

Long-Term Care Insurance Plan

Provides long term care insurance for officers and their spouses, if applicable, to cover the costs of an extended stay in a nursing home or similar facility.

Highlights of the Plan

Overview

Long term care insurance protects the insured against financial hardship caused by an extended stay in a nursing home or similar facility. It was unclear for some time whether such insurance qualified for favorable tax treatment as health and accident insurance under Internal Revenue Code (Code) Sections 104, 105, and 106. Legislation passed in 1996 cleared up the confusion by characterizing qualified long term care insurance as health and accident insurance, making it eligible for favorable income tax treatment under Code Sections 104, 105, and 106.

Participants

With closely held companies, the plan is typically provided only for officers, but could be provided to a wider range of employees. If non top-hat employees are covered under the plan, participation should be limited to fewer than 100 employees if ERISA's full reporting and disclosure requirements are to be avoided.

Income Taxation of the Plan

Participants in an employer-paid, long term care insurance plan may exclude from income any premiums paid by the employer for such insurance. (Code Sec. 106) Employer expenses for long-term care insurance premiums are deductible under Code Section 162 as a business expense.

The employee's exclusion of the premium paid by the employer and the employer's deduction for such premiums are permitted even if the plan is discriminatory in favor of highly compensated employees. Benefits payable under the policy are excluded from taxable income as a medical expense as defined in Code Sec 213 to the extent that such amounts reimburse the insured for the actual expenses incurred. (Code Sec. 105)

Long Term Care Insurance Plan Minutes and Resolution

Minutes:

A special meeting of the Board of Directors of (Corporation) was held on the ___ day of _____, _____ for the purpose of Considering the adoption of a long term care insurance plan for all officers of the corporation and their spouses, if they qualify. A quorum of officers and Boards Members was in attendance, and those who were present are listed as follows:

(Chairman)

(Secretary)

(Board Member)

The Chairman described to those present the need to increase the security of eligible executives and their families by providing long term care insurance to pay the costs of extended care in a nursing home or other similar facility. After the Chairman's presentation and discussion of its merits, it was unanimously

Resolved:

That the Board of Directors has determined that such a company provided, long term care insurance plan would avoid substantial financial loss to officers due to the payment of long term care expenses, whether due to disability or old age, and would further relieve the officers of anxiety concerning the financial security of their families in the event of long term illness or injury and That such a long term care insurance plan shall be provided to all officers of the Corporation and their spouses.

In Witness Whereof, the Corporate Secretary's name has been affixed hereto this _____ day of _____, _____.

(Secretary)