

Long Term Care Insurance Rate Request Summary Part 2 –To Be Completed By Bureau of Insurance

Company Name and NAIC Number: John Hancock Life Insurance Company (USA) 65838

SERFF Tracking Number: MULF-129480189

Disposition: Approve

Approval Date: 4/21/2016

Revised Rates

Average Annual Premium Per Member: \$3270

Average Requested Percentage Rate Change Per Member: 42.2%

Minimum Requested Percentage Rate Change Per Member: 20.2%

Maximum Requested Percentage Rate Change Per Member: 55.4%

Number of Policy Holders Affected: 16,493

Summary of the Bureau of Insurance's review of the rate request:

John Hancock Life Insurance Company (USA) requested an overall 41.8% rate increase which varies by policy plan, issue age, benefit period and inflation rider. Future claims are expected to be significantly higher than originally expected or priced due to claims lasting longer than expected and more policyholders than expected are filing claims at older ages than anticipated. This has resulted in significantly higher losses than assumed in the original pricing.

As background, the Company originally grouped the forms subject to this filing into three distinct groups. Advantage forms issued from 1991-1999 with an average increase of 37.9% ranging between 29.9% to 40.20%, Gold forms issued from 1996 to 2002 with an average increase of 50.3% ranging between 20.2% to 55.4%, and CCI forms issued from 2002 to 2004 with an average increase of flat increase 26.4% ranging between 20.7% to 27.9%. (The specific forms are listed in the filing, which can be on the Bureau's website at the following link: <http://www.scc.virginia.gov/boi/SERFFInquiry/LtcFilings.aspx>.) Only forms issued prior to 10/1/2003 are included in this filing. The Advantage LTC block as received two prior increases: 13% in 2009 and 24.2% in 2011 and the Advantage NH block received a 35% increase in 2011. The Gold block has had two prior rate increases of 13% in 2009 and 46.2% in 2011. The CCI block has received one prior rate increase of 83.3% in 2011. Majority of the premiums for these blocks have already been earned.

After discussions with the Bureau, the Company withdrew its request for a rate increase on the Advantage forms, resulting with an overall increase of 42.2% on the remaining two blocks. The Bureau reviewed the rate increase in accordance with the requirements of 14VA5-200-150 which requires that the filing demonstrate that both the future and lifetime loss ratios will be at least 60% after the application of the rate increase. Based on requirements of Virginia law and regulations and using actuarially accepted and justified assumptions, the Bureau confirmed the, the future loss will be 90.5% and the lifetime loss ratio 81.2% for the Gold block and the future loss ratio will be

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84.3% and the lifetime loss ratio 73.5% for the CCI block. Since the filing met the requirements of 14VAC-200-150 after implementation of the rate increase, approval was recommended.

The company is offering all policyholders the option to reduce the premium increase by reducing their coverage. These reductions could be in the form of lower daily benefits, a shorter benefit period, a longer elimination period, termination, changes in riders or any combination of these reductions.

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