



Update on Federal Long Term Care Insurance Program (FLTCIP)

LTC NEWSLINK

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Please read this important notice for information on the Federal Long Term Care Insurance Program (FLTCIP) and Guidelines for Engagement for Producers

Visit these websites for detailed information and updates on the FLTCIP:

www.LTCFEDS.com and www.opm.gov/insure/ltc

This update covers the following topics:

- Current Status of the FLTCIP
- Guidelines for Engagement for Producers
- How to Leverage the FLTCIP
- Overview of Changes to the FLTCIP Plan Design
- Background on the FLTCIP Rate Increase
- FLTCIP Websites

Current Status of the FLTCIP

- May, 2009 - After completing a competitive procurement process, the U.S. Office of Personnel Management (OPM) issued a press release announcing its decision to award a new seven-year FLTCIP contract to John Hancock (John Hancock Life & Health Insurance Company). This contract is the successor to the first FLTCIP contract established between OPM and the John Hancock and MetLife consortium in 2002. MetLife will continue to insure the Program with John Hancock during the remainder of the current contract period. Once the date for John Hancock's assumption of the entire contract has been determined, we will advise you in advance. Long Term Care Partners, based in Portsmouth, NH, will continue to provide administrative services for the Program under the direction of John Hancock.

At this time, there are approximately 224,000 enrollees, making the FLTCIP the largest employer-sponsored long term care insurance plan in the country.

- Summer, 2009 — Long Term Care Partners will issue a general announcement letter to current enrollees, confirming the award of the business to John Hancock, acknowledging the need for a rate increase for enrollees under issue age 70 with Automatic Compound Inflation (ACI), and advising that they will receive additional information in the coming months.

John Hancock and OPM are engaged in discussions surrounding FLTCIP Open Season. While we can confirm that Open Season will likely take place during the second contract period, dates have not been finalized. We will provide this information as soon as it becomes available.

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Long-term care insurance products are underwritten by John Hancock Life Insurance Company, John Hancock Life & Health Insurance Company, Boston, MA 02117.

Guidelines for Engagement for Producers

John Hancock is proud to have been selected by the federal government as the sole carrier to underwrite the FLTCIP. This honor reflects the government's confidence in John Hancock's ability to oversee the development, marketing, and administration of an enhanced plan design that is sure to be well received by members of the Federal Family. It also speaks to our unwavering commitment to LTC insurance and will continue to increase John Hancock's visibility as one of the premier companies in the LTC insurance market at a time when consumer awareness of the importance of LTC insurance is sure to rise.

The fact that John Hancock is both the underwriter of the FLTCIP and a leading LTC Insurance carrier underscores the need to reinforce guidelines for conduct among producers who may be competing against the FLTCIP Program. These guidelines were established in 2002 and apply to the second contract period as well.

As a reminder, the **Guidelines for Engagement** are as follows:

1. As the FLTCIP is a "Group Plan", no entity other than LTC Partners, LLC, its designated contractors, or the U.S. Office of Personnel Management (OPM), is permitted to represent or sell the FLTCIP. People who express interest in purchasing coverage under the FLTCIP should be referred to the official FLTCIP Insurance websites: www.LTCFEDS.com or www.opm.gov/insure/ltc, or the toll-free number: 1-800-LTC-FEDS (1-800-582-3337).
2. Producers should not disparage the FLTCIP Program either verbally or in writing to clients or to the media. Producers are encouraged to focus on positive commentary, such as "it is a statement from our government about the importance of LTC Insurance coverage" or "the FLTCIP will help consumers become more aware of the importance of having LTC Insurance coverage." Comments concerning the differences of the plans might focus on the general differences between group and individual plans and the factual differences between our own individual plans and the FLTCIP.
3. Advertising materials, such as fliers that mention the FLTCIP are not permitted for use by producers. You will be provided with updated materials regarding the new plan once it is available.
4. Producers may not advertise seminars that specifically refer to the FLTCIP. Producers may include language in seminar invitations that suggests that they will provide comparisons between individual and group plans in general, but no specific reference to the FLTCIP should be made in the invitation itself.
5. Producers may not grant newspaper interviews, accept invitations to speak about the FLTCIP or appear on radio shows, television programs, webinars, or chat rooms where the FLTCIP is to be directly discussed without approval from a John Hancock Public Relations representative.
6. Producers may not accept invitations from elected officials or other government employees to speak on the FLTCIP without approval from a John Hancock Government Relations representative.
7. When attending federal group gatherings, such as the National Association of Retired Federal Employees (NARFE) State Conventions, producers should avoid giving the impression that they are authorized to represent the FLTCIP.

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How to Leverage the FLTCIP

The FLTCIP is beneficial for both the nation and the LTCI industry. This Program helps to educate our entire population on the issues surrounding long-term illnesses and the insurance designed to transfer that risk. Several ways to leverage the FLTCIP include:

- Emphasize that John Hancock has been selected as the sole carrier for the FLTCIP by the federal government for the second contract period. The U.S. government is showing a great deal of trust in choosing John Hancock - our clients can also trust that Hancock is a stable provider; a carrier in the LTC Insurance business for the long-run, and one that will be there to honor its claims obligations when care is needed.
- The FLTCIP signals the importance of private insurance as a solution to the many issues surrounding LTC. We in the industry have been trying for years to educate the general population on the inherent risk of depending upon the federal government to shoulder burgeoning LTC Insurance costs. The promotion of the FLTCIP will help to raise awareness among all Americans.
- For employer and sponsored group sales, there can be no better endorsement than to be able to say that if the federal government feels Hancock has the plan for its employees there's a good chance that John Hancock may have a plan for "your employees."
- Later this year, we are planning to make available an approved consumer flier and slides on the FLTCIP that can be included in a basic LTC Insurance consumer seminar presentation. These materials will enable you to act as informed advisors to your prospective clients within the guidelines stated earlier in this memo.

Overview of Changes to the FLTCIP Plan Design

The new contract includes new benefits and options:

- Higher home health care reimbursement: up to 100% of the Daily Benefit Amount
- A new two-year benefit period
- Higher daily benefit amounts (available from \$100 to \$450 in \$50 increments)
- Informal care provided by family members who do not normally live with the insured at the time of claim is covered up to 500 days
- A waiting period based on calendar days
- Coverage for bed reservations up to 60 days
- No catastrophic coverage limitation

A complete description of the new FLTCIP plan and rates will be provided as soon as it becomes available.

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Background on the FLTCIP Rate Increase

You may be aware that a premium rate increase has become necessary for some FLTCIP enrollees. Specifically, those enrollees who elected the Automatic Compound Inflation option (ACI) at an issue age of 69 and younger will see an increase in their premiums, effective January 1, 2010.

- Enrollees may expect premium increases of up to 25%, with the largest increases at the younger ages, and the smallest increases at the older ages
- Enrollees who selected ACI coverage at an issue age of 70 or older or the Future Purchase Option will not receive an increase in their premiums

The premium increase is necessary because certain assumptions used when the original premiums for the ACI coverage were set are no longer sufficient, including the long-term return on Program investments and other factors such as persistency (the number of people who enroll and continue to remain insured).

John Hancock will offer enrollees affected by the increase three options:

- Keep their current benefits and accept the rate increase
- Make changes to current benefits without additional underwriting in order to keep premiums approximately the same
- Upgrade to the new enhanced plan without underwriting, unless the overall value of the coverage is increased

All enrollees who are affected by these changes will be informed this summer and provided details about their options this fall. Producers should direct all inquiries regarding these increases to 1-800-LTC-FEDS (1-800-582-3337) (TTY 1-800-843-3557).

How to get more information on the FLTCIP

For information on the FLTCIP, visit either of these websites: www.LTCFEDS.com or www.opm.gov/insure/ltc.

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