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TO: Delaware Insurance Department

FROM: Arthur Lucker, FSA, MAAA
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DATE: December 27, 2011

SUBJECT: Public Information Session
John Hancock Life Insurance Company Long Term Care Rate Filing

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John Hancock Life Insurance Company (JHLIC) filed for approval a series of average rate revisions, each of which varies by issue age, benefit period and inflation option for the subject forms. Specifically, JHLIC has filed for approval the following average rate revisions:

Policy Form Series	Average Rate Revision
• Advantage Series	30.6%
• Gold Series	41.6%
• Custom Care Series	71.1%
• Custom Care II Series	21.5%

INS has reviewed each cost disclosure provision applicable to the subject forms and has determined that each includes a 30% limitation on the maximum annual rate increase that can be implemented by the Company. The Company has requested that for policyholders affected by rate increases greater than the 30%, JHLIC will implement the rate increase over successive years, in a manner that complies with the disclosure provision.

After a review of the actuarial memorandums filed in support of the subject rate filing, INS identified several matters that required additional clarification. In their response, JHLIC provided clarification that responded to the questions raised by INS.

INS reviewed the JHLIC filing in its entirety. Based on that review, INS is concerned about the fact that the proposed rate revisions vary by issue age. Section 6.1.2 of Delaware Regulation 1404 defines Guaranteed Renewable to include the language that rates may be revised by the insurer on a class basis. Whether issue age differentiates or constitutes a class basis is a matter for the Delaware Insurance Department to determine. However, the position of INS on this matter is that issue age does not constitute a class basis. Our position is premised on the fact that the underlying risk pool is funded in the aggregate by an issue age premium rate structure for which it can be demonstrated that benefits are reasonable to premiums in the aggregate. Otherwise, the logic leads to the unacceptable conclusion that premium rates can be revised for only one issue age if the benefit/ premium relationship for that issue age is unreasonable.

For the Advantage Policy Series, JHLIC has proposed an average rate increase of 30.6% which varies by issue age, benefit period and inflation option. JHLIC has asserted that the rate revisions range from 0% to 77% and that such range has been determined, in part, by the following:

- For issue ages below 61, the cumulative maximum rate revision has been capped at 100%
- For issue ages 61 to 79, the cumulative maximum rate increase has been set to grade from 100% to 5% in 5% intervals; and
- For issue ages 80 and above, the cumulative maximum rate increase has been limited to prior increase; that is, there will be no additional increase.

For the Advantage Policy Series, INS has performed independent projections of future national experience and future Delaware experience. From our analysis, we suggest that an average rate revision of 30.6% is actuarially justified. We base this conclusion on the requirements of Section 19.1 of Delaware Regulation 1404 and the loss ratio results developed from our independent projections.

For the Gold Policy Series, JHLIC has proposed an average rate increase of 41.6% which varies by issue age, benefit period and inflation option. JHLIC has asserted that the rate revisions range from 0% to 77% and that such range has been determined, in part, by the following:

- For issue ages below 61, the cumulative maximum rate revision has been capped at 100%
- For issue ages 61 to 79, the cumulative maximum rate increase has been set to grade from 100% to 5% in 5% intervals; and
- For issue ages 80 and above, the cumulative maximum rate increase has been limited to prior increase; that is, there will be no additional increase.

For the Gold Policy Series, INS has performed independent projections of future national experience and future Delaware experience. From our analysis, we suggest that an average rate revision of 41.6% is actuarially justified. We base this conclusion on the requirements of Section 19.1 of Delaware Regulation 1404 and the loss ratio results developed from our independent projections. Table A2 and B2 show the loss ratios, based on national experience, before and after the average rate increase of 41.6%, respectively.

For the Custom Care Policy Series, JHLIC has proposed an average rate increase of 71.1% which varies by issue age, benefit period and inflation option. JHLIC has asserted that the rate revisions range from 0% to 90% and that such range has been determined, in part, by the following:

- For issue ages below 63, the cumulative maximum rate revision has been capped at 90%
- For issue ages 63 to 79, the cumulative maximum rate increase has been set to grade from 90% to 5% in 5% intervals; and
- For issue ages 80 and above, the cumulative maximum rate increase has been limited to prior increase; that is, there will be no additional increase.

For the Custom Care Policy Series, INS has performed independent projections of future national experience and future Delaware experience. From our analysis, we suggest that an average rate revision of 71.1% is actuarially justified. We base this conclusion on the requirements of Section 19.1of Delaware Regulation 1404 and the loss ratio results developed from our independent projections.

For the Custom Care II Policy Series, JHLIC has proposed an average rate increase of 21.5% which varies by issue age, benefit period and inflation option. JHLIC has asserted that the rate revisions range from 0% to 23% and that such range has been determined, in part, by the following:

- For issue ages below 76, the cumulative maximum rate revision has been capped at 23%
- For issue ages 76 to 79, the cumulative maximum rate increase has been set to grade from 20% to 5% in 5% intervals; and
- For issue ages 80 and above, the cumulative maximum rate increase has been limited to prior increase; that is, there will be no additional increase.

For the Custom Care II Policy Series, INS has performed independent projections of future national experience and future Delaware experience. From our analysis, we suggest that an average rate revision of 21.5% is actuarially justified. Although this rate revision is subject to Section 20 of Delaware Regulation 1404, we base this conclusion on the requirements of Section 9.1 of Delaware Regulation 1404 and the loss ratio results developed from our independent projections.

In conclusion INS suggests the following:

- For the Advantage Policy Series. the average rate revision of 30.6% appears to be actuarially justified, subject to the Delaware cost disclosure limitation of 30%;

- For the Gold Policy Series. the average rate revision of 41.1% appears to be actuarially justified, subject to the Delaware cost disclosure limitation of 30%;

- For the Custom Care Policy Series. the average rate revision of 71.1% appears to be actuarially justified, subject to the Delaware cost disclosure limitation of 30%;

- For the Custom Care II Policy Series, the average rate revision of 21.5% appears to be actuarially justified, subject to the Delaware cost disclosure limitation of 30%.