



INTERESTING TIMES FOR LONG-TERM CARE INSURANCE

Though the long-term care insurance industry is still young, it has already seen, and is continuing to see, many changes. Since John Hancock started selling long-term care insurance in 1987, we have seen the emergence of new types of care providers and facilities, evolving regulations involving pricing standards and consumer protection features, and a constantly changing competitive landscape.

Perhaps some of the most sweeping changes have occurred in the design of our long-term care products. Our earliest Retail products offered separate pools of money for nursing home care and home health care; today there is a combined pool for all types of expenses. John Hancock was the first carrier to offer a benefit as an option to couples who wish to combine their benefit pools together. We also offer a cutting edge inflation protection feature which increases the insured's daily maximum benefit amount based on the annual change in the Consumer Price Index (CPI-U), with no annual increase in premium and no cap on the amount of the increase.

Our first Group products covered only a limited list of services, required a 20% coinsurance payment from the insured and required everyone to be underwritten. In contrast, today's products cover a much wider range of services and providers that can be accessed anywhere in the world, with no coinsurance and guaranteed issue for actively-at-work employees.

Our emphasis on product innovation is one of the reasons that John Hancock has been ranked #1 in Group Long-Term Care sales and either #1 or #2 in Retail Long-Term Care sales in the past several years. In addition, we were recently selected to be the sole insurer of the Federal Long Term Care Insurance Program, the largest group program in the industry.¹

What is ahead for the long-term care insurance industry? We believe that, to remain an industry leader, we must be prepared for still more changes in all areas. Regulatory changes could focus on insurers' capital and reserve requirements, pricing adequacy and asset quality. Product innovations could include expanded Partnership offerings, or combination products such as Life/LTC, Annuity/LTC, or DI/LTC. On the social insurance front, we see the possibility of a limited government-run program contained in the CLASS Act currently being debated as part of the health care reform initiative. Longer term, we expect to see a rising demand for LTC services caused by the aging of the population driving the emergence of new types and sites of care. This could be accompanied by new technology to provide care and monitor the patient's condition and by the emergence of new types of providers.

At John Hancock, we intend to remain an industry leader, in part by anticipating future trends and being ready to take advantage of them when they occur. We expect that, as in the past, the future will truly be interesting times for the long-term care insurance industry.

¹LIMRA International, Individual and Group Sales Survey results, 2009

Contribution from Roger Gagne, FSA, MAAA, AVP, Actuarial Services, Long-Term Care, John Hancock.

CAREER BUZZ

Actuaries play a central role in all of our businesses at John Hancock. We take the professional development of our actuaries very seriously, and they hold a variety of important roles within our organization. Actuaries can work in their area of interest, ranging from positions as financial actuaries to pricing actuaries to actuaries interested in general management. They are found in departments including life insurance, long-term care, wealth management and reinsurance. Many actuaries hold senior officer positions throughout the organization. John Hancock's success as a financial service provider depends on the actuarial areas to assure the financial stability of the company.

SPOTLIGHT CAREER OPPORTUNITIES

[Hedging Actuary – VA Product Development](#)

[Actuary – Capital Planning & Analysis](#)

To view all actuarial opportunities, visit johnhancock.com/careers

Network with other actuaries. Join the John Hancock Actuary Connect LinkedIn group by [clicking here](#).

For information on John Hancock, please visit www.johnhancock.com.

The next *Actuary Connect* will be distributed in Spring 2010.



NOTES FROM SENIOR MANAGEMENT



Actuary Connect interviewed Martin Sheerin, FSA, FIA, MAAA. Martin joined John Hancock as CFO for its Long-Term Care business in 2007. Martin has over 20 years of experience in the insurance industry and previously held the position of Senior VP and Chief Actuary at Aviva Life Insurance Company based in Massachusetts.

What are some of the factors which have led to John Hancock's success in the LTC market?

Overall, LTC can be a difficult product to understand, both for the financial representative and consumer. Compared to life insurance or annuity products, there can be many more decisions to be made at the time one purchases an LTC product. In addition to deciding the level of benefit, the elimination period, the level of benefit inflation and a wide range of additional coverages, it is very important to understand when claims can be made and what services will be covered. In response to these concerns, John Hancock developed a "streamlined" product with fewer product choices that make it easier for financial representatives to understand, market and sell the product. Also, clients have a better understanding of the benefits and importance of the John Hancock LTC product.

Our success is also a product of our robust distribution system. Multiple distribution channels/partners allows for further reach within the LTC market.

What is the potential impact of Health Care Reform on the LTC product?

Health Care Reform is obviously a heated topic and one that could directly impact the LTC market. The currently proposed health care bill would create a low level coverage of LTC insurance. The amount of the proposed LTC coverage would not be enough to meet an individual's needs. Making sure that the working population understands this will be very important and may create the opportunity for insurance companies to build a wrap-around product to meet the complete needs of the client.

What do you see as the future of the LTC market?

The market for LTC has not come close to reaching its potential. Out of nearly 40 million people over age 65, less than ten million have an LTC policy. Part of the reason for this is that many seniors recognize the need but assume that Medicare will cover long-term care costs – they are wrong. Most long-term care assists people with support services such as activities of daily living like dressing, bathing and using the bathroom. Medicare does not cover the cost of these services and pays only for medically necessary skilled nursing facility or home health care. More education is needed to ensure that seniors are aware of this situation. Overall, we see the market for LTC growing for many years.

What led to John Hancock's successful bid for the Federal Long Term Care Insurance Program (FLTCIP)?

The FLTCIP started back in 2000 when the US Congress passed a law providing a voluntary Group Long Term Insurance for Federal employees. The Office of Personnel Management (OPM) was put in charge of overseeing the plan and put the plan out to bid. We partnered with Metlife and won the bid together. The contract was only for 7 years, and when it came time for renewal, OPM once again went out to the market. However, this time, MetLife and John Hancock decided to submit separate bids. We won, and LTC Partners, a wholly owned subsidiary in Portsmouth, NH, administers the plan on our behalf. A couple of deciding factors in the win were John Hancock's high quality customer service and product design.

What career advice do you have for new actuaries?

Don't get too comfortable in just one role. Be versatile in your career and take chances to learn as much as possible. John Hancock's approach to an Actuary's career is to provide multiple opportunities across business lines and functions.

Retail 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. Group long-term care insurance is underwritten by John Hancock Life & Health Insurance Company, Boston, MA 02117.