their LTC insurance benefits are utilized (Medicaid coverage begins). Meanwhile, your clients also receive dollar-for-dollar Medicaid asset protection.

What does dollar-for-dollar Medicaid asset protection mean?

Individuals seeking to qualify for Medicaid are permitted to retain assets equal to the dollar amount of LTC insurance benefits received beyond the level of assets otherwise permitted to be retained under the state’s Medicaid plan. For example, if your client received \$250,000 in benefits from their policy, they would receive \$250,000 of asset protection from Medicaid.

What do I have to do to sell a Partnership plan? Will there be additional training or licensing requirements?

In most cases, additional continuing education/training will be required by the states that adopt the new Partnership plans.