LONG-TERM CARE SERVICES RIDER^{SM*}

(Form ICC12-R12-10, R12-10 or State Variation)

TECHNICAL GUIDE

* In FL, the rider is called "Long-Term Care Insurance Rider".
In CA, the rider is called "Comprehensive Long-Term Care Rider".

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The Long-Term Care Services Rider Technical Guide

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The Long-Term Care Services Rider: An Overview

The Long-Term Care Services (LTCS) Rider Rider (in FL, the rider is called "Long-Term Care Insurance Rider". In CA, the rider is called "Comprehensive Long-Term Care Rider") is available subject to state approval as an optional rider on new issues of Incentive Life Legacy II, Incentive Life Optimizer II, BrightLife Protect and BrightLife Grow.. The LTCS Rider provides, as a monthly benefit, an acceleration of the policy's Death Benefit to pay for qualified long-term care expenses if the insured is chronically ill and receiving qualified long-term care services in accordance with a Plan of Care.

The LTCS Rider is an affordable strategy for clients who are purchasing life insurance to help protect their families and heirs but may also be concerned about providing funds to cover the long-term care services they may need at some point in their lives. Any unloaned portion of the Death Benefit not accelerated for qualified long-term care services will be paid to the policy's beneficiaries at the death of the Insured.

Why the Rider was Redesigned

One reason for the introduction of a new LTCS Rider is to expand the opportunity for producers to provide LTC coverage (through the acceleration of the death benefit) to more individuals. This has been accomplished by increasing the issue ages for the 1% and 2% Monthly Benefit Percentage (MBP) from age 70 to age 75 (to age 67 in FL) and also extending the 3% MBP though age 70 (to age 65 in FL) when formerly it was limited to a maximum age of 55.

Monthly Benefit Percentage	Available Issue Ages
1%	20-75 (20-67 in FL)
2%	20-75 (20-67 in FL)
3%	20-70 (20-65 in FL)

In addition to expanding the availability of the LTCS Rider, it has also been redesigned to provide producers and clients with greater convenience and flexibility. The Acceleration Percentage allows policy owners to use all or a portion of the policy's death benefit for coverage under the LTCS rider, for Death Benefit Option A policies. Policy owners can specify the percentage of the Initial Face Amount of the policy that they want to accelerate (between 20% and 100%) with Death Benefit Option A.

Acceleration Percentage	Death Benefit Option
20-100%	A
100%	B

Through the use of the Acceleration Percentage, policy owners have the opportunity to leave a portion of the death benefit to their beneficiaries regardless of whether the insured goes on LTC claim or not. Further, the policy owner in larger sales may not need to split the policy into two policies as may occur today.

For example, a policy owner can purchase a $5,000,000 policy and specify a 20% Acceleration Percentage because he or she doesn’t think the LTC costs for the insured will exceed $1,000,000.

Acceleration Percentage × Initial Base Policy Face Amount = Initial LTC Specified Amount

20% × $5,000,000 = $1,000,000

By doing this, the policy owner pays LTC COIs on only $1,000,000 and not on $5,000,000. With the original rider, he/she would have to split the policy into a $1,000,000 policy with the LTC Rider and a $4,000,000 policy without the rider, resulting in two policies which is less convenient or pay LTC COIs on the net amount at risk which would be close to $5,000,000 in the early policy years.

The redesigned LTCS Rider provides an LTC benefit that can reflect the selection of Death Benefit Option B (with the previous version of the LTCS rider, the LTC benefit was always level regardless of the base policy death benefit option.) With this additional flexibility, if the policy account increases in the future, the LTC benefit provided under the rider may also increase in the future which would produce a higher death benefit and more LTC coverage at the time of claim. While the LTCS rider does not provide an inflation benefit, and there can be no guarantee that the policy account value and Option B death benefit will increase (and they could even decrease), an increasing death benefit if it occurs may provide an increasing Maximum Total Benefit that could help to offset some of the rising costs of future LTC benefits.

Also, the new LTCS Rider permits a one-time death benefit option change from B to A that can be helpful if supplemental retirement income from the insurance policy is desired or in some other circumstances. The original rider did not allow for any death benefit option changes.

A third advantage of the new LTCS Rider is that it is tax-qualified and benefits paid under this rider are to be treated as an acceleration of the death benefit under Section 7702B of the Internal Revenue Code while the original rider was not tax-qualified. In competitive situations, a prospect may be more impressed by the term “tax-qualified”, which sounds superior to “non-tax qualified,” even though the difference in taxation to the policy owner is minimal in most situations. One situation where a tax-qualified rider is more beneficial is when the life insurance policy is a MEC since there is no current taxation of the rider charges although basis is reduced by the LTC COIs. With a non-tax qualified rider, the LTC COIs are taxable as distributions each year as long as there is gain in the policy. The rider in NY is non-tax qualified rider.

Finally, redesigning the LTCS Rider allowed AXA Equitable to re-price the cost of the rider based on recent industry experience. Bringing pricing in line with expected future claims makes good business sense.

Long-Term Care Services Rider At-A-Glance

Feature	Long-Term Care Services Rider
Marketing Name	• Long-Term Care Services (LTCS) Rider • In FL, the rider is called "Long-Term Care Insurance Rider" • In CA, the rider is called "Comprehensive Long-Term Care Rider"
Generic Name	• Accelerated Death Benefit for Long-Term Care Services Rider or state variation
Policy Forms	• LTCS Rider Form: ICC12-R12-10, R12-10 or state variation • LTCS Rider Application Questionnaire: ICC12-AXA-LTC, AXA –LTC-2012 or state variation.
New Prequalifying LTC Considerations Form	• A prequalifying Long-Term Care Considerations form is available to help determine if clients are candidates for applying for the LTCSR.
Eforms Outline of Coverage acknowledgment	• There is a new requirement for clients to acknowledge receipt of the outline of coverage during the e-signature process.
Issuing Companies	• AXA Equitable and MLOA
LTCS Rider 30-Day Free Look Provision	• LTCS Rider may be returned within 30 days from date of signed delivery receipt and rider charges will be reversed. • If base policy is free-looked, rider is free-looked
Issue Ages	• 20 – 75 (20-67 in FL), based on age nearest birthday • No back dating to save maximum issue age if the LTCS rider is requested
Sex	• Male, Female, Unisex (Montana only)
Underwriting Classes	• Standard Class or better, and no permanent or temporary flat extra premiums
Term Conversions	• Full underwriting to add LTCSR to a new contract; streamlined underwriting if adding LTCSR within one year of register date of Term Policy. Refer to FB 13-252 and FB 12-119 for more details.
Monthly Benefit Percentage	• 1% or 2% Issue Ages 20 – 75 (20-67 in FL) • 3% Issue Ages 20 - 70 (20-65 in FL)
Acceleration Percentage	• For Death Benefit Option A only, the LTCS face amount may be accelerated from 20% up to 100% subject to a $100,000 minimum at issue.
Long-Term Care Specified Amount	• For Death Benefit Option A, base policy face amount at issue adjusted by the acceleration percentage • For Death Benefit Option B, base policy face amount at issue • Long-Term Care Specified Amount may change due to policy transactions

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Feature	Long-Term Care Services Rider
Long –Term Care Maximum Total Benefit	• For Death Benefit Option A, Long-Term Care Specified Amount on the date the LTCS rider claim is approved • For Death Benefit Option B, Long-Term Care Specified Amount plus the policy account value on the date the LTCS Rider claim is approved
Minimum Long-Term Care Specified Amount at Issue	• $100,000
Maximum Long-Term Care Specified Amount	• Amount that would result in $50,000 of Maximum- long- term Monthly Benefit on any one life. All long-term care benefit amounts inforce and applied for with AXA EQ, its affiliates and other companies will count toward this limit.
Minimum Monthly Benefit Payment	• $500
Maximum Monthly Benefit Payment	• The Maximum Monthly Benefit Payment is the lesser of (1) the Benefit Percentage times the Long-Term Care Maximum Total Benefit, and (2) 200% (100% in NY) of the applicable daily HIPAA limit times 30. If the policy has a loan, a proportionate part of each Benefit Payment will be used to reduce the loan.
Death Benefit Options	• Option A – Level Death Benefit. • Option B – Face Amount plus the Policy Account Value. • DBO changes from A to B are not allowed if LTCS Rider is on policy • A single DBO change from B to A is allowed subject to the same rules as the base policy if it would not cause a current or future guideline premium forceout.
LTCS Rider Restrictions	**NOT AVAILABLE** in the following situations: • Substandard underwriting • DDW or DPW is elected and is declined or issued on rated basis (even if base policy is Standard or better) • Good Health Credit Program if used to improve substandard rating • Certain illnesses, impairments or conditions relating to morbidity even if the mortality risk is standard • Guaranteed Issue • Simplified Underwriting including Preferred Client Program • Foreign Nationals residing in the U.S. on temporary basis • Preferred Client Program • Policy issued as a result of exercising an Option to Purchase Additional Insurance (OPAI) Rider • Qualified Plan or otherwise subject to ERISA • Policy is reinsured • CVPlus Rider is elected • Return of Premium Rider elected • Replacement of other Long-Term Care coverage (rider or stand-alone policy) • Policies issued with exclusion riders • Insured eligible for Medicaid • Owner assets < $30,000 Rider will **TERMINATE** in the following situations: • Policy owner requests termination • LTC Total Maximum Benefit is paid out • Termination or surrender of the base policy • Death of the insured

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Feature	Long-Term Care Services Rider
	• Paid Up Death Benefit Guarantee is exercised • Living Benefits Rider (Terminal Illness) is exercised • Policy is put on Loan Extension • Substitution of Insured is exercised (cannot keep rider on new insured even with underwriting) Other Restrictions • Only available at issue, rider cannot be added subsequent to issue • Monthly Benefit Percentage cannot be changed after issue • Long-Term Care Acceleration Percentage cannot be changed after issue
LTCS Rider Restricted Policy Changes	Changes **NOT** Available if LTCS Rider is elected: • Face Increase • Death Benefit Option Changes from A to B • Partial withdrawal combined with request to hold Face Amount (except guideline force outs)
Impact of Outstanding Policy Loan and Accrued Loan Interest	A portion of each benefit payment is applied toward any outstanding loan and accrued loan interest. This percentage will equal the Monthly Benefit Payment divided by the portion of the Maximum Total Benefit that has not been accelerated yet. See the numeric example in this guide.
LTCS Rider Cost of Insurance (COI) Rates	• There are current and guaranteed COI rates for LTCS Rider (there are different guaranteed rates for FL) • The COI rates are deducted until attained age 100 on a current basis and are banded by the Monthly Benefit Percentage (1%, 2%, 3%) and vary by Issue Age, Sex, Tobacco User Status, Nonforfeiture Benefit, if elected, and Underwriting Class. The monthly cost will also depend on whether death benefit option A or option B is selected. • There are guaranteed COI rates up to attained age 121 which vary by Issue Age, Sex, Nonforfeiture Benefit, if elected, and Tobacco User Status (do not vary by the Monthly Benefit Percentage). The monthly cost will also depend on whether death benefit option A or option B is selected. • LTC Monthly Charge = (LTC NAR/1000) x COI • LTC NAR: For Option A, it is the minimum of the base policy face amount minus the amount in the policy account at that time and the LTCS Rider Specified Amount. For Option B, the NAR is LTCS rider Specified Amount
Age 121	• After policy anniversary nearest insured's 121st birthday, monthly LTCS Rider cost of insurance is 0 (guaranteed) • Long-Term Care Monthly Benefits continue to be available until the Long-Term Care Maximum Total Benefit has been paid out .
Restoration of Rider Benefits if Insured would have met LTCS eligibility criteria before end of grace period	**Criteria:** • Owner must be insured. • Written request within 5 months of termination if Insured would have met LTCS Rider eligibility criteria before end of grace period. • Base policy restored subject to our normal rules. • Owner remits all overdue LTCS Rider charges.
Restoration of Rider as part of policy restoration	**Criteria:** • LTCS rider may be reinstated as part of a policy reinstatement subject to additional evidence of insurability

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	• Upon restoration, the LTC Specified Amount will be equal to the amount at policy termination • Three months of LTC charges will be included in the policy restoration amount • The LTC monthly charge will be based on the same rate which applied when the policy lapsed
Extension of Benefits (n/a in NY)	**Criteria:** • Confinement in an LTC facility prior to policy lapse and before LTC benefits are paid out • Confinement continues without interruption after rider termination • Elimination period is satisfied • No Death Benefit under this provision
NY only: acceleration of LTCSR benefit if fixed paid- up benefit is exercised on the base policy.	– There is a reduced paid-up LTCSR benefit available if the policyowner exercises the Fixed Paid-Up Option on the base policy.
Optional Nonforfeiture Benefit (n/a in NY)	Elected at issue and has a higher charge than if the LTCS rider without the Nonforfeiture Benefit is elected. If the rider with this option terminates after the policy has been inforce for 3 or more policy years (in CA, 4 or more policy years), coverage on the insured may be continued in a reduced benefit amount without further charges. If a policy owner with LTCSR with the Nonforfeiture Benefit exercises the Loan Extension Endorsement or the Substitution of Insured rider, there are no benefits extended under the Nonforfieture Benefit.
Tax Qualified Status	LTCSR is intended to be a qualified long-term care insurance contract under IRS Section 7702B. In NY, the LTCS Rider benefit amounts received are intended to be treated as accelerated death benefits for Federal income tax purposes under Section 101(g) of the Internal Revenue Code (the Code).
Tax Reporting	• **1099R** – LTCS Rider charges. Charges reduce Basis. • **1099LTC** – LTCS Rider benefit payments. All benefit payments will be reported. They are taxable to the extent they (together with any other long-term care benefits relating to the same insured) exceed the greater of the actual expenses incurred or the HIPAA limit. • **8853** – Required form for policy owners if LTCS Rider benefits were attributed to them **<u>In NY</u>**: • **1099R** – LTCS Rider charges. Charges reduce Basis and once Basis = 0 are taxable, if non-MEC. If MEC, charges are taxable if there is gain in the policy. • **1099LTC** – LTCS Rider benefit payments. All benefit payments will be reported. They are taxable to the extent they (together with any other long-term care benefits relating to the same insured) exceed the greater of the expenses incurred or the HIPAA limit. • **8853** – Required form for policyowners if LTCS Rider benefits were attributed to them.
Chronically Ill Individual	**Certification for person who is:** • Unable to perform **Activities of Daily Living (ADLs)** for a period of at least 90 days – bathing, continence, dressing,

Feature	Long-Term Care Services Rider
	eating, toileting, transferring (in CT, one who is expected to require lifetime confinement in a Long-Term Care Facility due to injury or sickness); (In NY, it must be certified that continuous care will be required for the remainder of the insured person's life) OR • **Requires "Substantial Supervision"** to protect from threats to health and safety due to **Cognitive Impairment** (severe deficiency in memory, orientation, reasoning, judgment).
Elimination Period	• 90 days • Satisfied by LTC Facility stay or days of Home Health Care(Home Health Care is not covered in CT when IUL 153 is the base product) • Within a consecutive 24 month period (n/a in FL) • Must be satisfied only once while rider is in effect
Claims Administration	• NOC Claims Area
Prospectus	• The current prospectus for IL Legacy II and IL Optimizer II and the Long-Term Care Services Rider prospectus supplements, if applicable, must be given to the applicant whether or not they plan to elect the redesigned LTCSR.
Marketing Materials	**Client Approved Marketing Materials** • "One Strategy Can Help Address Two Needs: Long-Term Care Services Rider" (AXA Equitable version for ICC states: Cat. #149817; MONY version for ICC states: Cat. #149512; AXA Equitable version for Non-ICC states: Cat. #149874; MONY version for Non-ICC states: Cat. #149875. There are state-specific variations of this guide. Go to www.axa.com. **Note:** Subject to state approvals prior to use. • "Planning Perspective: Understanding the Taxation of My Benefits" (AXA Equitable version for ICC states: Cat. #149818; MONY version for ICC states: Cat. #149513; AXA Equitable version for Non-ICC states: Cat. #149879; MONY version for Non-ICC states: Cat. #149878). There are state-specific variations of this guide. Go to www.axa.com. **Note:** Subject to state approvals prior to use. • Client Prospecting Letter (Cat. #144793). • A Shopper's Guide to Long-Term Care Insurance (Cat. #136819). There are state-specific variations of this guide. • 2012 Choosing a Medigap Policy: A Guide to Health Insurance for People with Medicare (Cat. #136694) **Material for Financial Professional Use Only** • Go to www.axa.com for the materials that are currently available. • (Cat. #136145)
AEGIS Reports	• The LTCSR Highlights report is automatically produced with illustrations when the LTCSR is selected. • The LTCSR Benefit Example Report is an optional report for most jurisdictions. It is automatically produced with the illustration when LTCSR is selected and the contract state is CA, CT or NY.

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Feature	Long-Term Care Services Rider

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New Prequalifying LTCSR Considerations Form

A new Pre-Qualifying LTCSR form is available with the launch of this rider. Before completing the LTCSR questionnaire or any other LTCSR requirements, the Financial Professional must complete this form to determine a proposed insured's eligibility for the LTCSR. The Financial Professional is not required to submit this form with the application papers. Pre-qualification does not represent approval of LTCSR. It is a means to screen eligible clients, who will be subject to underwriting. If there are any questions about potential eligibility for the rider, FPs should contact the underwriters.

Application

- The Long-Term Care Specified Amount applied for is the initial face amount of the base policy multiplied by the Acceleration Percentage selected by the policy owner. The **Long-Term Care Acceleration Percentage** is chosen on the LTCS Rider application questionnaire. 100% acceleration is available for both death benefit option A and B. Acceleration percentage between 20% and 99% is available for death benefit option A only. The Acceleration Percentage selected multiplied by the base policy face amount must equal a $100,000 minimum Long-Term Care Specified Amount, and cannot be changed after the policy is issued.

- The Monthly **Benefit Percentage** (1%, 2% or 3%) is selected on the LTCS Rider application questionnaire. The Monthly Benefit Percentage selected cannot be changed after the policy is issued. This is used to determine the rider rate band and the maximum level of monthly benefit that is available when the insured qualifies for monthly benefits under the terms of the LTCS Rider.

- The **Optional Nonforfeiture Benefit** is chosen on the LTCS Rider application questionnaire (n/a in NY). The cost of the LTCS Rider with the Nonforfeiture Benefit is greater than it would be if this option is not selected. If the rider with this option terminates after the policy has been inforce for 3 or more policy years, coverage may be continued in a reduced benefit amount without additional charges unless monthly benefit payments (including loan repayments) exceed the total charges deducted for the rider. The Nonforfeiture Benefit cannot be added or cancelled after issue. If a policy owner with LTCSR with the Nonforfeiture Benefit exercises the Loan Extension Endorsement or the Substitution of Insured rider, there are no benefits extended under the Nonforfieture Benefit.

- **Actual Benefit Payments** - Regardless of the amount of Maximum Monthly Benefit Amount purchased, actual Benefit Payments are limited to the lesser of the Maximum Monthly Benefit Amount or the monthly equivalent of 200% (100% in NY) of the Health Insurance Portability and Accountability Act (HIPAA) daily limit.

Example:
A client who purchases a $1,000,000 policy with a 2% Monthly Benefit Percentage, and 100% Acceleration Percentage would have a Maximum Monthly Benefit Amount of $20,000 (2% of (100% of 1,000,000) = 20,000).

Acceleration Percentage	×	Initial Base Policy Face Amount	=	Initial LTC Specified Amount	×	Monthly Benefit Percentage	=	Initial Max Monthly Benefit Amt
100%	×	$1,000,000	=	$1,000,000	×	*2%*	=	$20,000

Actual claim payments are limited to 200% (100% in NY) of the monthly equivalent of the HIPAA daily limit for the applicable calendar year. (For 2015 the HIPAA daily limit of $330 translates into an actual monthly limit of $19,800 for calendar year 2015 since 200% of [30 days x $330 per day] = $19,800). The client can request an amount less than the monthly limit so his or her LTC benefit may last longer. The minimum Monthly Benefit Amount is $500.

"True" Death Benefit Option B: With the new LTCSR, if death option B is selected, the LTC benefit is linked to the death benefit at the time claim is approved such that any increase (or decrease) in the Option B death benefit (face amount plus policy account value) will provide a corresponding increase (or decrease) in the LTC Maximum Total Benefit. The LTC Maximum Total Benefit is always based on an Acceleration Percentage of 100% for death benefit Option B policies.

Availability of the Long-Term Care Services Rider

When the Long-Term Care Services Rider is Available

- Only available on new issues of certain AXA Equitable and affiliates single life permanent policies
- Issue Ages 20-75 (20-67 in FL) for Monthly Benefit Percentage 1% and 2%.
- Issue Ages 20-70 (20-65 in FL) for Monthly Benefit Percentage 3%. Issue Ages are based on age nearest birthday. No back dating to save maximum issue age if the LTCS rider is elected
- Male, Female, Unisex (Montana only)
- Underwriting class must be Standard or better. The LTCS Rider is not available if policy has permanent or temporary flat extra premiums. The LTCS Rider is not available if the Disability Deduction Waiver (DDW) rider or the Disability Premium Waiver (DPW) rider is elected and issued on a rated basis (even if the base policy is rated Standard or better.)
- Minimum Face Amount of policy that will be issued with the LTCS Rider is $100,000.
- Maximum Long-Term Care Specified Amount that will be issued with the LTCSR is the amount that would result in $50,000 of maximum long-term monthly benefit on any one life. All long-term care benefit amounts inforce and applied for with AXA Equitable, its affiliates and other companies will count toward this limit.

Monthly Benefit Percentage	Maximum Long-Term Care Specified Amount at Issue*
1%	$5,000,000
2%	$2,500,000
3%	$1,666,666

Assumes no other AXA EQ or affiliates LTC coverage in effect.

Situations When the Long-Term Care Services Rider Is NOT Available

- Guaranteed Issue
- Simplified Underwriting including Preferred Client Program
- Good Health Credit Program if used to improve substandard rating
- Certain illnesses, impairments or conditions relating to morbidity even if the mortality risk is standard
- Foreign Nationals residing in the U.S. on a temporary basis
- Preferred Client Program
- Policy is issued as a result of exercising an Option to Purchase Additional Insurance Rider (OPAI)
- Qualified Plan or otherwise subject to ERISA
- Policy is reinsured
- Replacement of other Long-Term Care rider or stand-alone Long-Term Care insurance
- Classified letter rating or flat extras are on the policy
- Client's assets are less than $30,000
- DDW or DPW declined or rated
- Policies issued with exclusion riders
- Client is eligible for Medicaid
- CVPlus Rider elected
- Return of Premium rider elected

Situations That Will Terminate the Long-Term Care Services Rider

- LTCS Rider Free Look Provision - If the client is not completely satisfied with the LTCS Rider for any reason, they may return it within 30 days from the date of the signed delivery receipt. We will reverse any charges applicable to the rider and the policy will be treated as if the rider had never been issued.
- Written request from policy owner to terminate the rider. Only available after the first policy year except for in FL.
- Termination or surrender of the base policy
- Death of the insured
- The entire Long-Term Care Benefit has been paid out
- Payment under the Living Benefits Rider for terminal illness is made
- Policy is put on Loan Extension

- Election of the Paid Up Death Benefit Guarantee
- Substitution of Insured Rider is exercised

Policy Changes That Are NOT Available when the LTCS Rider Has Been Elected

- Face Amount increases
- Death Benefit Option change from Option A to B
- If a partial withdrawal is made on a policy with the LTCS Rider, the Face Amount of the policy and the LTC Specified Amount for DBO A only will generally be reduced. There is no reduction for DBO B policies. Requests to hold the Face Amount will not be allowed even with underwriting.

Other Restrictions

- LTCS Rider is only available at issue, rider cannot be added subsequent to issue
- Long-Term Care Monthly Benefit Percentage cannot be changed after issue
- Long-Term Care Acceleration Percentage cannot be changed after issue

Optional Nonforfeiture Benefit (n/a in NY)

In order to offer LTCS rider as a tax-qualified rider and given that AXA Equitable's LTCS rider cost of insurance (COI) rates are level, the Company needs to offer a LTC nonforfeiture benefit (NFB) as an option to our policy owners. The LTCS rider's status as qualified does not depend on whether the Nonforfeiture Benefit is elected. LTC COIs for the Nonforfeiture Benefit are more expensive than LTC COIs without NFB.

- Ages 50-64 – Nonforfeiture Benefit rates are approximately 30%-50% higher
- Ages 65+ - Nonforfeiture Benefit rates are approximately 20%-30% higher

How it works:
After the LTCS rider with the Nonforfeiture Benefit has been inforce for 3 policy years (In CA for 4 policy years), the Nonforfeiture Benefit will cover claims with the same eligibility requirements and elimination period as did the LTCS rider up to Nonforfeiture Benefit's limitations with a reduced benefit amount unless monthly payments (including loan repayments) already exceed the total charges deducted for the LTCS rider. If a policy owner with the LTCS Rider with the Nonforfeiture Benefit exercises the Loan Extension Endorsement or the Substitution of Insured Rider, there are no benefits extended under the Nonforfeiture Benefit.

NFB's benefit period begins when the LTCS rider with Nonforfeiture Benefit has terminated, such as:

- Upon requested termination of the LTCS rider
- Upon policy surrender
- Upon termination without value at the end of a grace period

- Election of the Paid Up Death Benefit Guarantee

The Nonforfeiture Benefit may provide long-term care coverage on the insured in a reduced benefit amount without additional charges. This coverage would be in effect until the earlier of the death of the insured or the date the Maximum Total Nonforfeiture Benefit has been paid out. The Maximum Total Nonforfeiture Benefit will be the greater of one month's (in CA, three month's) maximum Monthly LTCSR Benefit in effect as of the date the LTCS rider would otherwise terminate and the sum of all paid LTCSR rider charges less any monthly benefit payments already made (including any loan repayments). Maximum benefits paid under the Nonforfeiture Benefit would not exceed the maximum benefits available under LTCS rider at the time it would otherwise terminate.

NY only: Acceleration of LTCSR benefit if fixed paid- up benefit is exercised on the base policy.

See the Rider for details.

Long-Term Care Services Rider Underwriting

One of the benefits of purchasing a permanent life insurance policy with the LTCS rider is the unified underwriting process. The rider will be subject to age and amount requirements or as deemed appropriate by Underwriting. Financial underwriting will be used to ensure that appropriate LTCS rider limits are not exceeded. A new Prequalifying LTCSR Considerations form is available with this rider. Before completing the questionnaire (ICC12-AXA-LTC, AXA – LTC-2012 or state variation) or any other requirements, the Financial Professional must complete this form to determine a proposed insured's eligibility for the LTCS rider (Form ICC12-R12-10, R12-10 or state variation). The Financial Professional is not required to submit this form with the application papers. Pre-qualification does not represent approval of LTCSR. It is a means to screen eligible clients, who will be subject to underwriting.

- Application Questionnaire form ICC 12-AXA-LTC, AXA –LTC-2012 or state variation must be completed and submitted with the application for the applicable life insurance policy.
- Insured must be rated Standard or better with no permanent or temporary flat extras or morbidity concerns.
- If the proposed insured is eligible for Medicaid (Question 5d of the Application Questionnaire), the LTCS Rider will not be issued.
- If the proposed owner's assets are less than $30,000, the LTCS Rider will not be issued. The base policy will be issued subject to policy amendment.
- The maximum long-term care monthly benefit on any one life is $50,000. All long-term care benefit amounts in force and applied for with AXA Equitable, its affiliates, and all other companies will count towards this limit.

Monthly Deductions for the Long-Term Care Services Rider

A Cost of Insurance (COI) charge for the LTCS Rider is deducted from the Policy Account Value on each monthly anniversary while the rider is in effect until the policy anniversary nearest the insured's attained age 100 on a current basis and attained age 121 on a guaranteed basis. When monthly benefits are being paid under the rider we will waive the monthly LTCS Rider COI charge.

- LTCS Rider Cost of Insurance (COI) Rates - There are both current and guaranteed COI rates (there are different guaranteed rates for FL that can be viewed in the FL Outline of Coverage). The original LTCS Rider COI rates vary by sex, Nonforfeiture Benefit, if elected, underwriting class (Preferred Elite, Preferred, Standard Plus and Standard), Tobacco User Status, Issue Age and Monthly Benefit Percentage (1%, 2% or 3%) selected. The guaranteed LTCS Rider COI rates vary by sex, Nonforfeiture Benefit, if elected, Tobacco User Status, and Issue Age. The current and guaranteed rates are included with the Outline of Coverage.

- How the Long-Term Care Services Rider monthly charges are calculated - The monthly rider charge is calculated by applying the monthly LTCS Rider COI rate to the Long-Term Care Net Amount at Risk. The Net Amount at Risk for Death Benefit Option A is the minimum of the LTC SA and the base policy face amount minus the Policy Account Value at the beginning of the policy month and the Long-Term Care Specified Amount. The Net Amount at Risk for Death Benefit Option B is the LTC SA at the beginning of the policy month. Current basis LTCS Rider charges are shown on the optional Annual Calculation Summary report found in the AEGIS new business proposal system, if elected.

- **Guaranteed Long-Term Care Services Rider Values on the Policy Pages** – The LTCS Rider guaranteed basis COI rate, the Initial LTC Specified Amount, the Monthly Benefit Percentage, the LTC Acceleration Percentage and the Initial Maximum Monthly Benefit Amount are shown on the Policy Pages of the policy.

  Taxation of Long-Term Care Services Rider Monthly Charges – Monthly charges for the new LTCS Rider coverage are not considered to be distributions from the policy for federal income tax purposes even if the base policy is a modified endowment contract (MEC), but will reduce the owner's tax basis in the policy. LTCS rider monthly charges reduce the policy owner's investment in the policy (but not below zero), for example, for purposes of determining the taxation of a surrender or distribution under the policy. Even though the rider charge is not taxable, tax reporting is still required on a 1099R.

  In NY:
  - **Taxation of Long-Term Care Services Rider Monthly Charges** – Monthly charges for LTCS Rider coverage are considered to be distributions from the policy for federal income tax purposes.
  - **Policy is not a MEC –** The monthly charge reduces Cost Basis. When Cost Basis is zero, the monthly charges are reported as taxable income on Internal Revenue Service (IRS) Form 1099R.
  - **Policy is a MEC** – The monthly charge is reportable on IRS Form 1099R to the extent of the gain in the policy at the time the charge is deducted. If there is no gain in the policy at the time the charge is taken, the Cost Basis of the policy will be reduced by the amount of the rider charge.

- (See examples in Appendix B & C.)

- **Taxation When Benefits are Paid Under the LTCSR** - Long-Term Care Services Rider benefits received under life insurance policies are intended to be treated for federal income tax purposes as an accelerated death benefit under Section 7702B of the Internal Revenue Code and are generally excluded from income taxation subject to the greater of per diem tax maximum limits or actual expenses paid.

  In NY:

  The LTCS Rider benefit amounts received are intended to be treated as accelerated death benefits for Federal income tax purposes under Section 101(g) of the Internal Revenue Code (the Code). The Code provides special tax treatments for such payments on the life of a chronically ill insured person receiving qualified long-term care services within the meaning of Section 7702B of the Code.

  For income tax purposes, payment of benefits will be reported to the policy owner on Form 1099-LTC.

The policy owner must then complete Form 8853 to determine the amounts to be included or excluded from income for the applicable tax year.

- Income Tax Exclusions – Generally, income exclusion for all benefit payments from all sources with respect to an insured person will be limited the higher of:
  - The HIPAA per diem limit (currently $330 per day for 2015); or
  - The actual costs incurred for qualified long-term care services by the policy owner on behalf of the insured person

If there is more than one policy on the insured, benefit payments must be aggregated to determine taxability. To the extent aggregate benefit for an insured received by all owners from all sources exceeds the tax law limits, the excess benefit amount will be taxable as ordinary income to the recipient.

Income exclusion under this rule applies even if the life insurance policy is considered to be a MEC under the tax law.

Long-Term Care Services Rider Impact on Policy Premiums

- The LTCS Rider is reflected in the **Extended No Lapse Guarantee** (ENLG), the Enhanced No Lapse Guarantee (EnhNLG), **Commissionable Target Premium** (CTP), **Minimum Initial Premium** (MIP) and **No Lapse Guarantee** Premium (NLG). CTP rates for the rider vary by Issue Age, Sex, and Tobacco User Status. CTP rates for the rider do not vary by the Monthly Benefit Percentage or by Underwriting Class.
- The **7 Pay Premium**, **Guideline Single Premium,** and **Guideline Level Premium** are not affected by the LTCS Rider. This is because the LTCS Rider is not currently considered a Qualified Additional Benefit (QAB).
- The monthly LTC rider charge will reduce the **sum of premiums paid toward the 7 Pay limit**, if applicable (i.e. if the policy is not a MEC and is within a 7 Pay testing period).
- The monthly LTC rider charge will reduce the **sum of premiums paid toward the guideline premium limit**.
- Premium payments are not allowed if a policy is on LTCS Rider claim.

Receiving Benefits under the Long-Term Care Services Rider

The Insured must be considered Chronically ill and have received qualified long-term care services in accordance with a plan of care for a 90-day Elimination Period. Actual payment of benefits will begin following our receipt of all documentation required under the rider, including written certification from a U.S. Licensed Health Care Practitioner that the insured is chronically ill and is receiving qualified long-term care services in accordance with a Plan of Care. Upon claim approval, receipts for expenses are not needed. Recertification by a U.S. certified licensed healthcare practitioner is required every 12months from the date of the initial or subsequent certification in order to continue receipt of benefits.

- **Elimination Period** – The Elimination Period is the number of days that must elapse before any benefit is payable under the Long-Term Care Services Rider. The LTCS Rider has an Elimination Period of 90 days. The 90 days do not have to be consecutive; however, they must be satisfied during a 24-month period (24-month period n/a in FL). Each day of qualified long-term care services provided to a Chronically Ill insured in either a Long-Term Care Facility or by a Home Health Care Provider (in CT, Home Health Care is not covered when IUL 153 is the base product) will count toward satisfying the Elimination Period. In CA, the elimination period can be satisfied by any combination of days of a Residential Care Facility stay, Skilled Nursing Facility stay, or any days of home care or community –based services. The Elimination Period needs to be satisfied only once while the rider is in effect. Benefits will not be retroactively paid for the Elimination Period except in NY.

- **Definition of 'Chronically Ill'** – The Insured is considered Chronically Ill when he or she is certified by a Licensed Health Care Practitioner as

1. Being unable to perform (without Substantial Assistance from another person) at least two Activities of Daily Living (bathing, continence, dressing, eating, toileting, and transferring) due to a loss of functional capacity for a period of at least 90 days (In CT, one who is expected to require lifetime confinement in a Long-Term Care Facility due to injury or sickness); (In NY, it must be certified that continuous care will be required for the remainder of the insured person's life); or
2. Requiring Substantial Supervision to protect such individual from threats to health and safety due to Cognitive Impairment.

- **Documentation Required to Receive Long-Term Care Services Rider Benefits** We must receive the following documentation before any benefits under the LTCS Rider are payable:
  1. Written certification from a U.S. Licensed Health Care Practitioner that the insured is a Chronically Ill individual and is receiving qualified long-term care services in accordance with a Plan of Care
     - In CA, the plan of care may be prescribed by a Licensed Health Care Practitioner or a multidisciplinary team under medical direction.
     - In CT, it must be anticipated that continuous care will be required for the remainder of the insured person's life.
     - In NY, it must be certified that continuous care will be required for the remainder of the insured person's life.
  2. Written notice of claim and satisfactory proof of loss; and
  3. Proof that the 90-day Elimination Period has been satisfied

- **Determining the Actual Monthly Benefit Payment** When on claim, client can request any monthly benefit payment between $500 and the lesser of the Maximum Monthly Benefit Amount and the monthly equivalent of 200% (100% in NY) of the daily HIPAA limit then in effect. Note that any requested Face Amount reductions or partial withdrawals for Death Benefit Option A only may decrease the LTC SA which in turn will decrease the Maximum Monthly Benefit Amount prior to the first period of coverage. If the policy has a loan, a proportionate part of each Benefit Payment will be used to reduce the loan.

- **Changing the Actual Monthly Benefit Payment**
  Upon request, the amount of the Monthly Benefit Payment may be changed as long as the payment requested is not higher than the maximum amount allowed.

- **Period of Monthly Benefits**
  Monthly Benefits will be paid during a Period of Coverage, or the period of time during which the insured receives services covered under the LTCS Rider. A Period of Coverage begins on the first day of covered services received after the end of the Elimination Period and terminates at the earliest date any of the following occur:
  1. The date we receive the Notice of Release which must be sent to us when the insured is no longer receiving qualified long-term care services.

2. The date we determine that the insured is no longer receiving qualified long-term care services in accordance with the plan of care written for that period of coverage.
3. The date the policy owner requests termination of monthly benefit payments.
4. The date the accumulated Benefit Lien Amount equals the Maximum Total Benefit
5. The date of surrender of the policy.
6. The date a payment is made under the Accelerated Death Benefit Rider for terminal illness.
7. The date of death of the insured.

- **Payment of the First Benefit –** The First Benefit will be paid on the monthaversary following the end of the 90-day Elimination Period or the date we approve claim (if later). In NY, benefits will be paid retroactively for the entire 90-day elimination period.

- **Notice of Release -** The policy owner must submit immediate notice to the AXA Equitable's Special Claims Division when the insured's confinement in a long-term care facility or home health care is no longer required (in CT, Home Health Care is not covered when IUL 153 is the base product). In CA, there is no notice of release provision in the Rider.
-
- **Contact Information –** By phone at 800-777-6510 or by mail at AXA Equitable, Special Claims Division, P.O. Box 1047, Charlotte NC 28201-1047.

Long-Term Care Services Rider Claim Payment Mechanics

Benefits accelerated under this rider are treated as a lien (Accumulated Benefit Lien Amount) against the death benefit and reduce the cash surrender value. The lien increases with each LTCS Rider Benefit Payment. The Accumulated Benefit Lien Amount will not accrue interest.

Death Benefit and Policy Surrender Before End of a Period of Coverage:

For purposes of determining the cash surrender value, the base policy face amount and unloaned Policy Account Value will each be reduced by a percentage. Such percentage will be equal to the Accumulated Benefit Lien Amount divided by (1) for death benefit Option A, the base policy face amount; (2) for death benefit Option B, the base policy face amount plus the unloaned Policy Account Value. However, such percentage will not be more than 100%, and the unloaned Policy Account Value will not be reduced by more than the Accumulated Benefit Lien Amount.

For a policy surrender, the Surrender Charge, if applicable, is reduced corresponding to the reduction in the base policy face amount.

Example 1 – Death Benefit Option A	
Base Policy Face Amount	$1,000,000 (not in corridor)
Monthly Benefit Percentage	1%
Acceleration Percentage*	100%
Outstanding loans against the policy	$0
Total Accumulated Benefit Lien Amount	$200,000
Percent Reduction	20%

**For Death Benefit Option A policies, the Acceleration Percentage must be between 20 – 100%.*

For Example 1,

- the Total Accumulated Benefit Lien Amount is $200,000 (monthly benefits of $10,000 have been paid out for 20 months; 20% of the Face Amount has been accelerated to date)
- For a death benefit option A policy, the percentage reduction will be equal to the Accumulated Benefit Lien Amount divided by the base policy face amount.
- The percentage reduction in the policy's cash value would be equal to 20% ($200,000/$1,000,000).
- If policy is surrendered prior to the next monthly benefit payment, the Cash Surrender Value at the time of surrender will be reduced by 20%. Assume the Net Cash Surrender Value is $400,000. When the surrender is processed, the Net Cash Surrender Value will be reduced by 20%, i.e. the policy will be surrendered for $320,000.
- If the insured dies during a period of coverage, the accumulated lien amount is deducted from the death benefit (1,000,000 – 200,000= 800,000)

Example 2 – Death Benefit Option B	
Base Policy Face Amount	$1,000,000 (not in corridor)
Monthly Benefit Percentage	1%

Acceleration Percentage*	100%
Outstanding loans against the policy	$0
Policy Account Value as of date policy goes on claim	$500,000
Policy Account Value as of date of death	$100,000
Policy Account Value as of date of surrender	$400,000
Total Accumulated Benefit Lien Amount	$300,000
Percent Reduction	21.4%

**For Death Benefit Option B policies, the Acceleration Percentage is required to be 100%.*

For Example 2,

- Total Accumulated Lien Amount = $300,000 (monthly benefits of $15,000 have been paid out for 20 months; 20% of the Death Benefit at time of claim has been accelerated to date)
- For a death benefit option B policy, the percentage will be equal to the Accumulated Benefit Lien amount divided by the base policy face amount plus the unloaned Policy Account Value.
- Percent Reduction = 300,000/(1,000,000+400,000) = 21.4%
- If policy is surrendered prior to the next monthly benefit payment, the Cash Surrender Value at the time of surrender will be reduced by 21.4%. Assume the Net Cash Surrender Value is $400,000. When the surrender is processed, the Net Cash Surrender Value will be reduced by 21.4%, i.e. the policy will be surrendered for $314,400.
- If the insured dies during a period of coverage: The death benefit is equal to the greater of the option B death benefit when the policy went on claim and the option B death benefit on the date of death.
  - DB = greater of [1,000,000+500,000, and 1,000,000+100,000] = 1,500,000.
  - The accumulated lien amount is deducted from the death benefit: DB of $1,500,00 minus $300,000 lien for a net death benefit of $1,200,000

Monthly Deductions while LTCS Rider Benefits Are Paid

- Monthly charge for LTCS Rider is waived when on claim
- If the Policy Account Value (or net cash surrender value for fixed products) is not sufficient to cover the monthly deduction for the policy and any riders, we will not lapse the policy. We will waive any monthly deductions for the policy and any riders that cannot be taken. However, loan interest will continue to be charged and deducted from the benefit payment (if not paid in cash).

Loans

A portion of each benefit payment is applied toward any outstanding loan and accrued loan interest.

> **Example:** Policy has a $100,000 Face Amount, $100,000 LTC SA, 2% Monthly Benefit Percentage and a policy loan of $5,000 at the time the LTCS Rider monthly benefit claim payments begin. Client elects the Maximum Benefit Payment of $2,000 per month and continues receiving monthly benefit payments for 50 months. Assume for this example that the client is paying any loan interest due in cash rather than adding it to the loan balance. Each monthly benefit payment will be reduced by the loan balance (outstanding loan plus accrued loan interest) multiplied by the LTC Benefit Payment divided by the LTC Maximum Total Benefit minus the Lien, applied as a loan repayment, and the balance sent to the client. For Option A, the amount applied as a loan repayment, when you initially go on claim is: 5,000 * [2,000/(100,000 – 0)] = $100. The balance is $2,000 - $100 = $1,900 is sent to the client.
>
> For Option B with a policy account of $10,000 when the insured goes on claim, the Maximum Benefit Payment is (2%) ($100,000 + $10,000) = $2,200. The amount applied as a loan repayment, when the rider initially goes on claim is: 5,000 * [2,200/ (100,000 + 10,000 – 0] = $100. The balance is $2,200 – 100 = $2,100 and is sent to the policy owner.

Accessing Account Values

Policy loans and withdrawals are two ways to access life insurance Account Values. Each reduces the amount that may be available for claims under the Long-Term Care Services Rider.

- Withdrawals – Directly reduce the LTC SA on Death Benefit Option A, and as a result reduce the Maximum Monthly Benefit Amount if prior to the first period of coverage. We do not reduce the LTC SA for death benefit Option B. We will not allow 'hold' Face Amount for partial withdrawals on policies with LTCSR except if the partial withdrawal is the result of a guideline premium forceout. Withdrawals are not allowed while the policy is on LTCS Rider claim.
- Policy Loans are available while the policy is on LTCS Rider claim. However, a portion of each Monthly Benefit payment is used to repay the loan. This amount is calculated to repay the total policy loan by the time the Death Benefit is fully accelerated. Policy loans are available while the policy is on claim, subject to the loan provisions of the base policy and reduce loan values (due to the effect of the Accumulated Benefit Lien Amount upon available cash surrender values and hence maximum loan values while the policy is on claim).

Long-Term Care Services Rider FP Licensing, Appointment and Education

The following requirements must be completed before a producer can submit a LTCSR application:

- **LTCSR Licensing, Appointments, and Education Requirements**: State-specific requirements must be met prior to the solicitation and/or sale of the LTCSR. In most states, the rider is considered long-term care insurance (these are called LTC states). Some of the LTC states also require completion of mandatory education prior to solicitation, along with continuing education, specific to long-term care insurance. Note: CO, CT, PA, UT, VT and WV were previously ADB states. These six states are now LTC states and require LTC licensing and continuing education requirements. A chart detailing each state's education requirements for solicitation and sale of the LTCSR is maintained on www.axa.com on the product pages on the website. More information on agent licensing and appointment is available by calling AXA Distributors Licensing Department at (866) 262-6669 Option 3, Option 2.

Long-Term Care Services Rider Application Materials & Submission Process

The following state specific forms are available by selecting "Long-Term Care Services Rider Forms Package" in eforms under the applicable base policy. E-forms for Life, the Electronic Life Insurance Application tool has the new LTCS Rider packages. E-forms for Life ensures an in good order application package, reduces handling delays due to errors and omissions and reduces the cycle time so producers get paid faster.

- A **new Prequalifying LTCSR form** is available with the launch of this rider. Before completing the LTCSR questionnaire or any other LTCSR requirements, the Financial Professional must complete this form to determine a proposed insured's eligibility for the LTCSR. The Financial Professional is not required to submit this form with the application papers. Pre-qualification does not represent approval of LTCSR. It is a means to screen eligible clients, who will be subject to underwriting.
- **LTCS Rider Client Materials Checklist** – This checklist describes the materials needed for solicitation and sale of LTCS Rider in the state selected. You should review it to make sure you are submitting all requirements.
- **LTCS Rider Application Questionnaire** (Accelerated Death Benefit for Long-Term Care Services Rider Supplement form ICC 12-AXA-LTC, 12 –AXA-LTC or state variation). The LTCS Rider questionnaire includes questions designed to elicit information as to whether, as of the date of the application, the applicant has other LTC coverage in force and whether the purchase of this rider is intended as a replacement. It also allows the applicant to designate one other party to receive copies of lapse and termination notices or to waive the right to designate another party. The questionnaire contains a disclosure statement that receipt of the LTC benefits may be taxable, and that assistance should be sought from a person's tax advisor. The questionnaire contains the acknowledgement that the applicant has received an Outline of Coverage and Shopper's Guide (if required by state). It also provides an acknowledgement that the applicant elects out of having any Federal income tax withheld for taxable distributions to pay the monthly cost for the LTCS Rider.
- **E-FORMS FOR LIFE Electronic Application**
  There will be two levels of validation before the LTCSR questionnaire is generated to be completed.
  - FPs need to acknowledge that they delivered the Outline of Coverage to the client prior to application.
  - FPs need to complete the prequalifying Long-Term Care Considerations form to determine if the client can apply for the LTCSR.

  Once this validation is completed, the LTCSR questions will be generated and the agent can complete the questionnaire.
- **Senior Insurance Program Information** – A document to be given to the applicant when the application is taken. It contains state specific contact information for questions regarding long-term care insurance. This document is required in certain states. Refer to the state availability chart posted on the product pages on www.axa.com .
- **Outline of Coverage** (Form OLC-LTC A or state variation) – Required in all states, this form must be given to the client prior to taking the application. The Outline of Coverage is a "user-friendly" description of the LTCS Rider coverage. It includes Appendix A, a chart of current and guaranteed LTCS Rider rates.

- **Personal Worksheet (Form PWRID-LTC A or state variation) -** This document is required in certain states. Two copies will automatically print from eforms, if required. Both copies must be completed and signed by the Financial Professional. One copy must be submitted along with the application. The other copy is to be given to the client. Refer to the state availability chart posted on the product pages on www.axa-equitable.com.
- **Potential Rate Increase Disclosure Form** – In states that require the Personal Worksheet. This form discloses that the current rate for the LTCS Rider may be increased in the future, but never higher than the guaranteed rate shown on page 3 of the policy.
- **Shopper's Guide** (catalog #136819 or state variation) – This document is required in certain states and there are state-specific variations. It is available on www.axa.com. Refer to the state availability chart posted on the product pages on www.axa.com.
- **A Guide to Health Insurance for People with Medicare** (catalog # 136694) – This NAIC publication must be provided upon request for clients 65 and older in certain states. It is available on www.axa.com.

Tax Consequences when Benefits are Paid Under the LTCS Rider

The LTCS Rider benefit amounts received are intended to be treated for federal income tax purposes as accelerated death benefits under Section 7702B of the Internal Revenue Code (the Code). The Code provides special tax treatments for such payments on the life of a chronically ill insured person receiving qualified long-term care services within the meaning of Section 7702B of the Code. For income tax purposes, payment of benefits will be reported to the policy owner on Form 1099-LTC. The policy owner must then complete and file Form 8853 to determine the amounts to be included or excluded from income for the applicable taxable year.

In NY, the LTCS Rider benefit amounts received are intended to be treated as accelerated death benefits for Federal income tax purposes under Section 101(g) of the Internal Revenue Code (the Code). The Code provides special tax treatments for such payments on the life of a chronically ill insured person receiving qualified long-term care services within the meaning of Section 101(g) of the Code.

Generally, income exclusion for all benefit payments from all sources with respect to an insured person will be limited to the higher of:

- the Health Insurance Portability and Accountability Act (HIPAA) per diem limit (for 2015 this limit is $330 a day) or,
- the actual costs incurred by the taxpayer (policy owner) on behalf of the insured person.

If there is more than one policy on the insured, receipt of benefit payments must be aggregated to determine taxability. To the extent aggregate benefits for an insured received by all owners from all sources exceed the tax law limits, the excess benefit amount will be taxable as ordinary income to the recipient.

Income exclusion under this rule applies even if the life insurance policy is considered to be a Modified Endowment Contract (MEC) under the tax law.

Policy Ownership Considerations

The ownership structure of the life insurance policy with a Long-Term Care Services Rider can affect how the benefits are taxed under various tax provisions (i.e. income tax, gift tax, estate tax). Therefore, careful consideration should be given to all situations where the owner and insured are not the same person. In addition, it's important to pay careful consideration to business related scenarios. A separate qualified long-term care insurance policy owned by the insured may be a better vehicle for providing long-term care benefits.

The Policy owner Is the Insured

LTCS Rider benefit payments, made to the policy owner who is the insured, to cover qualified Long-Term care services are intended to qualify for exclusion from income subject to the dollar limits described above, with respect to a particular insured person (see tax rules for multiple policies).

The Policy Owner is an Individual other than the Insured

For income tax purposes, the benefit payments made to an individual policy owner who is other than the insured are treated the same as if the policy owner was the insured. However, there are also other tax considerations.

For example, if a taxpayer's son owns a policy and the insured person is his father, there may be gift tax considerations if the son provides the funds to his father when the benefits are paid. However, special gift tax rules may provide gift tax exemptive relief when the taxpayer directly pays the provider of medical care on behalf of an insured person.

The Policy Owner is a Trust

In an estate planning scenario, an insured taxpayer may set up an irrevocable life insurance trust (ILIT) as owner of a life insurance policy to avoid including the life insurance death proceeds in the insured's taxable estate. In this situation the trust as owner of the policy will be entitled to any applicable benefits under the Long-Term Care Services Rider.

If the insured qualifies for monthly benefits under the Long-Term Care Services Rider, the trust policy owner, with the advice of his or her tax and legal advisor, will need to plan to assure that there are no unintended consequences such as the unavailability of funds to the insured or the availability of funds at the cost of defeating the estate planning for which the trust was created.

Generally, the retention of any incident of ownership in a life insurance policy by an insured or the retention of a life interest in property contributed to a trust will each cause the policy's death proceeds to be included in the insured estate.

If the insured has other long-term care coverage outside the ILIT, a benefit received by the ILIT might create taxable income for the ILIT if aggregate exclusion limits are exceeded.

The Policy Owner is a Trade or Business

If an employer provides for benefits informally funded through an employer owned life insurance policy that includes the LTCS Rider, there are additional compensation and benefit tax issues as well as certain employee notice and consent requirements, to be considered. Furthermore, the income exclusion rules for accelerated death benefits may not apply.

If the owner and the insured person are not the same, the exclusion for accelerated death benefits for chronic illness does not apply under Section 101(g) of the Code if the owner (taxpayer) has an insurable interest with respect to the life of the insured person, by reason of the insured person being an officer, employee, or director of the taxpayer, or by reason of the insured person being financially interested in any trade or business carried on by the taxpayer. It is not clear whether or not this is the case for a qualified long-term care benefit under Section 7702B if the Code.

Tax Rules for Multiple Policies

The federal income tax rules apply the limitation on the exclusion of benefits on an aggregate basis for all payments received from all sources with respect to an insured person, whether owned by the same person or not. This includes benefits from both long-term care insurance and accelerated death benefits for chronic illness. Each payer of benefits is required to report such payments for federal income tax purposes on Form 1099-LTC. For the particular situation, if benefits are received under the policy, the policy owner must calculate the portion of benefits, if any, that must be included in income (refer to IRS Form 8853 and Instructions for Form 8853).

To help illustrate this concept further, let's take a look at an example of multiple policies owned by a daughter and mother.

- A daughter receives $45,000 in benefits in a taxable year on a policy she owns on the life of the insured, her mother. Her mother receives $70,000 in benefits under a separate policy that she owns on herself. The total benefits on the life of the mother, as the insured, would be $115,000.

- Now assume the maximum excludible amount for such year happens to be $90,000 based on the per diem limit being higher than qualifying costs incurred for services, all of which were incurred by the mother.

- In this case, the mother could exclude all $70,000, since the amount received was under the $90,000 limit, and her daughter would exclude $20,000 since there would still be $20,000 remaining of the $90,000 limit after the mother's $70,000 exclusion. The remaining $25,000 received by her daughter would not be excludible since aggregate benefits ($115,000) exceeded the applicable Federal income limitation ($90,000) for such year.

Under IRS Instructions to Form 8853, the per diem limitation on benefits is first allocated to the insured to the extent of the total payments the insured received. For joint returns, the allocation is first made to the insured and spouse for payments they both received. Any remaining applicable per diem limit is allocated pro rata among other policyholders based on the payments they received in the taxable year.

The current applicable per diem limit and costs incurred, and any necessary allocation for multiple policies, will therefore have to be determined annually to calculate excludible amounts for all recipients of benefits.

Other Important Circumstances To Consider

Adjustment to Tax Limits on the Policy

Any adjustments made to the policy death benefit, face amount, and other values as a result of the Long-Term Care Services Rider benefits paid, will also generally cause adjustments to the tax limits that apply to your policy. For example, for guideline premium tested policies the guideline premiums will be adjusted. In addition, the seven-pay period and seven-pay premium for testing MEC status may also be impacted.

Split Dollar Agreement

For policies intended to be used in a split-dollar agreement, many additional tax issues may arise for which there is little federal income tax guidance. These issues may include, but are not necessarily limited to, the taxation of any economic benefit arising out of the Long-Term Care Services Rider, an employer's right to a policy's Cash Value versus the pro rata reduction of Cash Values through the acceleration of a portion of the policy's Death Benefit and the application of the rules for business related policies.

Taxation of Long-Term Care Services Rider Charges

The LTCSR is intended to be a qualified long-term care insurance contract under section 7702B of the Internal Revenue Code. As such, the qualified Long-Term Care Services Rider monthly charges reduce the policy owner's investment in the life insurance policy, but not below zero. We are required to report such charges to the IRS each year on Form 1099R, but such amounts are not considered distributions and are not taxable. The policy owner's investment in the contract (the policy) is used to determine the amount of gain that may be present in the policy for purposes of determining the income tax consequences of a distribution or upon a surrender or termination of the policy. The investment in the contract does not impact the income tax treatment of the policy's death benefit or any Long-Term Care Services Rider benefits.

In NY, LTCS Rider monthly charges are considered distributions for income tax purposes, and may be taxable to the policyowner as ordinary income, reported on Form 1099R.

- If the base life insurance policy is not classified as a Modified Endowment Contract (MEC), monthly rider charges will generally be deemed a nontaxable return of premium that will reduce the tax basis in the policy. The amount of the monthly charge will generally only be taxable as ordinary income after the tax basis in the policy has been reduced to zero.

- For policies classified as MECs, monthly rider charges will generally be taxable to the extent of any gain in the policy (policy account value exceeds cumulative premiums). As with any taxable distribution from a MEC, an additional 10% tax penalty on the taxable amount will also generally apply if the policyowner is under age 59 1/2 at the time of the distribution.

Charges for the Long-Term Care Services Rider are generally not considered deductible for income tax purposes. The Long-Term Care Services Rider is not intended to be a qualified long-term care insurance contract under section 7702B(b) of the Internal Revenue Code.

Disclosure
This guide does not discuss tax considerations for a separate stand-alone policy that only provides long-term care benefits. Clients should carefully review the basic operation of the Long-Term Care Services Rider and the possible advantages or disadvantages of the rider compared to a stand-alone long-term care policy with or without a separate life insurance policy.

This information is based on our general understanding of current federal income tax rules. Be advised that this document is not intended as legal or tax advice. In addition, U.S. Treasury Regulations require us to inform you that "any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed, and clients should seek advice, based on their particular circumstances, from an independent tax advisor."

State and local income tax rules may provide for different tax treatment of benefits or the deductibility of charges for benefits. Clients should consult their tax advisor as to their specific situation.

Appendix A – Glossary
(Variations may apply for certain jurisdictions and if the Long-Term Care Services Rider with the Nonforfeiture Benefit is elected.)

Activities of Daily Living - Those activities that measure the insured person's ability for self care. The Activities of Daily Living used in this rider to determine the level of care needed by the insured person are:

1. **Bathing**, which means washing oneself by sponge bath; or in either a tub or shower, including the task of getting in or out of the tub or shower.
2. **Continence**, which means the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene, including caring for a catheter or colostomy bag.
3. **Dressing**, which means putting on and taking off all items of clothing and any necessary braces, fasteners, or artificial limbs.
4. **Eating**, which means feeding oneself by getting food into his or her body from a receptacle (such as a plate, cup, or table) or by a feeding tube or intravenously.
5. **Toileting**, which means getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.
6. **Transferring**, which means moving into or out of a bed, chair, or wheelchair.

Chronically Ill Individual - An individual who has been certified by a Licensed Health Care Practitioner as:

1. being unable to perform (without Substantial Assistance from another person) at least two Activities of Daily Living for a period of at least 90 days due to a loss of functional capacity (in CT, one who is expected to require lifetime confinement in a Long-Term Care Facility due to injury or sickness); (In NY, it must be certified that continuous care will be required for the remainder of the insured person's life) or
2. requiring Substantial Supervision to protect such individual from threats to health and safety due to Cognitive Impairment.

Cognitive Impairment – A severe deficiency in the insured person's short or long-term memory; orientation as to person, place, and time; deductive or abstract reasoning; or judgment as it relates to safety awareness; included in this definition are nervous or mental disorders of organic origin, including Alzheimer's Disease and senile dementia, which are determined by clinical diagnosis or tests.

Elimination Period - A required period of time while this rider is in force that must elapse before any benefit is available under this rider. This rider will generally have an Elimination Period of 90 days, beginning on the first day of any Qualified Long-Term Care Services that are provided to the insured person. Benefits under this rider will not be paid until the Elimination Period is satisfied, and benefits will not be retroactively paid for the Elimination Period except in NY. The Elimination Period can be satisfied by any combination of days of a Long-Term Care Facility stay or any days of Home Health Care (in CT, Home Health Care is not covered when IUL 153 is the base product). In CA, the elimination period can be satisfied by any combination of days of a Residential Care Facility stay, Skilled Nursing Facility stay, or any days of home care or community –based services. Each day of care or service will be counted towards the Elimination Period, whether or not continuous. The Elimination Period must be satisfied within a consecutive period of 24 months starting with the month in which such services are first provided (24-month period n/a in FL). The Elimination Period must be satisfied only once while this rider is in effect.

Licensed Health Care Practitioner – A Physician, a registered nurse (R.N.), a licensed social worker, or any other individual who meets the requirements as may be prescribed by the U.S. Secretary of the Treasury. A Licensed Health Care Practitioner does not include the policy owner, insured person, a member of the policy owner or insured person's Immediate Family, anyone who is under suspension from Medicare or Medicaid. In CA, a Physician, a registered nurse (R.N.), a licensed social worker, or any other individual who meets the requirements as may be prescribed by the U.S. Secretary of the Treasury by regulation.

Long-Term Care Net Amount at Risk –
For death benefit Option A, the LTC net amount at risk at any time is the minimum of the Long-Term Care Specified Amount minus the amount in the policy account (but not less than zero) at the beginning of the month and the Long-Term Care Specified Amount. For death benefit Option B, the LTC net amount at risk at any time is the Long-Term Care Specified Amount at the beginning of the month.

Long-Term Care Specified Amount –The initial Long-Term Care Specified Amount is equal to the face amount of the base policy at issue times the Acceleration Percentage. This amount may change due to subsequent policy transactions, except when the policy is in corridor, the policy is DB Option B or the Cash Value is greater than the LTC SA and will be reduced at the end of a Period of Coverage to reflect benefits paid during that Period of Coverage.

Maximum Monthly Benefit Amount – The maximum amount that will be paid in a month for qualified long-term care services for the insured person. The initial Maximum Monthly Benefit at issue is equal to the Long –Term Care Specified Amount multiplied by the monthly benefit percentage selected. Subsequently, the maximum monthly benefit is equal to the maximum total benefit determined on the first day of the coverage period multiplied by the benefit percentage.

Maximum Total Benefit - For death benefit option A, the maximum total benefit is equal to the current Long-Term Care Specified Amount. For death benefit Option B, the Maximum Total Benefit is equal to the current Long-Term Care Specified Amount plus the Policy Account value. During any Period of Coverage, the Maximum Total Benefit is determined as of the first day of that Period of Coverage.

Monthly Benefit Payment - The amount we will pay in a month for Qualified Long-Term Care Services equals the lesser of:

1. the Maximum Monthly Benefit (or lesser amount requested); and
2. the monthly equivalent of 200% of the daily limit allowed by the Health Insurance Portability and Accountability Act. We reserve the right to increase this percentage.

We will pay a proportionate amount of the Monthly Benefit Payment for services rendered for less than a full month, (based on a 30 day month and a 360 day year). Income tax consequences may result if the aggregate payments received from all long-term care coverage on an insured person exceed the exclusion limits for benefits for Qualified Long-Term Care Services under applicable tax law. Policy owners should consult with a tax advisor regarding your circumstances.

Period of Coverage - The period of time during which the insured person receives services that are covered under this rider and for which benefits are payable. This begins on the first day of covered services received after the end of the Elimination Period. A Period of Coverage will end on the earliest of the following dates:

1. the date that we receive the Notice of Release which must be sent to us when the insured person is no longer receiving Qualified Long-Term Care Services;
2. the date we discover the insured person is no longer receiving qualified long-term care services in accordance with the plan of care written for that period of coverage;
3. the date when the policy owner requests that we terminate benefit payments under this rider;
4. the date when the Accumulated Benefit Lien Amount equals the Maximum Total Benefit;
5. the date that the policy owner surrenders the policy; the date we make a payment under the Accelerated Death Benefit Rider for terminal illness;
6. and; the date of death of the insured person.

Qualified Long-Term Care Services – Necessary diagnostic, preventive, therapeutic, curing, mitigating, and rehabilitative services, and maintenance or personal care services. These services must be required by a Chronically Ill Individual and must be provided in accordance with a Plan of Care prescribed by a U.S. Licensed Health Care Practitioner.

Provider includes, but is not limited to, Adult Day Care Center; Assisted Living Facility; Home Health Care Provider (in Ct, Home Health Care is not covered when IUL 153 is the base product); Hospice Care Facility; Long-Term Care Facility and Nursing Home. A

Provider also includes an employee of a licensed facility which renders services and who is qualified to provide such services. A Provider does not include a member of the insured person's Immediate Family, whether or not that person is licensed to provide services. A Provider also does not include anyone who is under suspension from Medicare or Medicaid.

Appendix B - Policy Is Not A MEC: (Not on claim) - New York ONLY

The monthly LTC rider charge will reduce the cost basis of the policy each month but not below zero. When there is no longer any cost basis in the policy (i.e. cost basis = 0), the LTC monthly charge is reportable on a 1099R form as a taxable distribution, to the policy owner. The monthly LTC rider charge, to the extent it is a nontaxable charge, will also reduce the sum of premiums paid toward the 7-pay limit, if applicable (i.e., if the policy is not a MEC and is within a 7-pay testing period). Finally, the LTC rider charge will reduce the sum of premiums paid toward the guideline premium limit, if applicable.

Example: Beginning of policy year 4: Basis=1100, PREMSPD for Guidelines = 900 and PREMSPD for MEC = $800, monthly LTC rider charge = $200, premium payment on 9/22 = $500.

Policy Year 4

	Before Rider Charge Taken					**After Rider Charge Taken**				
Monthaversary (15th of the month)	Basis	PREMSPD for Section 7702 Guideline	PREMSPD for MEC Testing	LTC rider charge taken on 15th of month	Taxable Distribution to be reported on 1099R	Nontaxable Distribution	Basis	PREMSPD for Section 7702 Guideline	PREMSPD for MEC Testing	Premium Payment
1	1100	900	800	200	0	200	900	700	600	0
2	900	700	600	200	0	200	700	500	400	0
3	700	500	400	200	0	200	500	300	200	0
4	500	300	200	200	0	200	300	100	0	0
5	300	100	0	200	0	200	100	0	-200	0
6	100	0	-200	200	100	100	0	0	-300	0
7	0	0	-300	200	200	0	0	0	-300	0
8	0	0	-300	200	200	0	0	0	-300	0
9	0	0	-300	200	200	0	0	0	-300	500 (9/22)
10	500	500	200	200	0	200	300	300	0	0

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11	300	300	0	200	0	200	100	100	-200	0
12	100	100	-200	200	100	100	0	0	-300	0

$800 will be reported on 1099R

Appendix C - Policy Is A Mec: (Not on claim) - New York ONLY

The monthly LTC rider charge is considered a taxable distribution to the extent there is gain in the policy. If there is no gain in the policy, the distribution is considered a nontaxable return of basis and reduces any remaining basis in the policy. Nontaxable distributions reduce premiums paid for purposes of guideline premiums. Since the policy is a MEC, effect on MEC testing is not shown.

Example: Beginning of policy year 4 Basis= $1100, PAV=2100, monthly LTC rider charge = $200, premium payment on 9/22 = $100.

Policy Year 4

		Before Rider Charge Taken					**After Rider Charge Taken**			
Monthaversary (15th of the month)	Policy Account Value*	Basis	PREMSPD for Section 7702 Guideline Testing	Gain	LTC rider charge	Taxable Distribution to be reported on 1099R	Nontaxable Distribution	Basis	PREMSPD for Section 7702 Guideline Testing	Premium Payment
1	2100	1100	1100	1000	200	200	0	1100	1100	0
2	1900	1100	1100	800	200	200	0	1100	1100	0
3	1700	1100	1100	600	200	200	0	1100	1100	0
4	1500	1100	1100	400	200	200	0	1100	1100	0
5	1300	1100	1100	200	200	200	0	1100	1100	0
6	1100	1100	1100	0	200	0	200	900	900	0
7	900	900	900	0	200	0	200	700	700	0
8	700	700	700	0	200	0	200	500	500	0
9	500	500	500	0	200	0	200	300	300	100 (9/22)
10	800	400	400	400	200	200	0	400	400	0
11	500	400	400	100	200	100	100	300	300	0
12	300	300	300	0	200	0	200	100	100	0

$1300 will be reported on 1099R

*Policy Account Values are hypothetical.

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Actual terms and conditions of the Long-Term Care Services Rider are contained in Rider form #ICC12-R12-10, R12-10 and state variations. This rider has exclusions and limitations and may not be available in all jurisdictions or may vary.

Life insurance products are issued by AXA Equitable Life Insurance Company (AXA Equitable), New York, NY or affiliate MONY Life Insurance Company of America (MONY America), an Arizona Stock Corporation, and main administrative offices in New York. MONY America is not licensed to do business in New York. Variable products are co-distributed by affiliates AXA Advisors, LLC and AXA Distributors, LLC, both located at 1290 Avenue of the Americas, New York, NY 10104. Fixed products are co-distributed by affiliates AXA Network, LLC and its subsidiaries and AXA Distributors, LLC.

Incentive Life Legacy II policy form ICC 09-100, 09-100 and state variations.
Incentive Life Optimizer II policy form ICC 10-100, 10-100 and state variations.
BrightLife Protect policy form ICC 11-100, 11-100 and state variations.
BrightLife Grow policy form ICC 11-100, 11-100 and state variations.

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