Performance LTC

Long-term care insurance with a difference

David Roberts CLU ChFC CLTC
John Hancock Insurance
National Account Vice President

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, Boston, MA 02117
Agenda

- Industry Overview
- Introduction to Performance LTC
- Competitive Pricing
- Why John Hancock
- Closing Thoughts
Industry Overview

- Higher premiums on long-term care (LTC) insurance reflect the new environmental paradigm.
- Fixed inflation options, such as 3% and 5% Compound, are offered at significantly higher premiums that have been rising rapidly with the continued low interest rate environment.
- Carriers are forced to adapt by
  - Updating pricing
  - Exiting the market
  - Developing innovative new inflation choices
- Missing factor is claims experience (risk)
  - Significant impact on inforce rate increases
Performance LTC
Long-Term Care Insurance with a Difference

- Breakthrough design
- Benefits of traditional policy
- More predictable premiums¹/Less volatile
- Lowest initial premiums¹ for 3% Compound Inflation in the industry

¹. Policy premiums for Performance LTC will increase annually, through age 90, with the possibility of being partially or fully offset by Flex Credits.
Long-Term Care Insurance

The Old Way

- Illustrate level premiums for life
- Rates based on current and future assumptions
- Adjust rates in the future based on actual experience
  - Rate increases can be high
  - Insured would be older
  - Income may be fixed
- Policies not designed to automatically respond to actual experience
Performance LTC  
*The New Way*

- Premiums vary based on actual company experience
- Less premium volatility over the long term
- More manageable policy
- Avoids unexpected “big jumps” in premiums
Performance LTC

Client Value

- **Affordability** of the lowest initial premiums for 3% compound inflation
- **Flexibility** to adjust premiums & benefits over time
- **Transparency** in how insurance and investment results are reflected in policy performance and how they are expected to change in the future
Performance LTC

Product Highlights

• Traditional LTC benefits at a great price
  – Features 3% compound inflation

• Improved product design
  – Built to deal with uncertainty
  – Reduces risk of “rate shock” in future years
  – Modest annual premium increases
  – Transparency
What’s not Changing

- Benefit Amount
  - $50 - $400 daily
  - $1,500 - $12,000 monthly
- Benefit Periods
  - 2, 3, 4, 5, 6 years
- Elimination Periods
  - 30, 60, 90, 180, 365 service days
- 5% Compound Inflation
- Ratings & Discounts
- Payment Options
- Built-In Benefits
  - Additional Accident
  - ROP prior to age 65
  - Care Support Services
  - Care Advisory Services
  - Bed Hold
  - International
  - Hospice
- Benefit Eligibility
- Optional Benefits
  - SharedCare
  - Waiver of HHC EP
  - Nonforfeiture
- DRA Partnership
What is Changing

- 3% Compound Inflation instead of Benefit Builder/CPI
- Additional policy management tools
- Minimum Issue Age increased from 18 to 40
- Additional Stay at Home moved from base policy to Flex Account
- Paid-Up at 95 changed to Lifetime Payment
- Independent Home Health Care providers no longer covered
- Hospice Care subject to Elimination Period
- Removed Additional Cash Benefit Rider
- Lapse Prevention Safeguard in lieu of Waiver of Premium
Performance LTC

Product Highlights

• New Flex Account Benefit, which can be used to:
  – Reduce premiums
  – Pay for services that allow you to stay at home
  – Reimburse LTC expenses during the Elimination Period
  – Reimburse LTC expenses in excess of the LTC benefit amount
  – Provide a refund of premium upon death or lapse, capped at total premiums paid

• New tools for managing policies
## Competitive Position

**3% Compound Inflation**

### MARRIED COUPLE, COMBINED PREMIUM, 55 YEAR OLDS

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PREMIUM</th>
<th>% DIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance LTC (Initial)</td>
<td>$2,706</td>
<td>-</td>
</tr>
<tr>
<td>Mutual of Omaha</td>
<td>$3,301</td>
<td>+22%</td>
</tr>
<tr>
<td>Genworth</td>
<td>$3,325</td>
<td>+23%</td>
</tr>
<tr>
<td>New York Life</td>
<td>$4,295</td>
<td>+59%</td>
</tr>
<tr>
<td>Northwestern Mutual</td>
<td>$4,411</td>
<td>+63%</td>
</tr>
</tbody>
</table>

Combined, Select or Standard premiums, Age 55, $4,500 Monthly Benefit, 3 Year Benefit Period, 90-day Elimination Period

*Competitive information is current and accurate to the best of our knowledge as of February, 2015. The data shown is taken from various company proposals. Policy premiums for Performance LTC will increase annually, through age 90, with the possibility of being partially or fully reduced by future Flex Credit allocations to the Policy. Performance LTC policy premiums and Flex Credits are not guaranteed.*
## Competitive Position

3% Compound Inflation

### MARRIED COUPLE, COMBINED PREMIUM, 65 YEAR OLDS

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>PREMIUM</th>
<th>% DIFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance LTC (Initial)</td>
<td>$4,330</td>
<td>-</td>
</tr>
<tr>
<td>Mutual of Omaha</td>
<td>$4,762</td>
<td>+10%</td>
</tr>
<tr>
<td>Genworth</td>
<td>$5,062</td>
<td>+17%</td>
</tr>
<tr>
<td>Northwestern Mutual</td>
<td>$5,914</td>
<td>+37%</td>
</tr>
<tr>
<td>New York Life</td>
<td>$5,991</td>
<td>+38%</td>
</tr>
</tbody>
</table>

Combined, Select or Standard premiums, Age 65, $4,500 Monthly Benefit, 3 Year Benefit Period, 90-day Elimination Period

Competitive information is current and accurate to the best of our knowledge as of February, 2015. The data shown is taken from various company proposals. Policy premiums for Performance LTC will increase annually, through age 90, with the possibility of being partially or fully reduced by future Flex Credit allocations to the Policy. Performance LTC policy premiums and Flex Credits are not guaranteed.
• **Policy Premium**: The contractual premium for PLTC. Based on very conservative insurance and investment assumptions; may be offset by Flex Credits

• **Flex Credits**: The results of a guaranteed method of passing back insurance and investment performance to the policy. Not a dividend

• **Net Premium**: The amount of money one pays for Performance LTC out of pocket
  
  – Net Premiums = Policy Premium – Flex Credit

2. Flex Credits are not guaranteed
### Premiums Over Time

**100% of Flex Credits to Pay Premiums**

<table>
<thead>
<tr>
<th>AGE</th>
<th>POLICY PREMIUM</th>
<th>FLEX CREDIT</th>
<th>NET PREMIUM</th>
<th>FLEX ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>$1,104</td>
<td>$0</td>
<td>$1,104</td>
<td>$0</td>
</tr>
<tr>
<td>56</td>
<td>$1,133</td>
<td>$1</td>
<td>$1,132</td>
<td>$0</td>
</tr>
<tr>
<td>57</td>
<td>$1,163</td>
<td>$2</td>
<td>$1,161</td>
<td>$0</td>
</tr>
<tr>
<td>58</td>
<td>$1,196</td>
<td>$3</td>
<td>$1,158</td>
<td>$0</td>
</tr>
<tr>
<td>59</td>
<td>$1,231</td>
<td>$4</td>
<td>$1,155</td>
<td>$0</td>
</tr>
<tr>
<td>60</td>
<td>$1,268</td>
<td>$5</td>
<td>$1,150</td>
<td>$0</td>
</tr>
<tr>
<td>65</td>
<td>$1,497</td>
<td>$38</td>
<td>$1,139</td>
<td>$0</td>
</tr>
<tr>
<td>70</td>
<td>$1,839</td>
<td>$710</td>
<td>$1,129</td>
<td>$0</td>
</tr>
<tr>
<td>75</td>
<td>$2,373</td>
<td>$1,257</td>
<td>$1,116</td>
<td>$0</td>
</tr>
<tr>
<td>80</td>
<td>$3,249</td>
<td>$2,190</td>
<td>$1,059</td>
<td>$0</td>
</tr>
<tr>
<td>85</td>
<td>$4,721</td>
<td>$4,257</td>
<td>$464</td>
<td>$0</td>
</tr>
<tr>
<td>90</td>
<td>$7,105</td>
<td>$8,207</td>
<td>$0</td>
<td>$2,401</td>
</tr>
<tr>
<td>95</td>
<td>$7,105</td>
<td>$13,704</td>
<td>$0</td>
<td>$27,789</td>
</tr>
<tr>
<td>100</td>
<td>$7,105</td>
<td>$20,569</td>
<td>$0</td>
<td>$95,528</td>
</tr>
</tbody>
</table>

Married, Standard, Male, Age 55, $4,500 Monthly Benefit, 3 Year BP, 90 Day EP, 6% Declared Rate, Claims 10% Above Expected

This example is not intended to predict actual performance. Amounts set forth in this example are not guaranteed. The projection of benefits is hypothetical and for illustration purposes only.
More on Flex Credits

- **Flex Credit = Interest Credit + Insurance Credit**
  - Guaranteed method to pass back experience

- **Interest Credit**
  - Calculated using declared rate (currently 6%)
    - Guaranteed to never be less than portfolio rate less 0.5%
    - Minimum rate is 1%
    - The Threshold Rate (or hurdle rate) is 1-3% (varies by issue age)

- **Insurance Credit**
  - A policyholder’s portion of the total gain/loss from claims experience
  - All experience – upside and downside – is guaranteed to be passed back to policyholders (instead of just downside for traditional LTC)
For Financial Professional Use Only. Not For Use With The Public.

Premiums Over Time vs. Genworth

Apply 100% of Flex Credits to Premium

Married, Standard, Combined Premium, Ages 55, $4,500 Month, 3 Year BP, 90 Day EP, 6% Declared Rate, Claims 10% Above Expected

Competitive information is current and accurate to the best of our knowledge as of February, 2015. The data shown is taken from various company proposals. Policy premiums for Performance LTC will increase annually, through age 90, with the possibility of being partially or fully reduced by future Flex Credit allocations to the Policy. Performance LTC policy premiums and Flex Credits are not guaranteed.
Policy Management Tools

• In-force Illustrations
  – Provided with annual statement, gives indication of future expected Flex Credits and the resulting Net Premium

• Flex Credit Deferrals
  – Defer 25%, 50%, 75% or 100% of Flex Credits (any time) for use in the future

• Reduce Premium Increases
  – Option to decline or discontinue the 3% Compound Inflation going forward

• Benefit Reduction
  – Option to reduce the benefits thereby lowering premiums
Premiums Over Time vs. Genworth
Apply 50% of Flex Credits to Premium

- Marital Status: Married
- Standard: Yes
- Combined: Yes
- Age: 55
- Monthly Premium: $4,500
- 3 Year Benefit Period
- 90 Day Elimination Period
- 6% Declared Rate
- Claims 10% Above Expected
- Flex Credit Deferral to Age 80 and then Flex Account used to pay all future Net Premiums

Competitive information is current and accurate to the best of our knowledge as of February, 2015. The data shown is taken from various company proposals. Policy premiums for Performance LTC will increase annually, through age 90, with the possibility of being partially or fully reduced by future Flex Credit allocations to the Policy. Performance LTC policy premiums and Flex Credits are not guaranteed.
What if experience worsens?

Married Standard Rates with Combined Premium, Age 55, $4,500 Monthly Benefit, 3 Year BP, 90 Day Elimination Period
Illustrated Scenario: 6% Declared Rate, Claims 10% Above Expected until year 20, then 30% Above Expected
NET PREMIUM COMPARISON

The table below shows the amount of annual Net Premium due at selected ages based on three hypothetical scenarios for the Flex Credit.

**No Flex Credit** – Assumes a Declared Rate equal to the Threshold Rate of 2% and total claims paid by the company are 65% higher than our current expectations. Under this scenario the Net Premium is equal to the Policy Premium. There are other scenarios that result in no Flex Credits or negative Flex Credits.

**Adverse** – Assumes a Declared Rate of 4.5% and total claims paid by the company are 35% higher than our current expectations. More adverse outcomes are possible.

**Current** – Assumes a Declared Rate of 6% and total claims paid by the company that are 10% higher than our current expectations. The 10% safety margin is for illustration purposes only and is added for conservatism.

<table>
<thead>
<tr>
<th>Age</th>
<th>Monthly Benefit</th>
<th>Policy Limit</th>
<th>No Flex Credit</th>
<th>Adverse</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>55</td>
<td>$4,500</td>
<td>$162,000</td>
<td>$1,104</td>
<td>$1,104</td>
<td>$1,104</td>
</tr>
<tr>
<td>60</td>
<td>$5,217</td>
<td>$187,802</td>
<td>$1,268</td>
<td>$1,192</td>
<td>$1,146</td>
</tr>
<tr>
<td>65</td>
<td>$6,048</td>
<td>$217,714</td>
<td>$1,497</td>
<td>$1,269</td>
<td>$1,128</td>
</tr>
<tr>
<td>70</td>
<td>$7,011</td>
<td>$252,390</td>
<td>$1,839</td>
<td>$1,388</td>
<td>$1,108</td>
</tr>
<tr>
<td>75</td>
<td>$8,128</td>
<td>$292,590</td>
<td>$2,373</td>
<td>$1,585</td>
<td>$1,085</td>
</tr>
<tr>
<td>80</td>
<td>$9,422</td>
<td>$339,191</td>
<td>$3,249</td>
<td>$1,920</td>
<td>$1,042</td>
</tr>
<tr>
<td>85</td>
<td>$10,923</td>
<td>$393,216</td>
<td>$4,721</td>
<td>$2,336</td>
<td>$671</td>
</tr>
<tr>
<td>90</td>
<td>$12,862</td>
<td>$455,845</td>
<td>$7,105</td>
<td>$3,070</td>
<td>$122*</td>
</tr>
<tr>
<td>95</td>
<td>$14,679</td>
<td>$528,450</td>
<td>$7,105</td>
<td>$1,503</td>
<td>$0*</td>
</tr>
<tr>
<td>100</td>
<td>$17,017</td>
<td>$612,618</td>
<td>$7,105</td>
<td>$105</td>
<td>$0*</td>
</tr>
</tbody>
</table>

*This assumes Flex Credits in the Flex Account are used to pay the full Policy Premium. This may not occur; premiums may be required in these years.

I have received a copy of this proposal and understand that this policy will remain in force as long as I pay the required premium on time. I understand the Company reserves the right to increase premiums in the future beyond what is scheduled for inflation coverage. The representative has told me Policy Premiums and Flex Credits are not guaranteed.

Applicant: ___________________________ Date: __________ (mm/dd/yyyy)

(Signature)

I certify that this proposal has been presented to the applicant and that I have explained that any premiums illustrated are subject to change. I have made no statements that are inconsistent with the illustration.

Producer: ___________________________ Date: __________ (mm/dd/yyyy)

(Signature)
# Traditional Waiver of Premium vs. Lapse Prevention Safeguard

<table>
<thead>
<tr>
<th>Waiver of Premium</th>
<th>Lapse Prevention Safeguard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protects a policy from lapse</td>
<td>Protects a policy from lapse</td>
</tr>
<tr>
<td>Premiums waived while insured is on claim</td>
<td>Any unpaid premium is covered first by Flex Account Balance, then withheld from benefit reimbursement</td>
</tr>
<tr>
<td>If insured comes off claim, premiums resume</td>
<td>Premium due resets each policy year</td>
</tr>
</tbody>
</table>
So, Which is Better?

- **EXAMPLE:** Combined Premium, Issue Age 55, $4,500 Monthly Benefit, 3 Year Benefit Period, 90 Day Elimination Period, SharedCare Rider – assume claim, from ages 85-87
- Compared to Genworth, Performance LTC’s premium savings more than make up for the reduction in benefits

**Performance LTC comes out ahead by over $13,000!**

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>CUMULATIVE PREMIUMS (AGE 87)</th>
<th>TOTAL BENEFITS REIMBURSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Genworth</td>
<td>$110,556</td>
<td>$372,363</td>
</tr>
<tr>
<td>John Hancock</td>
<td>$95,416</td>
<td>$370,519</td>
</tr>
<tr>
<td>Difference</td>
<td>$15,140</td>
<td>$1,844</td>
</tr>
</tbody>
</table>
Closing Thoughts

- **Sustainability**: Performance LTC is built to handle uncertainty
- **Affordability**: Lower premiums from John Hancock as competitors increase rates
- **Flexibility**: Clients have more control over how much they pay & how they manage benefits
- **Transparency**: Producers & clients can monitor policy performance
- **Guarantees**: in growth of Benefit Amount and Pool of Money as well as in how John Hancock returns performance to policyholders
Why John Hancock

- John Hancock has been a leading long-term care insurance provider for more than 25 years\(^4\)
- Today, we pay approximately $2.8 million in long-term care claims per day\(^4\)
- John Hancock has paid more than $5.7 billion in total long-term care claims\(^4\)
- Over 1.3 million individuals have chosen us to meet their potential long-term care needs\(^4\)

---

\(^4\) Based on John Hancock internal data from 1987 – July 4, 2014. Information is available upon request.
## Financial Ratings

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A.M. Best</td>
<td>A+</td>
<td>Superior ability to meet ongoing insurance obligations.</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>AA-</td>
<td>Very strong capacity to meet policyholder and contract obligations.</td>
</tr>
<tr>
<td>Standard &amp; Poor’s</td>
<td>AA-</td>
<td>Very strong financial security characteristics.</td>
</tr>
<tr>
<td>Moody’s Investors Service</td>
<td>A1</td>
<td>Obligations are subject to low credit risk.</td>
</tr>
</tbody>
</table>

Financial strength ratings, which are current as of November 11, 2014, 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.
Performance LTC
Long-term care insurance with a difference

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, Boston, MA 02117