SOLUTIONS FOR

Chronic Illness Care

Protective
Life Insurance Company
Protect Tomorrow. Embrace Today.™

PLC.9305 (04.14)

Today, life is good. You're healthy, active and living the life you've always wanted. But what if everything suddenly changed?

No one likes to think about becoming unhealthy or developing a chronic illness. But the fact is, a chronic illness could seriously impact your life and the lives of everyone around you. A chronic illness can take a serious physical, emotional and financial toll.

Because of that, it's important to be prepared and to know your options.

This brochure is designed to show you the options you have when it comes to paying for a potential chronic illness.

The Truth About Chronic Illness

THE RISK IS GREAT

Nearly 70% of people over age 65 will need long-term care services at some point in their lives.[1] And while older people are more likely to need care for the long term, the need can come at any age. In fact, 40% of the 13 million people receiving long-term care services are between the ages of 18 and 64.[2]

How much could it cost?

THE COST IS HIGH

The national average cost of care for just one year in a nursing home is about $80,850.[3]

PRIVATE NURSING HOME	ASSISTED LIVING FACILITY	ADULT DAY SERVICES
$87,235 Annually	$41,724 Annually	$70 Per day

THE IMPACT IS FRIGHTENING

About 75% of all single people and 50% of all couples spend their entire savings within one year of entering a nursing home.[3]

[1] National Clearinghouse for Long Term Care Information; Department of Health and Human Services

[2] U.S. Government Accountability Office

[3] www.ltctree.com; August 2012

The Traditional Solutions

There have traditionally been three primary ways to pay for chronic illness care.

1. Medicare and/or Medicaid
2. Long Term Care Insurance
3. Self-insuring

Meet Mark Jones

Mark is a 66 year-old grandfather with a wife, two adult children and two grandchildren.

Mark might be very similar to you. He worries about the potential need for long-term care, but isn't exactly sure which solution might be best for him.

We'll follow Mark throughout this brochure and see how each traditional payment option may or may not work for him.

Medicare and Medicaid

WHAT IT IS

Medicare is a national social insurance program administered by the U.S. government since 1965, which guarantees access to health insurance for Americans ages 65 and older. Medicare spreads the financial risk associated with illness across society to protect everyone, and thus has a somewhat different social role from private insurers, who must manage their risk portfolio to guarantee their own profitability.

HOW IT WORKS

Mark's Medicare Scenario:

One day, Mark drops to the floor with a back injury and is transported to the emergency room via ambulance. He stays in the hospital for six nights. These costs are covered by Medicare with out-of-pocket deductibles and co-pays. Without Medicare, Mark would have paid for everything himself.

Mark then heads home and receives skilled nursing services to manage his pain control and vital signs, and receives rehabilitation therapy three days each week for a few weeks, after being classified as "homebound" by Medicare.

But who took care of Mark while he was at home and how did they pay for it? Mark's wife provided help with his Activities of Daily Living (ADLs), but needed someone to visit their home and replace her as caregiver for five hours each day while she worked. This type of non-medical care, "custodial care", Medicare does not cover.

Medicare serves a large population of people who would be unable to afford health care otherwise. On average, Medicare covers about half (48%) of health care costs for enrollees. Medicare enrollees must cover the rest of the cost. These out-of-pocket costs vary depending on the amount of health care needed. They might include uncovered services—such as long-term, dental, hearing, and vision care—and supplemental insurance.

You might be thinking that Medicare will cover long-term care costs. But actually, the circumstances in which Medicare will cover these costs is extremely limited.

After a hospitalization of at least three days and three nights, Medicare will cover a portion of the cost of care in skilled nursing facility for up to 100 days. If your care is considered custodial (which 85% of nursing home care is) rather than skilled medical care, then your stay is not covered. No matter what, after 100 days, Medicare stops paying and it's up to you.

Similarly, Medicare will cover medically necessary home health visits by skilled medical workers, e.g. occupational or speech therapists. However, Medicare does not cover "custodial care" and typically you must be showing improvement, or demonstrating that the care is rehabilitative.

For more detailed information about Medicare and what it covers, visit www.medicare.gov.

Medicaid is the U.S. health program for certain people and families with low incomes and resources. It is jointly funded by the state and federal governments and is managed by the states. Unlike Medicare coverage, the main criterion for Medicaid eligibility is limited income and financial resources.

Unlike Medicare, Medicaid will pay for both skilled and custodial care, but in most cases it is limited to care in a nursing home when beds are available.

To qualify for Medicaid, an individual must have limited income and few assets. Medicaid eligibility rules are complicated, and different states apply different rules.

One of the many disadvantages of relying on Medicaid is that you cannot choose your own facility. There are only a limited number of Medicaid beds available in a nursing home, provided they take Medicaid at all. And Medicaid typically pays only about half of the "market rate" for nursing care. As a result, there is a tendency for these facilities to have overworked and underpaid staff.

For more detailed information about Medicaid, visit www.medicaid.gov.

PROS
Guaranteed health coverage
Potentially lower in cost than individual health insurance policy at that age

CONS
Many conditions and circumstances not covered
Coverage may stop after certain amount of time
Medicaid only covers certain people

Long-Term Care Insurance (LTCi)

PROS
Security of knowing at least some of your future needs will be taken care of
Can create comprehensive coverage options, covering most expenses
Can be tailored to fit your specific needs

CONS
Cost can be very high
Premiums might increase over time
Benefits might run out before your need for care is over
You might not qualify for coverage if not healthy
“Use it or lose it” scenario

WHAT IT IS

LTCi is a form of medical insurance which really emerged in the late 1980’s and early 1990’s where the purchaser pays premiums in exchange for certain benefits related to long-term care.

The benefits and specifications vary from policy to policy. The average long-term care policy covers 2-5 years of nursing home, assisted living, home care or day programs and the purchase can use that time all at once or for short-term care as needed.

LTCi can provide policyholders some assurance that they will be able to afford the type of care that might previously have fallen on family members and friends.

Every long-term care policy is different so it’s important to understand exactly how your policy works, if you’re considering this option.

Once you qualify for benefits, there’s a waiting period known as an “elimination period” before the policy kicks in — this period is typically 30 to 180 days. You need to pay for long-term care costs out of your own pocket during the elimination period. After that period is up, how much you’ll receive depends on the type of policy and the specifics of the contract. There are different types of LTCi policies:

Reimbursement policy: This is the most common type and the least expensive. It pays you back for services based on the features you select, like the maximum amount of reimbursement per day (for example, $100 to $500), the number of years the policy will last (typically two to 10 years), and the lifetime maximum benefits (which might be, say, $200,000 or $1 million). So if you buy a $200-a-day policy and your approved expenses come to $150 a day, you’ll receive $150. These policies usually won’t reimburse a family member for caregiving.

Indemnity policy: These are more flexible if you pay someone for caregiving and want to get financial help for those costs. Indemnity policies typically cost more than reimbursement policies. With an indemnity policy, you receive a set amount per day for qualified services, regardless of the amount of your actual bill. So if you have a $100-a-day indemnity plan and spend $60 for an approved home-care visit, you’ll receive $100 a day. The monthly payout could also be less than the actual bill. In that case, the policy will help defray costs, even if won’t totally cover them.

Cash-benefit policy: A cash-benefit policy (sometimes offered as a cash-benefit option for a reimbursement plan) is the most straightforward of all. Once the elimination period ends and you're eligible for benefits, you simply get a monthly check for the dollar amount listed in the policy.

The benefits of the policy will also affect the costs. The most significant policy provision affecting costs is an automatic inflation increase in the amount paid per day of care. Though this provision increases premiums, purchasers without it will often find that the policy amount isn't enough to cover the cost of long-term care when they finally need it.

HOW IT WORKS

Mark's LTCi Scenario:

Mark sits down with his wife and financial advisor and decides that he wants to purchase a long-term care insurance policy that uses the reimbursement method. It wasn't an easy decision though. Mark was skeptical because of the high premium cost, and the fact that he might never actually need long-term care at all. He often adds up the premium amounts in his head and wonders if he made the right choice.

Fortunately for Mark and his family, both he and his wife remain healthy into their retirement years and beyond. He continues paying the $300 per-month LTCi policy premiums up until age 75, but never needs to use the benefit.

Self-Insuring

WHAT IT IS

Self-insuring is exactly what it sounds like. If you need long-term or chronic illness care, you simply pay for it yourself using your own savings and assets. This might come from checking or savings accounts, stocks, bonds or other investments, a life insurance policy cash value, pension, or other sources of income you might have.

You might prefer the self-insuring option because it allows you to maintain control of your money and invest it according to your own plans and strategy. Additionally, the decisions for any care remain entirely in your hands. You are not at the mercy of a policy or program.

However, paying for long-term or chronic illness care can be very expensive and it is possible the costs might exceed your savings. When you also take inflation into account, it's easy to see how self-insuring might be an intimidating option.

Think about your savings and investment accounts right now. If something happened to you creating the need for chronic illness care, would you have enough to cover all costs, plus have enough left for retirement, plus enough for an inheritance for your children and grandchildren?

PROS
Maintain control of your investments
Not paying for a policy you may never need
Care decisions rest entirely in your hands
No policy limitations or health requirements

CONS
Care can be extremely expensive and you might not save enough to cover costs
Need a trust or executor to manage your funds in the event you cannot
Savings could erode very quickly, leaving nothing for your spouse or heirs

HOW IT WORKS

Mark's Self-Insuring Scenario:

Mark wants to be prepared in the event of an illness down the road, but just can't bring himself to pay for an expensive long-term care insurance policy that he may never use. So as an alternative, Mark decides to start putting a little extra money away each month into a separate savings account that he'll use for long-term care costs if the need ever arises.

When Mark suffers a stroke at age 69, he needs long-term care. He's not able to dress or bathe himself and needs help eating. His wife is unable to help because she was recently diagnosed with Alzheimer's and needs assistance herself. One of Mark's daughters is even forced to work just part-time, so she can help her parents on a regular basis.

Since Medicare won't help, and Mark doesn't have a long-term care insurance policy, they have to dip into the savings set aside just for long-term care. This solution works well, but only for a while. Mark's "self-insuring" savings didn't grow at the pace he hoped, and can't keep up with the always rising cost of his long-term care. Eventually, that account ran out and Mark was forced to borrow from his 401(k) account, and then even from the equity he and his wife had built in their home.

Hybrid Solutions:
A Chronic Illness Care Alternative

A hybrid long-term care policy essentially combines the benefits of a life insurance policy, with the benefits of a separate LTCi policy. While these policies can cover the same types of expenses, they are usually used as supplemental coverage to the traditional payment options.

HOW IT WORKS

You select the policy that most fits your needs and then pay the scheduled premiums.

You'll then have a specified amount available to cover your long-term care costs if that need should arise. But if you never need long-term care, then you still receive the death benefit amount from your life insurance policy.

PROS
Not a "use it or lose it" scenario
Typically less expensive than separate LTCi policy
No worries about self-insuring and depleting your savings

CONS
Long-term care costs could exceed your benefit amount
Some policies can be confusing with many different options and features
Life insurance death benefits may be eliminated or reduced
Couples must purchase separate policies

ExtendCare – The Hybrid Solution from Protective Life

At Protective Life, we understand the traditional options for paying for long-term care might not work for everyone. Because of this, we are proud to offer a simple and affordable solution for your potential long-term care needs.

With our ExtendCare rider, you can manage the financial impact of a chronic illness without depleting your savings, purchasing an expensive LTCi policy, or relying on the limited benefits of Medicare or Medicaid.

WHAT IT IS

As an optional rider available with certain universal life insurance policies, ExtendCare can advance your policy's death benefit if you have been certified as chronically ill within the past 12 months.

HOW IT WORKS

- Purchase a universal life insurance policy from Protective Life and add the **ExtendCare** rider.
- If you ever become chronically ill as certified by a licensed physician, you can access the policy death benefit amount after a waiting/ elimination period of 3 or 12 months. "Chronically ill" is defined as being unable to perform at least two of six Activities of Daily Living *(bathing, dressing, toileting, transferring, continence, eating)* without assistance for 90 days, or requiring supervision for protection against health and safety threats due to cognitive impairment.
- You can accelerate up to $9,900* of your death benefit per month to help with chronic illness costs.

  * Monthly benefit amounts are subject to change.
- With **ExtendCare** you are not required to submit bills or receipts.
- In addition to typical chronic illness expenses, **ExtendCare** payments can really be used for anything else you need or want.
- You are able to accelerate only the amount you need, when you need it.
- Any unused death benefit amount remains available for your beneficiaries.

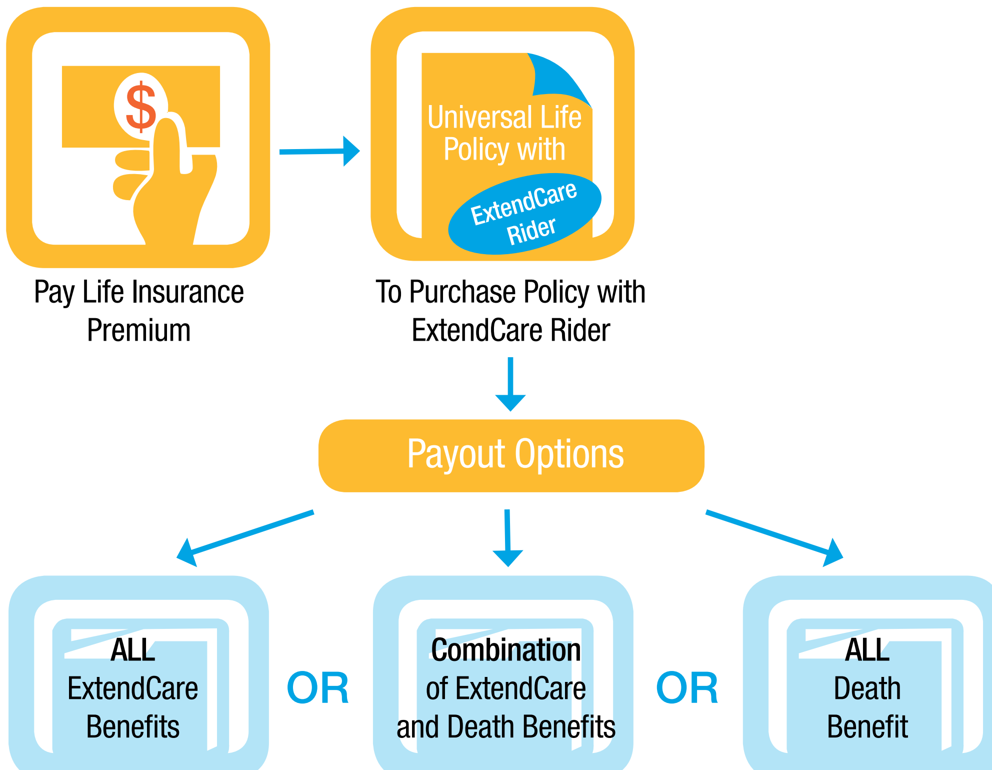
* Monthly benefit amounts are subject to change.

ExtendCare payments can be used to help pay for things like:

- Nursing home costs
- Home health care
- Professional nursing care
- Family care
- Adult day care
- Assisted living
- Transportation
- Hospice care
- Home modifications
- Other

ExtendCare can put your life insurance policy's death benefit to work for you in the event you need it for chronic illness care during your lifetime.

The combination of universal life insurance and the ExtendCare rider can provide dual protection: Guaranteed death benefit coverage AND chronic illness care reassurance.



1 When you purchase a universal life policy, you will add the ExtendCare rider at that time.

2 Pay your life insurance premiums as scheduled.

3 You have 100% of the policy's death benefit available either as a payout to your beneficiaries, as ExtendCare payments to help with your potential chronic illness costs, or a combination of both.

PURCHASING EXTENDCARE

ExtendCare is an optional rider that can be added to certain Protective Life universal life insurance policies. With this rider, you may advance a portion of the base policy's death benefit if the insured is certified as chronically ill by a licensed heath care practitioner within the last 12 months. Chronically ill is defined as either unable to perform at least two Activities of Daily Living without assistance for at least 90 days, or requiring substantial supervision for protection from health and safety threats due to a severe cognitive impairment.

ExtendCare benefits are intended to be received on a tax-favored basis. The rider falls under IRS Sec. 101(g) Accelerated Death Benefits, not under health care regulations.

The tax treatment of life insurance is subject to change. Neither Protective Life nor its representatives offer legal or tax advice. Individuals should consult their attorney or tax advisor regarding their individual situation.

WHAT YOU SHOULD KNOW ABOUT EXTENDCARE

ExtendCare is available only at the time your policy is issued for applicants between the ages of 20 and 80. The minimum universal life policy face amount is $100,000 and maximum is $5 million. When choosing the ExtendCare rider, you must select a Waiting (elimination) period of either 3 or 12 months. This is the time which must pass between your chronic illness certification and the first accelerated death benefit payment.

Before each 12-month Benefit Period, you will select the amount to be paid for each month of that period. You may select a different payout amount before the next Benefit Period begins. The accelerated death benefit payment is made each month, or an annual lump-sum payout is also available. The lifetime maximum benefit that you can access via ExtendCare payments is 100% of your policy's available death benefit. At the time your policy is issued, you will select a maximum monthly benefit of any whole dollar amount between $1,000 and $9,900, not exceeding 5% of the base policy face amount. The minimum monthly benefit amount is $250. The lifetime maximum benefit is only reduced by the amount of benefit actually taken each month. Monthly benefit options are subject to change.

There is a monthly charge for the ExtendCare rider which varies by sex, issue age, underwriting class, face amount, waiting period length, monthly benefit and policy year.

A Summary of the Options

Features	Medicare/ Medicaid	LTCi Policy	Self-Insuring	Hybrid Policy
Potential cash-value accumulation			●	●
Use it or lose it		●		
Underwriting process		●		●
Premium payment flexibility			●	●
Income tax-free benefits	●	●		●
Policy limitations or health requirements	●	●		●
Potential flexibility to fit your needs		●	●	●

Learning and understanding your options is an important first step in being prepared for the unexpected.

And now that you've taken that step, stop and seriously consider the financial and emotional impact a chronic illness would have on you and your loved ones.

There is no better time than now to talk to your advisor and start creating a plan.

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This is only a summary of ExtendCare rider benefits. Actual terms and conditions contained in the rider govern all benefits provided. Please see the rider for more detailed information. Available only at issue and at an additional cost. Assumes medical and financial underwriting qualifications at time of initial application.

ExtendCare rider (Form L630 or Form ICC12-L630) is available only at issue and at an additional cost. Actual terms and conditions contained in the rider govern all benefits provided. Please see the rider for more detailed information. Assumes medical and financial underwriting qualifications at time of initial application. **The ExtendCare Rider is intended as a non-medical supplement to traditional long-term care policies and riders. Protective Life Insurance Company does not sell Long-Term Care Insurance.**

The ExtendCare rider falls under IRC Sec. 101(g) Accelerated Death Benefit guidelines and does not fall under health regulations. This differentiation could affect eligibility for public assistance programs such as Medicaid, Supplemental Income, or others. Purchasers should consult a qualified advisor along with legal or tax advisor to determine if the rider will affect their initial or continued eligibility for public assistance programs or other tax-related decisions.

Insurance products issued by Protective Life Insurance Company (PLICO), Birmingham, AL. Neither PLICO or its representatives render legal or tax advice. Information in this summary is based on current tax laws that are subject to change. Individuals should consult their attorney or tax advisor regarding their individual situation.

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Not a Deposit	Not Insured By Any Federal Government Agency
No Bank or Credit Union Guarantee	Not FDIC/NCUA Insured

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