

About the 2010 Rate Action

OVERVIEW AND KEY POINTS

In late 2010, John Hancock LTC announced that following a comprehensive study of our LTC insurance claims, we determined the need to seek a premium rate increase on some of our individual policy series. The need was based on the morbidity and termination experience of our in-force policies, which indicated higher than expected claims in the future. The rate action being taken is not due to poor investment results.

Key information:

- ✓ Custom Care II Enhanced, Leading Edge and Leading Edge for Corporate Solutions are NOT impacted.¹
- ✓ The national average increase for affected policy series is about 40%, and this will vary depending on the policy series, issue age, inflation option and benefit period. All rate increases will be subject to state acceptances.
- ✓ Increases will not be applied to policyholders currently on claim.
- ✓ Increases will not be applied to policyholders with **original issue age 80** and older.
- ✓ Increases will vary by policy series, issue age, benefit period, and inflation option.
- ✓ Note: We are in process of moving some products that exist on both of our administrative systems (such as Advantage Gold) from our older system to our new system, to support inflation landing spot (see below) processing. Therefore we will be handling the rate increases for those products at a later date and will keep you informed when we do.

PRODUCER AND POLICYHOLDER COMMUNICATIONS

Once we receive notification of state acceptance on our filings, we will begin the implementation process (on a state-by-state basis) and will keep you informed throughout the process via LTC Newslink.

Approximately four weeks in advance of policyholder notifications, producers will receive a list of their policyholders who are impacted. The list will include the following information:

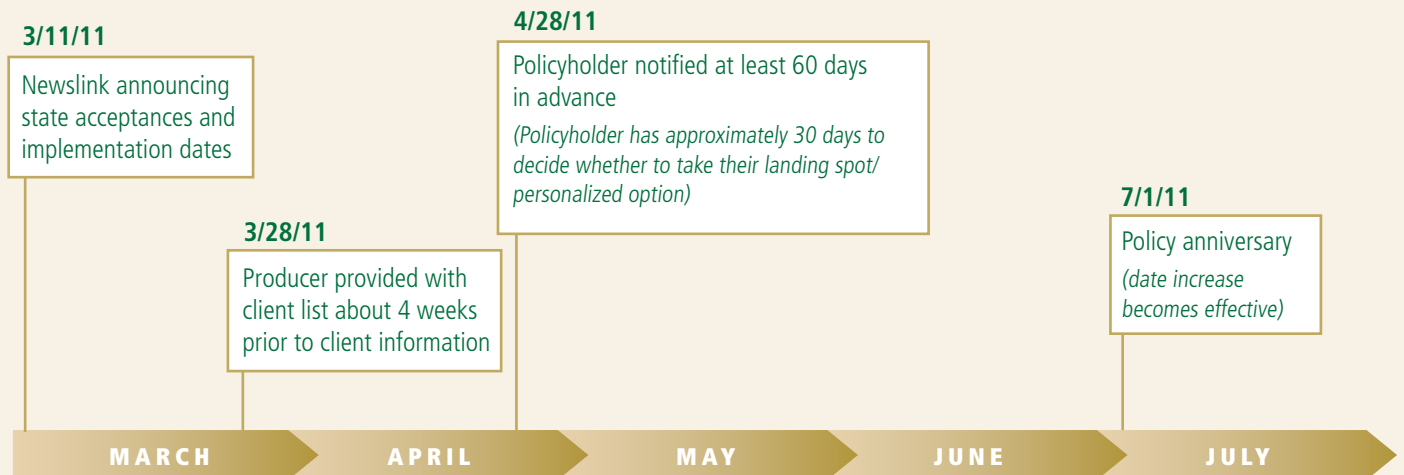
- ✓ Policyholder number, policyholder name, address
- ✓ Association/Group number (if applicable)
- ✓ Plan code, product name, payment mode
- ✓ Current modal premium, % increase, modal premium increase, new modal premium
- ✓ Issue state, issue date and effective date of increase
- ✓ Personalized option (if applicable)
- ✓ Letter and options package type that the policyholder will receive

Affected policyholders will be grouped by anniversary month and will be notified in waves at least 60 days in advance of their anniversary.



1. Pilot, Basic/Comprehensive, and Plus plans (i.e. all plans prior to the John Hancock Advantage Series) are not impacted.

SAMPLE COMMUNICATIONS TIMELINE



OPTIONS FOR POLICYHOLDERS²

We realize the premium increases could be a hardship for some policyholders and others may not want to pay the increased premium. Therefore, aside from accepting the increase, we will be offering alternatives, that will vary by policyholder situation and state, to help them avoid or reduce the increase. Such alternatives include:

- ✓ Reduction to their future annual inflation increase (landing spot) – Policyholders who purchased automatic 5% compound or 5% simple inflation coverage will be offered the one-time opportunity to change to a rate between 2.1%-4.4%, (subject to policy series and state acceptance), which will allow them to avoid the increase completely.
- ✓ Select a personalized option to reduce benefits – Those with periodic GPO-type inflation coverage will be offered the opportunity to reduce their Benefit Period, Daily/Monthly Benefit, or extend their elimination period. They will also be able to drop optional riders from their coverage. By doing so, they may be able to reduce the impact of the premium increase.
- ✓ In situations where the optional Nonforfeiture Benefit Rider was purchased or the Contingent Nonforfeiture is triggered based on the size of the approved increase and issue age of the insured, policyholders will be offered the opportunity to convert to a paid-up policy with reduced benefits.

NEED MORE INFORMATION?

Visit www.jhltc.com for more specific information about the Rate Action including tips for talking with your clients, and sample policyholder notification packages. You can also contact your John Hancock LTC Representative for more information.

2. Available options are conditional on state acceptance and may not be available to all policyholders.

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Long-term care insurance is underwritten by John Hancock Life Insurance Company (U.S.A.), Boston, MA 02117 (not licensed in New York) and in New York by John Hancock Life & Health Insurance Company, Boston, MA 02117.

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