# Long-Term Care Rider

## Strengths and features

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# 5 reasons to offer John Hancock's LTC rider

The need for long-term care is a life-changing event that can have a significant impact on your clients' well-laid plans for the future — not only financially, but also physically and emotionally for family caregivers. Our Long-Term Care (LTC) rider[1] offers an appealing solution by giving your clients the security of financial and professional support in the event of a long-term care need, through accelerated access to their life insurance policy's death benefit.

1. **Take long-term care responsibilities OFF the family**

   Clients can hire professionals to provide their care, helping to alleviate the emotional, physical and financial toll that care giving can place on clients' loved ones.

2. **Help preserve as much of the death benefit as possible**

   John Hancock reimburses qualified long-term care expenses incurred each month, leaving unused benefits for beneficiaries.

3. **Opportunity for larger Tax-free LTC Benefit**

   Clients can elect to receive up to $50,000 each month, regardless of the tax-free per diem limit.

4. **Take reimbursement responsibilities off the customer's plate**

   Our customers can turn billing responsibilities over to us. By assigning benefits, they authorize us to work directly with care providers to obtain receipts and make payments.

5. **Provide simple tax reporting for LTC benefits**

   Our reimbursement benefits are income tax free. Only a 1099 form is sent indicating benefits were paid for qualified long-term care expenses. Form 8853 is not necessary.

# What key planning needs does it address?

John Hancock offers a variety of life insurance solutions that can give your clients advantages in addressing a wide range of needs. And including our LTC rider means those strengths go further.

## For example:

**Tax-free benefits —** whether paid to beneficiaries as a death benefit or to reimburse long-term care expenses, life insurance's benefits are received income tax-free.[3]

**Diversification —** life insurance also contributes to a comprehensive and well-diversified financial plan. Whether it's for life or long-term care coverage, the benefits provided help to provide stability — even when markets are volatile.

Finally, whatever the needs your clients are addressing through their life insurance policy, adding an LTC rider can strengthen their financial plans by providing access to benefits if they have a need for long-term care, today or in the future. Let's look at some typical planning scenarios:

| Need | Solution |
|---|---|
| **Protection planning** | For clients who are focused on providing a death benefit or legacy planning, they may consider one of our protection focused products - Protection UL, Protection IUL and Protection VUL. The LTC rider can offer additional security through access to the policy's death benefit to help pay for the cost associated with a LTC need. This can help optimize their overall protection portfolio and help them protect their other plans for a secure retirement. |
| **Grow Cash Value*** | Clients looking for ways to supplement their retirement income in a tax-efficient manner can choose from one of our cash value-focused products: Accumulation IUL and Accumulation VUL.[2] The LTC rider here, can offer additional value and flexibility provided by their life insurance plan, if LTC is needed in the future. |
| **Enhancing assets for wealth transfer** | For clients who have qualified plans, annuities, cds, and other assets that they are not using and do not need for retirement income, leveraging that asset to buy life insurance is one solution that enhances legacies. But often times those assets may be earmarked for the "what if something happens" being able to leverage that asset and still provide for ltc benefits in the event they are needed is often a good option. |
| **Executive bonus** | For business owner clients who want to provide rewards and incentives to their key employees. The business provides a bonus to the executive to fund their life insurance needs and combine it LTC benefits. |

From legacy planning to being able to tailor policies to cover supplemental retirement income needs, a John Hancock insurance policy with LTC rider can address multiple needs for clients.

*Please note: If the policy value is accessed for retirement income, the death benefit and cash value will decrease along with the LTC benefit amount.



# How it works

## Offering coverage flexibility

**Client applies for insurance**

**Client elects coverage**
- Life insurance face amount
- Accelerated benefit percentage (1%-100% of face amount). This determines the accelerated benefit pool.
- Monthly acceleration percentage (1%, 2%, 4%). This determines the maximum monthly benefit amount available for long-term care expenses.

**Client is issued a life insurance policy with a Long-Term Care rider**

**If LTC benefits are used, the beneficiary receives the policy's remaining death benefit**

### Allowing customized LTC coverage

When applying for a life insurance policy with our LTC rider, your clients select an accelerated benefit percentage to determine the "accelerated benefit pool" — that's the portion of the policy's death benefit that may be accelerated to reimburse the policyholder for qualified long-term care costs. The accelerated benefit percentage can range from 1%-100%.

Next, they select a "monthly acceleration percentage (MAP)", which will determine the maximum monthly benefit amount available to reimburse covered long-term care services each month. The MAP is equal to 1%, 2% or 4% of the accelerated benefit pool.

As the following examples show, clients can tailor the accelerated benefit percentage and MAP to fit their goals.

**Example 1: Focused on protection and legacy planning**

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| **$500,000** | × | **75%** | = | **$375,000** | × | **2%** | = | **$7,500** |
| Life insurance face amount | | Accelerated benefit percentage | | Accelerated benefit pool | | Monthly accelerated percentage | | Maximum monthly benefit amount* |

Using this model, the client is ensuring that even if he/she should use up all their long-term care benefit, $125,000 remains in the death benefit for their heirs.

**Example 2: Focused on maximizing LTC coverage**

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| **$500,000** | × | **100%** | = | **$500,000** | × | **4%** | = | **$20,000** |
| Life insurance face amount | | Accelerated benefit percentage | | Accelerated benefit pool | | Monthly accelerated percentage | | Maximum monthly benefit amount* |

A client would choose this model if he/she wants to maximize their long-term care coverage. Of course, anything not used for that coverage will pass on to their heirs.

* The accelerated benefit pool is not capped by the IRS per diem limit.

# Parameters and features

<table>
<tr><td>Availability</td><td>The LTC rider is available<br>• On all fully-underwritten permanent, individual life insurance policies<br>• Only at issue<br>• With Death Benefit Option 1 & Death Benefit Option 2<br><br>The LTC rider is not available<br>• With the Return of Premium (ROP) rider<br>• With scheduled supplemental face amount (SFA) increases</td></tr>
<tr><td>Issue ages</td><td>20–75 (policies cannot be backdated to save age 75)</td></tr>
<tr><td>Accelerated benefit percentage</td><td>1%–100% of the base policy’s initial face amount.<br>The accelerated benefit percentage may not be increased after issue.</td></tr>
<tr><td>Monthly acceleration percentage</td><td>1%, 2% or 4% of the accelerated benefit pool.<br>The monthly acceleration percentage (MAP) cannot be changed after issue.</td></tr>
<tr><td>Maximum accelerated benefit pool</td><td>The maximum accelerated benefit pool varies by the MAP selected.
<table>
<tr><th>MAP selected</th><th>Maximum accelerated benefit pool at issue</th></tr>
<tr><td>1%</td><td>$5,000,000</td></tr>
<tr><td>2%</td><td>$2,500,000</td></tr>
<tr><td>4%</td><td>$1,250,000</td></tr>
</table>
Note: In no event may the maximum accelerated benefit pool be greater than $5,000,000.</td></tr>
<tr><td>Maximum monthly benefit amount</td><td>Pays all approved charges each month, up to the maximum monthly benefit amount (MMBA), regardless of daily or weekly charges.<br><br>Note: In no event may the MMBA be greater than $50,000. The MMBA is not capped at the IRS per diem amount.</td></tr>
<tr><td>Underwriting</td><td>In general, the same underwriting process is used for all individual life insurance policies. However, additional underwriting guidelines are used for the LTC rider.<br>• LTC Application Supplement must be completed and submitted.<br>• An APS may be ordered if additional information is needed.<br>• If a change in smoking classification is approved for the base policy under the Quit Smoking Incentive, the change will also apply to the LTC rider.<br><br>Note: LTC rider is not available if the life insurance policy is rated higher than 200% or has a flat extra. LTC rider risk class can be different than the base policy, but never better than the base policy. Foreign nationals and foreign residents are not eligible for the LTC rider.</td></tr>
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# Accessing LTC benefits

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| **Eligibility for LTC benefits** | Insureds are eligible for LTC benefits if they are unable to perform two of the six activities of daily living (ADLs) without substantial assistance or are found to have a severe cognitive impairment that threatens their health or safety. The six ADLs are bathing, dressing, eating, continence, toileting and transferring |
| **One-time elimination period** | An elimination period must be satisfied before LTC benefits are paid.<br>The elimination period is 90 calendar days and begins on the day the insured is determined to be chronically ill.<br>Long-term care services are not required to be received during the elimination period. |
| **Payment of the maximum monthly benefit amount** | The MMBA is calculated based on the accelerated benefit pool in effect at time of claim and the MAP elected at issue. Benefit payments are made on a reimbursement basis, each calendar month, for eligible services received in the previous month. Once every 12 months, we must receive proof that the insured is chronically ill. Payment of accelerated benefits will continue until the earliest occurrence of the following:<br>• The policy is terminated because of death, surrender, or lapse;<br>• The insured recovers;<br>• The accelerated benefit pool is fully accelerated; or<br>• No further receipts for service are submitted. |
| **Care settings** | Long-term care may be received in the following settings: Home, adult day care, hospice facility, assisted living facility, nursing home. |
| **Stay-at-home services** | The insured can accelerate up to one maximum monthly benefit to reimburse for services that can help them stay at home more safely and longer. These include modifications to their home, emergency medical response systems, durable medical equipment, caregiver training, as well as evaluations to ensure home safety and the quality of care being provided. |
| **Bed-hold benefit** | If the insured's stay in a nursing home or assisted living facility is interrupted for any reason, the accelerated benefit can pay the cost to hold their bed up to 21 days per calendar year, up to the selected MMBA. |
| **Assignment of benefits** | Because we reimburse for qualified LTC, incurred John Hancock can work directly with care providers to pay for the insured's qualified long-term care services. This helps eliminate the need for insureds or their family members to manage receipts, submit invoices and track payments. |

# Accessing LTC benefits (continued)

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| **Extension of benefits provision** | If the rider terminates while the insured is confined to a nursing home and receiving continuous, uninterrupted benefits under this rider, the Extension of Benefits Provision guarantees that benefits for the nursing home services will continue until the earliest occurrence of the following:<br>• The date that the insured is discharged from the nursing home<br>• The date when the accelerated benefit amount remaining after any monthly benefit payment is zero (i.e., the benefit is fully accelerated)<br>• The insured dies<br>• The insured no longer qualifies as chronically ill<br><br>If benefits are continued under the Extension of Benefits Provision, then the accelerated benefit amount remaining (referred to above) is calculated as if the policy had remained in force, but no death benefit will be paid to the beneficiary.<br>**Note:** Insureds who are on claim and concerned about forfeiting their policy's death benefit under this provision should be advised to make premium payments that are sufficient to maintain the policy's death benefit guarantee (for guaranteed death benefit policies), or to keep a positive surrender value (non-guaranteed policies) to prevent policy lapse. Premium payments must continue during the claim period for the guarantee to remain in effect and for any remaining death benefit to be paid. |
| **Support services** | Provider Pathway[4] offers a complimentary resource, referral and consultation service for our LTC rider customers — and the people they care about. The service can offer discounted rates from providers throughout the nation. |

## Accessing the policy value

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| **Withdrawals/partial surrenders** | Withdrawals or partial surrenders:<br>• Reduce the MMBA (i.e., the maximum monthly benefit amount)<br>• Are available while on claim, but will result in a recalculation of the MMBA |
| **Policy loans** | • A policy loan reduces the available accelerated benefit pool, but does not result in a recalculation of the MMBA, even if the loan is taken while on claim.<br>• When a loan is present, a proportional amount of each monthly benefit payment serves to repay a portion of that loan. This amount is calculated to repay the total policy loan by the time the death benefit is fully accelerated.<br>**Note:** The net death benefit is reduced by the amount of the loan. Also, if the policy should lapse while a loan is outstanding, the loan will be treated as a distribution from the policy, and there may be tax consequences as a result. |

## Rider charges

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| **LTC rider charges** | The LTC rider charge is part of the monthly deductions, and based on an amount per $1,000 of the rider's net amount at risk.<br>• The LTC rider rate is set at issue and guaranteed not to change over the life of the policy.<br>• The payment of LTC benefits will reduce the net amount at risk. Therefore, charges associated with the LTC rider and any ongoing premiums will also be reduced.<br>• The LTC rider charge is based on the net amount at risk and therefore, may vary.<br>**Note:** For tax purposes, this charge is considered a non-taxable distribution from the policy and reduces the policy's cost basis. |
| **Commissions** | Target commissions on policies that include the LTC rider are calculated taking into account the LTC rider charge. |

# Tax considerations

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| **Tax-qualified LTC benefit** | The LTC rider is intended to be a qualified long-term care insurance contract under Internal Revenue Code Section 7702 (B)(b):<br>• Long-term care benefits are intended to be excludable from federal gross income.<br>• Even if the policy is classified as a modified endowment contract (MEC), the intent is for the LTC benefit payments to continue to be excludable from income taxes.<br>• If, in the future, it is determined that the rider does not meet these requirements, we will make reasonable efforts to amend the rider if necessary. We will offer the policy owner the opportunity to receive these amendments. |
| **Long-term care rider reduces cost basis** | Monthly charges for the LTC rider are considered policy distributions for federal income tax purposes, and therefore will usually reduce the policy's cost basis. Please consult a qualified tax professional for more information. |
| **Third-party ownership** | The LTC rider is recommended for clients who intend to own the policy personally, as opposed to a third-party ownership arrangement. We caution against ownership by anyone other than the insured, as it could have adverse tax consequences. Purchasing this product by, or transferring it to, a person other than the insured should be considered only after careful review with the client's own tax and legal advisors. |
| **Trusts** | Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds. |

# Producer requirements

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| **Licensing & appointment** | • There are additional requirements that apply to the sale of the LTC rider and these vary by state.<br>• Producers must have accident and health authority on their state insurance license in addition to being properly licensed to sell John Hancock life insurance products.<br>• Producers need statutory company appointment with John Hancock Life Insurance Company (U.S.A.) for the accident and health authority. |
| **Long-term care training requirement** | Most states have adopted the training requirements outlined in the Deficit Reduction Act of 2006 and the NAIC Long-Term Care Model Act. These require producers selling LTC insurance products, including LTC riders, to take an initial eight-hour NAIC partnership training course, followed by a four-hour refresher every two years.<br>**John Hancock requires that all courses be approved by ClearCert to be accepted as valid training.**<br>• To determine if a course is approved, please visit **clearcert.com/search-courses**<br>• To take an approved course at a discounted rate, please visit **JHInsuranceCE.com**<br>Not applicable in CA, CT, DC, IN, HI, MS and NY. |
| **Materials required at time of solicitation** | The following requirements for LTC rider applicants are in addition to the life insurance requirements. Any additional state-specific materials or notices will be posted on **JHSalesHub.com**.<br>**Complete:**<br>• LTC Application Supplement<br>• Third-Party Ownership Disclosure Long-Term Care riders (if policy will be owned by a third-party)<br>• Notice of Replacement (if other coverage is being replaced)<br>• Summary and Disclosure Statement for Accelerated Benefit — Accelerated Death Benefit rider for terminal illness (if the applicant elects this rider).<br>**NOTE:** In New York, the Summary and Disclosure Statement for Accelerated Benefit must be completed when the LTC rider is elected<br>**Provide:**<br>• Outline of Coverage<br>• Notice of Protected Health Information Privacy Practices<br>• Shopper's Guide to Long-Term Care Insurance<br>• Guide to Health Insurance for People with Medicare (if applicant is age 65 or older)<br>• Accelerated Death Benefit (for Terminal Illness) Disclosure Statement |

For more information about the Long-Term Care Rider,
**visit JHSalesHub.com.**

1. The Long-Term Care (LTC) rider is an accelerated death benefit rider and may not be considered long-term care insurance in some states. There are additional costs associated with this rider. The maximum monthly benefit amount is $50,000. When the death benefit is accelerated for long-term care expenses, it is reduced dollar for dollar, and the cash value is reduced proportionately. Please go to JHSalesHub.com to verify state availability. This rider has exclusions and limitations, reductions of benefits, and terms under which the rider may be continued in force or discontinued. Consult the state specific Outline of Coverage for additional details.

2. Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59½.

3. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are few exceptions such as when a life insurance policy has been transferred for valuable consideration.

4. Provider Pathway is the current service provider for John Hancock. The program may be changed or discontinued at any time. Provider Pathway is not affiliated with John Hancock Life Insurance (U.S.A.) and its subsidiaries.

Guaranteed product features are dependent upon minimum-premium requirements and the claims-paying ability of the issuer.

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*Variable life insurance is sold by product and fund prospectus, which should be read carefully. They contain information on the investment objectives, risks, charges and expenses of the variable product and its underlying investment options. These factors should be considered carefully before investing.*

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