



2010-2011 LTC Individual Policy Rate Action Information Guide

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Overview of the 2010 John Hancock LTC Claims Study and Preliminary Findings

John Hancock's claims study, conducted every few years, examines and analyzes LTC claim patterns and trends based on our actual claims experience. Specifically, the study looks at morbidity and termination trends. Morbidity is driven primarily by three factors: claims incidence, length of claims, and utilization of benefits. Terminations are reflective of lapse rates (when people give up their policies) and mortality (how long people are expected to live). The preliminary findings of the study are taken into account when determining product pricing and establishing reserves.

This year's study was the most comprehensive ever conducted by John Hancock due to our increased claims experience. It encompassed both open and closed claims, and included double the claims than were included in the study three years ago and four times more data at older ages. It looked at all LTC claims (both group and individual) that took place over a 20 year period, from 1990 to 2010.

Summary of Findings

The study to date has found that, with respect to morbidity, the incidence and severity of claims was significantly higher than expected, and the duration of claims longer than expected. In addition, claims terminations were lower than expected. Mortality improvements observed throughout the LTC and Life insurance industry have also led to more people reaching the age where claims are more likely to occur. Put simply, more people used the insurance than anticipated, reinforcing the value of the product to policyholders, but creating a pricing issue.

Next Steps

Based on this information, inforce premiums will need to increase an average of about 40 percent on many individual and group policy series, subject to state acceptance. We understand that this increase may be difficult for some of our policyholders to afford, so there will be an array of options available to adjust benefits to keep premiums close to their current level. For example, insureds who purchased 5% compound or 5% simple inflation coverage will be offered reduced inflation coverage (subject to state acceptance), which will allow them to avoid the increase completely.

The long-term care industry is young and just beginning to see meaningful claims experience. John Hancock has some of the deepest experience in the industry, having been in the business longer than most other carriers. As an industry leader, we believe it is important to take responsible actions such as this to meet the future needs of our claimants and ensure the ongoing health of the business.

About the 2010/2011 Inforce Rate Increases

We are planning to file for inforce rate increases on the following Individual policy series:

Policy Series	Issue Years
Individual Policies – with first round increases	
Custom/Essential Care I	2002-2004
Custom/Essential Care I Florida 2003+	2003-2010
Custom Care I California	2001-2003
California Gold Coast Advantage	2003-2007
Custom/Essential Care II (2003 rates)	2003-2007
Custom/Essential Care II (2007 rates)	2007-2009
Custom Care II California	2007-2010
Custom Care II New York Partnership	2007-2010
Gold Select NY Partnership	1996-2006
Advantage NY Partnership	1992-1996
Fortis 7000's	2000-2002
Individual Policies - with second round increases	
Advantage*	1991-1996
Gold Select	1996-2002
Fortis 4060-6063*	1997-2002

*In states where the full 13% (JH) or 18% (Fortis) rate increase was not approved previously, the unapproved portion will be added to the 2010 filing.

The resulting premiums for all policyholders will be less than what customers would pay for a new policy today (adjusted for differences in benefits).

Detail on the Group plans affected and planned increases will be determined by the end of October.

Exceptions and Variations:

- Increases will not be applied to policyholders with original issue ages 80 and up.
- Increases will vary according to policy series and inflation options selected.
- Increases will not apply to any of our Individual or Group CPI-based products. (i.e. Leading Edge, CCII Enhanced, and Group's 2009 plan)

Options for Policyholders (Landing Spots)

We understand that this increase may be difficult for some of our policyholders to afford, so there will be an array of options available to adjust benefits to keep premiums close to their current level. For example, insureds who purchased automatic 5% compound or 5% simple inflation coverage will be offered reduced inflation coverage (subject to state acceptance), which will allow them to avoid the increase completely. Customers can also reduce their benefit period, adjust their daily/monthly benefit amount, or extend their elimination period. They will also be able to drop riders from their coverage.

Where Contingent Nonforfeiture is triggered and where Nonforfeiture coverage was purchased, customers will be offered paid-up policies equal to their premiums paid.

Frequently Asked Questions

1. Are you raising premiums because your policyholders/certificateholders are older and sicker now?

No. Carriers are not permitted by the states to increase premiums for specific individuals based on their advancing age or changing health. Any increase would affect all individuals insured under the impacted policy series, except for those group insurance policyholders who may still be covered under a policy that is within its rate guarantee period. Exceptions may be made for policyholders who purchased their policies at age 80 or over.

2. Does the prevailing economic environment have anything to do with why you are raising inforce rates?

No, we are raising inforce rates solely due to our morbidity and termination experience, which indicate higher than expected claims in the future.

3. Why can you increase rates on policies written after Rate Stabilization passed?

The rules stipulate that rate stabilized products have to be priced with a margin for adverse experience; however if experience shows that the margin was insufficient, carriers can apply for a further rate increase, as long as the need can be demonstrated actuarially.

4. Will the rate increase affect policy series that have already had increases?

Yes, unfortunately we will be increasing premiums a second time on some of our older John Hancock policy series as well as some Fortis policy series, as follows:

- Advantage
- Gold Select
- Fortis 4060-6063

The following exceptions should be noted:

- Increases will not be applied to policyholders with original issue ages 80 and up.
- Increases will vary according to policy series and inflation options selected.
- Increases will not apply to any of our Individual CPI-based products. (i.e. Leading Edge and CCII Enhanced)

5. Why are some policies getting an additional rate increase?

We deeply regret the need for the second increase, but our recent claims study revealed that the morbidity experience on these policies has deteriorated, indicating a need for higher than expected claims in the future. Therefore, we must increase our premiums so that we will be able to meet future claims obligations.

6. What provision allows carriers to increase LTCI premiums?

All LTC insurance is written on a guaranteed renewable basis, which means that, while a company can never unilaterally change coverage or cancel it (except for nonpayment of premium), it reserves the right to change premiums, as long as the increase is applicable to all policies within the same class in a given state and is actuarially justified. Such increases must be filed with and accepted by each state in which the product was issued.

7. Will commissions be paid on the increase in premium?

No. Commissions will not be paid on the amount of the premium increase.

8. Will policyholders who are currently on claim be impacted?

Claimants who are currently on Waiver of Premium will be notified, but not subject to the premium rate increase while on waiver.

9. How will producers get information about their affected clients?

John Hancock understands the importance of keeping producers informed and will do everything possible to provide them with timely and detailed information pertinent to their client base. As states accept the filed increases, we will prepare announcements that will appear in LTC Newslink and also on www.jhltc.com. At that time we will also provide producers with lists of affected clients in each state and sample policyholder letters. As always, producers can contact their John Hancock representatives directly for more information.

10. How will the in-force premium rate adjustments be communicated to policyholders and when will they be effective?

After a state accepts a rate increase, John Hancock will send policyholders in that state a letter that explains the premium rate increase and summarizes the options available to them. The letters may vary by state. The policyholder letters will be sent a minimum of 60 days prior to the effective date of any policyholder's first premium increase. The increase in premiums will become effective on the next policy anniversary following the 60-day notification. The first notifications are expected to begin in January 2011 (assuming state acceptance), with increases becoming effective beginning in April, 2011. The actual notification and effective dates will depend on state acceptance.

11. What happens if a policyholder pays premiums with a John Hancock single premium fixed annuity (LTC EasyPay) and the payment amount no longer matches the new premium?

Once the annuity payment is received, there will be a shortfall due to the rate action unless the policyholder elects to reduce coverage. We will mail the policyholders a balance due bill for the shortfall amount. The single premium immediate fixed annuity cannot be modified to increase the annuity payment.

12. Why will John Hancock be sending letters regarding the Time/Union (formally Fortis) LTCI policies?

In 2000, John Hancock signed an agreement to service/administer a block of Time/Union Security (formally Fortis) LTCI policies.

13. What happens if the policyholder does not pay the increased premium?

As stated in the contract, the policy will lapse for nonpayment of premium unless the policyholder purchased the Nonforfeiture Benefit or the contingent Nonforfeiture provision is triggered. See definition of Contingent Nonforfeiture below. However, policyholders will be offered options to adjust their coverage to keep premiums near their current level. A letter to policyholders will outline these options and provide them with a toll-free number to call for more information.

Definition of Contingent Nonforfeiture Benefit: The NAIC Contingent Nonforfeiture Benefit provides that in the event the company increases rates by more than a specified percentage based upon the original issue age of the policyholder, the company will provide the policyholder with the opportunity to: pay the increased premium, decrease their benefits to a level supported by their current premium, or elect the Contingent Nonforfeiture Benefit. Under the Contingent Nonforfeiture Benefit, their policy will remain in force with a reduced policy limit equal to the sum of the premiums paid. This means that a reduced benefit will be payable instead of the full policy limit.

14. Will the premium increase apply to riders?

Yes. The increase is a percentage based on total policy premium, including riders.

15. Will all affected John Hancock and Fortis policies in a given state be increased at the same time?

Not necessarily. The timing depends on state filings and acceptances for each policies series.

16. Will the agent of record be notified of the benefit changes that are selected by the policyholder, if any?

The agent of record will be copied on the letter sent to the policyholder, confirming the benefit changes selected by the policyholder. This is our standard procedure when a benefit change is processed.

17. Will lowering the policy coverage affect the tax-qualified status?

No. The tax-qualified or grandfathered status of these policies will not be affected.

18. If a policyholder purchased a DRA Partnership-qualified policy, will changing their inflation option have an affect on their Partnership status?

For the most part, those who choose to reduce their inflation will still qualify for Partnership-status, with some state exceptions. We will confirm with all DRA Partnership states that our proposed inflation reduction meets all state and DRA Partnership requirements and will let you know of any exceptions as the filing process progresses.

19. Will grandfathered Partnership policyholders be allowed to reduce inflation coverage?

No. Due to the inflation regulatory requirements for the grandfathered Partnerships, a reduced inflation option will not be available. However, we will work with all grandfathered Partnership offices to create options which will help policyholders mitigate the impact of the increase.

20. If a policyholder purchased an LTCI policy in a state that has accepted the rate increase, but has since moved to another state that has not, will his or her premiums still increase?

Yes. The premium increase is based on the policy form and the state in which the contract was issued, not where the policyholder currently resides.

21. Can policyholders exchange policies for new policies?

Yes. However, they will need to re-apply for coverage. In other words, they will have to complete a new application, go through full underwriting, and the new premiums will be based on the policyholder's attained age.

22. Will the premium increase be applied in its entirety or will it be "phased in?"

We will be filing with the states to apply the increase in its entirety. Some states may require a phase-in period – but we won't know that until later in the filing process.

Tentative Timeline of Approvals/Communications for Individual Policy Rate Increases

Timing	Event/Communication
September 2010 – October 2010	State filings of rate increases
January 2011	Estimated 1 st round of state acceptances announced
April 2011	Estimated 1 st round of effective dates
Remainder of 2011	Rate increases will be implemented on a rolling basis as states accept.

Note: the implementation process for Group inforce rate increases has not yet been determined.

Sample policyholder package

This information will be provided in the coming months.

State implementation information

Once we have received state approvals, we will notify you via LTC Newslink and on www.jhlte.com with the policies affected, amount of the increase, the timing of producer and policyholder mailings and effective dates.

About John Hancock LTC insurance

- John Hancock was a pioneer in the LTC insurance industry in the 1980s, and today has more than 1.2 million customers.
- Over the years John Hancock has paid more than \$3 billion in LTC insurance claims, and today pays more than \$1.5 million in claims per day.
- We have helped more than 47,000 families navigate the LTC insurance landscape and receive benefits to meet their long-term care needs.
- We believe in the vital role LTC insurance plays in the financial planning process and in the lives of our policyholders and their families, especially in an environment in which government programs are severely strained and the need for long-term care continues to rise dramatically.