John Hancock Life Insurance Company (USA)

April 26, 2016

SERFF #s: MULF-130417902

Policy forms affected:

- The Advantage block includes forms LTC-PA-91, NH-PA-91, LTC-94 PA, LTC-94 PA 2/95, NH-94 PA, and NH-94 PA 2/95.
- The Gold block includes forms LTC-96 PA 9/96, LTC-96 PA 6/98, LTC-98FR PA 6/98, LTC-96CL PA 9/96, NH-99 PA 4/99, NH-99FR PA 4/99, and LTC2000 PA 4/00.
- The Custom Care I block includes forms LTC-02 PA, BSC-02 PA, LTC-02FR PA, and BSC-02FR PA.

Effective date of rate change: Renewals on and after 4/26/2016.

John Hancock is requesting different rate increases based upon the issue age, benefit period, and inflation option. John Hancock requested a 22.0% increase (varies from 13.9% to 88.2%) on the Advantage block, a 19.7% increase (varies from 16.9% to 71.2%) on the Gold block, and a 21.1% increase (varies from 2.5% to 62.1%) on the Custom Care I block.

The John Hancock filing covers 7,572 policies in total: 1,610 Advantage policies, 5,324 Gold policies, and 638 Custom Care I policies.

John Hancock is offering a “landing spot” option to about 55% of policyholders affected by the increase. In other words, policyholders with 5% inflation riders can accept an endorsement to reduce their future inflation indexing from 5% to about 4.3%. If they agree to this change they will receive no rate increase. Landing spots are also available to policyholders who accepted reduction endorsements in the past. Note that policyholders who accept the landing spot keep all past inflation rider benefit increases. Other benefit downgrade options are available to policyholders who choose not to accept the landing spot and for policyholders who are not eligible for landing spots.

The Department capped the increase at 20%. Policyholders who would have gotten an increase above 20% will instead receive 20%. Policyholders who were scheduled to receive increases below 20% will receive the requested increase.

The current policies in place are not generating sufficient premium to pay future claims to policyholders. This is a common problem for a number of insurers nationwide because policyholders are keeping their policies longer than expected and are living longer than projected. As a result, policyholders are using more benefits on average than the company anticipated when the policies were originally sold. This means the company has to pay out more for benefits than it originally projected.

In making this decision, the Department considered the projected loss ratio for each block of policy forms, that is, the projected total amount of benefits paid out versus the total amount of premium collected, the reasonableness of the assumptions the company used in its projections, and the company’s financial situation. The Department also considered the financial impact this rate increase would pose to consumers, the past rate increases policyholders have faced, and the availability of options to limit the rate increase by reducing benefits.

Although the rate increase is significant, the company is offering ways for policyholders to either completely avoid or limit the rate increase by reducing benefits. The company will let you know your options when they contact you directly about this premium increase.

This Rate Filing Decision Summary is a tool to help explain the rate filing and does not describe all the factors considered as part of the Department's rate review.