

Date: October 25, 2012

RE: Adjustments to MedAmerica Products

The continued low interest rate environment has led to the decision to make several changes which will become effective as follows:

**Discounts — Effective upon state approval, but not sooner than January 1, 2013**

MedAmerica will be adjusting Spousal/Care Partner and Multi-Life discounting. (These changes will not be applicable in CA, MO and NY. Discounts will remain as they currently are for these three states). Changes are as follows:

**Preferred Discount:**

5% for all CT Partnership, FlexCare and Simplicity<sup>ii</sup> products. Maintaining a price differential based on health is consistent with our goal of quality driven business. Again, the maintenance of parity in product, price and compensation acts in the best interest of the client.

**Spousal/Care Partner Discounts:**

This change applies to CT Partnership, FlexCare and Simplicity<sup>ii</sup> products. (See Business Rules below)

- **M1 Discount:** 10% when there is a Care Partner or Spouse and only one is issued coverage.
- **M2 Discount:** 25% when both Spouses or Care Partners apply for, are issued, and accept coverage.
- **Blended Spousal/Care Partner Discount:** 20% in Multi-Life cases. This is the blended rate that is used for Simplified Underwriting or Modified Guaranteed Issue business.

**Association Discount:**

5% for both FlexCare and Simplicity products. There is no Association discount available for Transitions.

We have filed the above discounts and will inform you as to when they will take effect. Please continue to use current discounts until we notify you of a change. Rate illustration software for affected products will be updated to reflect discount changes as they go into effect.

**Business Rules for Quoting Multi-Life Case Discounts:**

Continue to use current blended rates for cases that will have an open enrollment within 60 days of the date you are presenting the pricing information until we notify you that the state(s) in which employees are situated has approved the new blended rate and are notified as to the date on which those pricing changes will become effective. For other cases, those with open enrollments that start more than 60 days from the delivery of pricing information, please contact your MedAmerica Sales Representative for guidance.

**Agent Line: 800.724.1582**

**Web: [www.MedAmericaLTC.com](http://www.MedAmericaLTC.com)**

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**Adjustments to MedAmerica Products — Continued**

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**Benefit Periods — Effective January 1, 2013*****Unlimited Benefits:***

We will no longer accept applications for unlimited lifetime benefits for our Simplicity product in California and Missouri, effective for applications with signature dates of January 1, 2013 and after. This eliminates unlimited benefit period availability from our entire portfolio. We will notify you when revised forms are available.

**What Is Not Changing?**

The aforementioned changes are based on an extensive analysis of the performance of our portfolio to date. While some changes are necessary in order to maintain a competitive and viable portfolio, our analysis has reinforced the value of continuously utilizing prudent pricing and underwriting. As a result of those positive findings, the following is an explanation of those things which do not require change:

***Limited Pay Options:***

We continue to believe that we have priced these options appropriately and there are no current plans to withdraw from the markets or programs where they are currently available.

***Underwriting/Protective Value Routines:***

We will continue our current underwriting practices and do not plan on utilizing invasive biological testing. We have maintained a prudent underwriting position for years which has enhanced our producers' ability to have a strong sense of predictability. We continue to enhance our underwriting results reporting with the quarterly underwriting report card, online training programs and continued outreach webinars.

***Multi-Life Case Marketing:***

Given our history of prudent risk evaluation routines and a review of the resulting performance metrics of our Multi-Life business, not only are we not withdrawing from this market segment, but we are seeking to increase our market presence in Multi-Life sales.

***Diversified Product Portfolio:***

Acting in the best interest of the client is a fiduciary responsibility we share with you. So that you can maximize the value you bring to your clients, we have developed and plan on maintaining a product portfolio that allows for choice based on the specific needs of the client. In addition to our Partnership offerings, we plan on continuing to make our FlexCare, Simplicity and Transitions products available for sale. Where we have yet to receive product approval, we continue to work with specific states to obtain such approval. While we do not have any information to share at this time, we do continually monitor the market seeking opportunities that may be better served by additions to our portfolio. We will continue to do so.

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## **Adjustments to MedAmerica Products — *Continued***

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### ***Summary:***

The value proposition that MedAmerica brings to you and your customers remains highly competitive. By bringing a MedAmerica insurance product to your clients, you provide them with the industry's ultimate options and flexibility in product structure, design elements, and program offerings, all at very competitive prices.

### ***Personal as well as Corporate Commitment:***

Chronic health care is all we do, and we have been doing it professionally, responsibly and profitably for over 25 years. Expertise by itself is a significant market advantage. When coupled with empathy, enthusiasm and hard work, the value of our expertise is amplified many times. Our commitment to our agent customers, to your clients and to our mission statement continues with increased emphasis on all three.

MedAmerica continues to thank and value our distribution partners. We understand that change always brings with it the possibility of new issues that need resolution. We will work with you to resolve these issues as we have in the past. We see a bright future for chronic health care insurance, in spite of the current turmoil in the financial markets. Demographics, limited government solutions and the ever-increasing public awareness are all aligned to support future growth. We want you to be our partner as we move forward.

Thank you for your business.