

*John Hancock*<sup>®</sup>

LONG-TERM CARE  
INSURANCE

# The New Reality

FOR LTC INSURANCE

**I**n business, companies that understand the trends in their marketplace, and respond decisively and responsibly, are the most likely to succeed and stand the test of time. In LTC insurance, it's a lesson that applies to carriers and distributors alike. As we continue to look for ways to offer dependable and affordable solutions that meet people's long-term care needs, the ability to evolve and adapt to our new environment is an absolute **MUST** for success.



**SPRING 2010**

## Seeing the trends

LTC insurance carriers continue to strive for ways to offer comprehensive protection at competitive and stable price points. The fact that we've seen individual LTC insurance sales decrease from a high of \$1 billion to less than \$500 million in the past decade, and carriers exiting the market faster than they are entering, indicates we have a long way to go to figure out the best direction for our industry. To be successful in expanding the LTC insurance market, we must continue to find ways to design innovative and affordable products that are appropriate for people's needs today and in 20-30 years, while also recognizing and responding to the challenges and trends of the times.

- **ECONOMIC TRENDS** — The financial crisis of 2008–2009 was deep, and its effect will be long lasting. It changed the landscape for insurers and financial institutions throughout the world. As a result, there is a different view toward risk, and the pricing of products is rising in recognition of it.

The prolonged low interest rate environment in particular has presented significant challenges to insurance companies. We have seen carriers adjust rates on their life insurance products multiple times in the past year — and now LTC insurance carriers need to be responsive to these market challenges.

- **CLAIMS TRENDS** — LTC insurance is still considered a relatively 'young' product in the insurance industry. Claims trends are monitored frequently to determine if adjustments in future product design and pricing should be made. Recent claims trends in the industry are highlighting the need to adapt product design and pricing in some areas.



*“Although many companies have left the LTC market because of the more stringent regulatory environment, or as a result of financial or strategic difficulties, those remaining are more focused on profitable growth and are becoming more disciplined in pricing, underwriting and market conduct.”*

A.M. Best's Special Report, "U.S. Long-Term Care," March 28, 2010

# Adjusting to the new reality

What does all this mean for the LTC insurance industry? We believe the LTC insurance market must evolve in response to these trends. At John Hancock, we are responding with a series of product changes in spring/summer of 2010:

## Product changes<sup>1</sup>

- **STREAMLINING OUR PRODUCT PORTFOLIO** — Effective June 7, 2010, we will simplify our product portfolio by withdrawing Leading Edge (except in FL) and focusing our resources entirely on Custom Care II Enhanced, which carries many of the same features as Leading Edge, including CPI-linked inflation, which is the preferred inflation choice of 70% of our buyers. Corporate Solutions will continue to be available on the Leading Edge platform, with new business rates being introduced on June 7, 2010, in approved states.

As part of our overall product plans we will also implement the following:

- **REDUCTION IN OUR PREFERRED DISCOUNT** — Effective June 7, 2010, in approved states, we will lower our Preferred discount from 15% to 10%, to more appropriately address the impact of lower mortality on Preferred risks.
- **COMPENSATION ADJUSTMENT ON SUBSTANDARD** — Effective August 2, 2010, compensation on Substandard policies will be calculated based on the Standard premium rate.
- **ELIMINATION OF LIFETIME BENEFIT PERIOD** — Effective June 7, 2010, in all states, we will eliminate the Lifetime (unlimited) benefit option on Custom Care II Enhanced. Going forward, we will focus on defined benefit periods to ensure our product designs emphasize affordability for the consumer and more appropriate risk management for the carrier.
- **UPDATED GUIDELINES ON INDEPENDENT CARE PROVIDERS** — Effective July 1, 2010, on all NEW Custom Care II Enhanced<sup>2</sup> policies being sold, we will update our claims guidelines to eliminate the independent caregiver assessment. We are also clarifying prior work experience and/or training requirements when a friend or neighbor is being hired as an independent care provider. These measures are being taken to help ensure our claimants receive proper care at an appropriate cost when they are at home.

## Pricing changes<sup>1</sup>

- **NEW BUSINESS RATES ON CUSTOM CARE II ENHANCED** — Effective June 7, 2010, in approved states, new business rates will be adjusted to more accurately reflect the current economic environment and the latest claims trends, while enabling you to remain competitive. Premium adjustments will vary by age, inflation protection, and the benefit period selected. You will see a modest increase in CPI plans and a greater increase on 5% compound inflation plans, which reflects the higher levels of risk associated with fixed-rate, guaranteed benefit increases. Individuals who previously purchased Custom Care II Enhanced policies are not affected by these new rates.
- **TEMPORARY STATE-SPECIFIC ACTIONS** — In states where certain older products are several generations behind in pricing, we will temporarily suspend sales of those products until the new pricing is approved:
  - California** — Effective June 7, 2010, we are suspending sales of Custom Care II, Custom Care II Partnership,<sup>3</sup> and Corporate Solutions until new pricing is approved.
  - Florida** — Effective June 7, 2010, we are withdrawing Custom Care, but leaving Leading Edge, which will be removed once Custom Care II Enhanced is approved there.
  - New York** — Effective June 21, 2010, we are suspending sales of our Partnership product only<sup>3</sup> until new pricing is approved.
  - Puerto Rico** — Effective June 7, 2010, we are suspending sales of Essential Care II until new pricing is approved.

**We are working aggressively with these states to get our new pricing approved and rolled out to you as soon as possible.**

1. This provides an overview of upcoming changes. Please see LTC Newslink for complete information.

2. Including Custom Care II in Tennessee.

3. John Hancock continues to be a participating insurer in the CA and NY Partnership programs. We will resume sales of Partnership plans in these states as soon as possible.

## Looking to the future

Everyone knows that providing leadership isn't about taking the easy route. It's about making difficult decisions and doing the right thing — for your clients, your business, and your industry.

In looking to the future, we are actively assessing the many variables that encompass new product design, to create more unique and non-traditional products for you and your clients. We are confident these new approaches will enable you to build your business, while providing your clients with an affordable and dependable means to help protect themselves and their families against the future need for long-term care.

### Providing leadership in challenging times

With a proud history spanning more than 145 years, John Hancock has always understood what it takes to deliver on the promises we make to our policyholders — to be there when they need us most. As a leader in the LTC insurance industry, John Hancock remains committed and dedicated to providing innovative, responsibly priced LTC insurance solutions that reflect today's reality and help your clients protect their assets, their families, and their future.

- **EXPERIENCE** — As one of the first carriers to enter the LTC insurance industry more than 20 years ago, John Hancock has the expertise and experience to provide forward-thinking solutions that address the issues of our time.
- **COMMITMENT** — With an expansive product line that meets every market need — from individuals, to families, to groups of all sizes — we have led the market through both good and challenging times, and our commitment to the LTC insurance market has been unwavering.
- **FINANCIAL STRENGTH AND STABILITY** — John Hancock has among the highest ratings for financial strength and stability in the insurance industry today.\*

JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)* JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY*	
A.M. Best	<b>A+</b> (2nd of 15 ratings) Superior ability to meet ongoing obligations.
Fitch Ratings	<b>AA</b> (3rd of 21 ratings) Very strong capacity to meet policyholder and contract obligations.
Standard & Poor's	<b>AA+</b> (2nd of 21 ratings) Very strong financial security characteristics.
Moody's	<b>Aa3</b> (4th of 21 ratings) Excellent financial security.

**For more information about John Hancock's LTC insurance products, please contact your John Hancock representative or go to [www.jhltc.com](http://www.jhltc.com).**

\*Financial strength ratings, which are current as of March 31, 2010, and are subject to change, measure the Company's ability to honor its financial commitments. The ratings are not an assessment or recommendation of specific policy provisions, premium rates, or practices of the insurance company. For financial professional use only. Not for use with the public.

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.