

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

<u>Product Name</u>	<u>Form Number</u>	<u>Issue Date Range</u>
Custom Care	LTC-02 MD	May 2002 - Sep 2004
Essential Care	BSC-02 MD	Jul 2002 - Jun 2004

These policy form rates were originally priced with a margin for moderately adverse experience in accordance with the NAIC model rate stability regulations which were being implemented on a State by State basis during the time of our initial rate filing.

1. Scope & Purpose

This memorandum consists of materials which support the development of new premium rates for the above captioned policy series forms. The purpose of this memorandum is to demonstrate that the requirements of this State in regards to an in force rate increase request have been met. This rate filing is not intended to be used for any other purpose.

2. Requested Rate Increase

The Company is requesting a flat rate increase of 121.6%. These rate increases were determined as the amounts needed to meet the target loss ratio from our prior filing using 2021 nationwide data.

Detail on assumptions and recent analysis is provided in **Addendum #1 - Assumptions and Analysis Performed**.

In accordance with COMAR 31.14.01.04(A)(5), we are willing to phase-in the requested rate increase on an equivalent basis such that the maximum annual rate increase does not exceed 15%.

The rate stability rule is demonstrated at the bottom of **Exhibit 1**.

In the rate schedules by policy form, **Appendix B1** contains the new proposed rate tables for all policy forms included with this filing for those policyholders that *never* elected an inflation reduction or shared cost option as part of the 2013 or 2016 rate increase filings.

In the rate schedules by policy form, **Appendices B2** forward contain the new proposed rate tables for all policy forms included with this filing for those policyholders that *did* elect an inflation reduction or shared cost option as part of the 2013 and/or 2016 rate increase filings.

Please note that the actual rates implemented may vary slightly from those in the Appendices due to implementation rounding algorithms.

Exhibit 1 contains nationwide past premium and claims experience as well as future premium and claim projections. Waived premiums are not included. It illustrates that the anticipated lifetime loss ratio with the requested rate increase is 90.7%, which exceeds the original pricing loss ratio of 86.0%. Please note that the original pricing loss ratio was not restated for the removal of waived premiums due to immateriality. The lifetime loss ratio as of 12/31/2021 is calculated as the sum of accumulated past and discounted future claims divided by the sum of accumulated past and discounted future earned premium where accumulation and discounting occur at the maximum statutory valuation discount rate. The maximum statutory valuation discount rate is 4.5%.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

Exhibit 1 also contains the original expected loss ratio projections, adjusted for the actual mix of business issued, with the lifetime loss ratio also calculated as stated above.

Furthermore, **Exhibit 1** demonstrates that the calculated loss ratio respects the applicable pre and post rate stability requirements:

Post-stability form requirements:

The sum of the accumulated value of incurred claims without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

1. Accumulated value of the initial earned premium times the greater of the original assumed lifetime loss ratio and 58%,
2. Accumulated value of prior premium rate schedule increases times the greater of the original assumed lifetime loss ratio and 85%,
3. Present value of future projected initial earned premium times the greater of the original assumed lifetime loss ratio and 58%, and
4. Present value of future projected premium in excess of the projected initial earned premium times the greater of the original assumed lifetime loss ratio and 85%.

Pre-stability form requirements:

The sum of the accumulated value of incurred claims without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

1. Accumulated value of the initial earned premium times the greater of the original assumed lifetime loss ratio and 60%,
2. Accumulated value of prior premium rate schedule increases times the greater of the original assumed lifetime loss ratio and 80%,
3. Present value of future projected initial earned premium times the greater of the original assumed lifetime loss ratio and 60%, and
4. Present value of future projected premium in excess of the projected initial earned premium times the greater of the original assumed lifetime loss ratio and 80%.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

3. Nationwide Loss Ratio Exhibit (Exhibit 1)

Custom Care (LTC-02) and Essential Care (BSC-02)

Calendar Year	Original Assumptions (with Waived Premiums)			Historical & Projected Experience (without Waived Premiums)					
	Incurred Claims	Earned Premium	Incurred Loss Ratio	Before Proposed Increase			With Proposed Rate Increase		
	Incurred Claims	Earned Premium	Incurred Loss Ratio	Incurred Claims	Earned Premium	Incurred Loss Ratio	Incurred Claims	Earned Premium	Incurred Loss Ratio
1988	-	-	0%	-	1,333	0%	-	1,333	0%
1989	-	-	0%	-	1,777	0%	-	1,777	0%
1990	-	-	0%	-	1,777	0%	-	1,777	0%
1991	-	-	0%	-	1,777	0%	-	1,777	0%
1992	-	-	0%	-	11,542	0%	-	11,542	0%
1993	-	-	0%	-	19,371	0%	-	19,371	0%
1994	-	-	0%	-	21,457	0%	-	21,457	0%
1995	-	-	0%	-	35,659	0%	-	35,659	0%
1996	-	-	0%	-	73,346	0%	-	73,346	0%
1997	-	-	0%	-	99,678	0%	-	99,678	0%
1998	-	-	0%	-	187,151	0%	-	187,151	0%
1999	-	-	0%	-	317,190	0%	-	317,190	0%
2000	-	-	0%	-	626,623	0%	-	626,623	0%
2001	-	-	0%	-	1,181,896	0%	-	1,181,896	0%
2002	530,322	12,698,284	4%	444,586	42,876,666	1%	444,586	42,876,666	1%
2003	5,487,901	132,209,102	4%	3,285,613	185,033,471	2%	3,285,613	185,033,471	2%
2004	12,277,508	234,720,102	5%	11,194,879	241,035,501	5%	11,194,879	241,035,501	5%
2005	20,299,610	230,898,672	9%	14,002,004	237,095,901	6%	14,002,004	237,095,901	6%
2006	28,140,074	220,845,859	13%	26,549,017	232,359,776	11%	26,549,017	232,359,776	11%
2007	33,039,150	213,029,569	16%	49,111,451	227,827,938	22%	49,111,451	227,827,938	22%
2008	38,955,824	206,503,759	19%	40,624,649	222,820,401	18%	40,624,649	222,820,401	18%
2009	48,970,112	200,673,230	24%	52,969,023	218,034,778	24%	52,969,023	218,034,778	24%
2010	58,262,436	194,904,782	30%	67,428,507	212,921,613	32%	67,428,507	212,921,613	32%
2011	65,013,451	188,814,100	34%	78,877,864	206,260,298	38%	78,877,864	206,260,298	38%
2012	72,397,279	182,414,152	40%	101,823,574	172,944,103	59%	101,823,574	172,944,103	59%
2013	80,014,444	175,720,840	46%	107,792,681	172,397,189	63%	107,792,681	172,397,189	63%
2014	87,500,748	168,806,836	52%	117,168,392	183,553,938	64%	117,168,392	183,553,938	64%
2015	95,657,227	161,789,916	59%	150,833,424	189,188,873	80%	150,833,424	189,188,873	80%
2016	104,540,237	154,735,212	68%	158,835,115	203,024,375	78%	158,835,115	203,024,375	78%
2017	113,954,945	147,665,819	77%	179,275,676	205,513,599	87%	179,275,676	205,513,599	87%
2018	123,948,315	140,599,224	88%	200,949,642	219,419,884	92%	200,949,642	219,419,884	92%
2019	134,309,647	133,546,718	101%	225,712,992	234,918,922	96%	225,712,992	234,918,922	96%
2020	144,975,775	126,515,069	115%	212,936,012	227,489,255	94%	212,936,012	227,489,255	94%
2021	155,907,667	119,513,629	130%	307,649,543	236,051,979	130%	307,649,543	236,051,979	130%
2022	167,789,973	112,559,728	149%	317,838,503	256,882,007	124%	317,838,503	256,882,007	124%
2023	179,649,593	105,668,334	170%	350,449,271	269,832,410	130%	350,449,271	269,832,410	130%
2024	190,480,927	98,857,577	193%	380,488,727	261,077,567	146%	380,277,345	259,656,145	146%
2025	200,692,859	92,144,940	218%	410,978,959	271,582,280	151%	400,247,842	304,759,760	131%
2026	209,843,085	85,547,583	245%	436,512,813	255,713,630	171%	419,052,301	523,326,884	80%
2027	217,968,151	79,099,489	276%	460,671,524	237,490,995	194%	442,244,663	505,290,509	88%
2028	225,223,405	72,837,995	309%	488,721,900	219,271,223	223%	469,173,024	466,525,763	101%
2029	231,402,094	66,795,422	346%	513,225,416	201,151,200	255%	492,696,400	427,973,248	115%
2030	236,317,862	60,994,934	387%	533,817,893	183,301,413	291%	512,465,178	389,995,689	131%
2031	239,043,625	55,452,618	431%	549,715,366	165,859,531	331%	527,726,751	352,885,999	150%
2032	239,951,577	50,195,331	478%	559,778,944	148,971,852	376%	537,387,786	316,955,440	170%
2033	239,412,773	45,251,862	529%	562,933,268	132,710,516	424%	540,415,937	282,357,503	191%
2034	235,727,762	40,644,802	580%	558,270,165	117,252,757	476%	535,939,359	249,469,271	215%
2035	228,945,808	36,382,390	629%	548,623,312	102,901,333	533%	526,678,379	218,934,898	241%
2036	220,732,683	32,455,981	680%	534,078,300	89,696,287	595%	512,715,168	190,839,584	269%
2037	212,730,375	28,862,706	737%	514,024,741	77,637,801	662%	493,463,752	165,183,711	299%
2038	204,915,341	25,605,445	800%	488,055,335	66,719,399	732%	468,533,121	141,953,505	330%
2039	195,506,230	22,683,506	862%	458,771,955	56,931,519	806%	440,421,077	121,128,619	364%
2040	185,228,216	20,084,232	922%	427,667,705	48,237,070	887%	410,560,997	102,630,139	400%

Note: Please refer to the Actuarial Memorandum, section "Ensuring No Cross-Subsidization Between States", for adjustments made to experience exhibits

Values as of 12/31/2021 (discounted at maximum statutory valuation rates)

Past :	1,870,306,822	5,404,882,161	34.6%	2,734,031,756	6,422,133,522	42.6%	2,734,031,756	6,422,133,522	42.6%
Future :	3,549,916,449	898,965,991	394.9%	7,081,852,374	2,455,676,100	288.4%	6,842,474,709	4,140,479,923	165.3%
Lifetime :	5,420,223,271	6,303,848,153	86.0%	9,815,884,131	8,877,809,621	110.6%	9,576,506,465	10,562,613,445	90.7%

Total Incurred Claims exceed Total Initial Premiums x max(58%, Original Pricing Loss Ratio) + Increased Premiums x max(85%, Original Pricing Loss Ratio)

Minimum (Accum Value of Past Incurred Claims,				Accum Value of Past Initial Prm x 86.0% =	4,731,374,328
Accum Value of Adjusted Expected Incurred Claims) =	2,734,031,756			Present Value of Future Initial Prm x 86.0% =	557,487,342
Present Value of Future Incurred Claims =	6,842,474,709			Accum Value of Prior Increases x 86.0% =	790,553,980
Total =	9,576,506,465	>=	Total =	Present Value of Future Increases x 86.0% =	3,002,611,996
				Total =	9,082,027,646

Total Incurred Claims exceed Total Initial Premiums x max(60%, Original Pricing Loss Ratio) + Increased Premiums x max(80%, Original Pricing Loss Ratio)

Minimum (Accum Value of Past Incurred Claims,				Accum Value of Past Initial Prm x 86.0% =	4,731,374,328
Accum Value of Adjusted Expected Incurred Claims) =	2,734,031,756			Present Value of Future Initial Prm x 86.0% =	557,487,342
Present Value of Future Incurred Claims =	6,842,474,709			Accum Value of Prior Increases x 86.0% =	790,553,980
Total =	9,576,506,465	>=	Total =	Present Value of Future Increases x 86.0% =	3,002,611,996
				Total =	9,082,027,646

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

4. Proposed Effective Date

These rates will be effective on the next policy anniversary date, following at least a 90 day policyholder notification period. The assumed effective date used to calculate the rate increase is 11/01/2025.

5. History of Previous Rate Revisions

An average rate increase of 15.0% on these policy forms was accepted by your state on September 13, 2012.

An average rate increase of 15.0% on these policy forms was accepted by your state on September 11, 2013.

An average rate increase of 15.0% on these policy forms was accepted by your state on September 29, 2014.

An average rate increase of 15.0% on these policy forms was accepted by your state on October 23, 2015.

An average rate increase of 32.3% on these policy forms was accepted by your state on August 01, 2017 which was phased-in over 2 years with a 15% annual maximum.

An average rate increase of 43.8% on these policy forms was accepted by your state on April 01, 2020 which was phased-in over 3 years with a 15% annual maximum.

A flat increase of 15.0% on policies with inflation only on these policy forms was accepted by your state on March 27, 2024.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

6. Reduced Benefit Options (RBOs)

If the full or substantial portion of the rate increase request is approved and per the state's agreement, we will file the following additional options which would provide policyholders alternatives to the rate increase:

- ***Inflation Landing Spots***

Future inflation options (also referred to as “landing spots”) allow policyholders that have Compound or Simple inflation coverage the option to offset the rate increase. Under these options, the policyholders get to keep their current accumulated Daily benefit and their current remaining Lifetime Maximum Benefit, but the future indexation rate will be reduced to a level which is actuarially equivalent to the requested rate increase in aggregate. These options are not available to limited pay policies or policyholders who have elected three prior inflation reductions.

- ***Shared Cost Option***

Shared Cost option is an actuarially equivalent option that allows policyholders the option to offset the rate increase. The Shared Cost option would:

- Reduce the policyholder's current policy benefit amounts by their Shared Cost percentage. The daily/monthly benefit and the policy limit will be reduced by the Shared Cost percentage
- Apply a percentage factor to any future claim payments equal to the Shared Cost percentage. John Hancock will pay our portion (1 minus the Shared Cost percent) of any covered services, but will not pay more than the new reduced daily/monthly benefit amount and the policyholder will be responsible for the remainder.

Shared Cost Percentages are calculated using seriatim, nationwide data for each benefit period, inflation type and issue age band combination. All Shared Cost percentages are determined to be actuarially equivalent to the requested rate increases by combination of 5-year issue age band, benefit period and inflation type. The Shared Cost option is not available to limited pay policies or policyholders who have elected two prior Shared Cost options.

- ***Voluntary Enhanced Paid-Up Policy Option***

For those who choose to stop paying premiums, this option will be a paid-up policy with a policy limit equal to the lesser of the current policy limit and 150% of premiums paid less any benefits received.

The premium rate tables reflecting these options will be filed upon request following a full or substantial approval.

7. State Policyholder Counts & Average Annual Premium

The table below summarizes the number of policies inforce that could be affected by the rate increase in your state and their annualized premiums, as well as the average annual premium per policy before and after the requested increase.

Counts and premiums are based on policies inforce as of 12/31/2021. Premium-paying policies as well as policies on claim are included, since although the premium for policies on claim is currently waived, they could be subject to the rate increase upon recovery. Paid-up policies and policies which have exercised the nonforfeiture benefit option are excluded.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

Form	Number of Policies	2021 Annualized Premium*	2021 Average Annual Premium Before the rate increase*	2021 Average Annual Premium After the rate increase
LTC-02 MD	4,516	24,395,517	5,402	11,972
BSC-02 MD	110	505,864	4,599	10,192

*Premiums reflect the rate increases approved in prior filing(s), including approvals where implementation is not yet complete

The table below shows the Nationwide number of policies for the forms in this filing:

Form	Nationwide Policies
LTC-02 MD	79,254
BSC-02 MD	6,176

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

8. State and Nationwide Distribution of Business as of December 31, 2021

The state-specific and nationwide distribution of business for policyholders impacted by the rate increase is shown below by inflation type, benefit period, and issue age. The breakdown of business by Premium Payment Option is also included to show the number of policyholders no longer paying premiums due to nonforfeiture election or paid-up status.

Inflation Type

State	GPO	Simple	Compound	Total
NW	10%	26%	64%	100%
MD	5%	21%	74%	100%
NW	8,769	21,861	54,800	85,430
MD	251	966	3,409	4,626

Benefit Period

State	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	10 yr	Lifetime	Total
NW	0%	5%	20%	21%	13%	9%	4%	28%	100%
MD	0%	6%	23%	21%	14%	8%	4%	23%	100%
NW	6	4,474	17,354	17,695	10,957	7,388	3,406	24,150	85,430
MD	0	289	1,068	952	670	385	180	1,082	4,626

Issue Age

State	< 40	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80+	Total
NW	1%	2%	6%	17%	30%	26%	13%	4%	1%	0%	100%
MD	1%	2%	7%	20%	33%	24%	10%	2%	1%	0%	100%
NW	792	1,843	5,382	14,900	25,221	22,570	10,961	3,117	603	41	85,430
MD	37	103	329	906	1,518	1,116	479	111	26	1	4,626

Premium Payment Option

State	Lifetime Pay	On Claim	Limited Pay	NFO*	Limited Pay, Paid Up*	Survivorship Waiver of Premium*	Total
NW	84%	4%	0%	6%	5%	1%	100%
MD	86%	3%	0%	4%	6%	1%	100%
NW	81,085	4,180	165	6,121	4,568	907	97,026
MD	4,446	175	5	224	309	31	5,190

*Policies not included in distributions by count shown above as they are not impacted by the rate increase.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

9. Benefit Description(s)

A brief policy description for each of the policy forms:

LTC-02 MD

Individually underwritten long-term care policies that provide comprehensive long-term care coverage for care received in a nursing home or assisted care living facility, home health care, hospice care, respite care, or attendance at an Adult Day Care Center providing Adult Day Care.

Provides reimbursement of covered long-term care expenses incurred after an elected elimination period is met, up to the maximum daily/monthly amount. The benefit eligibility is determined based on the insured's cognitive impairment or their requiring physical assistance to perform two out of six activities of daily living (ADLs) of bathing, dressing, eating, toileting, transferring and maintaining continence.

Premiums are waived after the insured has met the elimination period and is receiving benefits and will continue to be waived until the insured stops receiving such benefits.

BSC-02 MD

Individually underwritten long-term care policies that provide comprehensive long-term care coverage for care received in a nursing home or assisted care living facility, home health care, hospice care, respite care, or attendance at an Adult Day Care Center providing Adult Day Care.

Provides reimbursement of covered long-term care expenses incurred after an elected elimination period is met.

For care received in an assisted living facility, benefits are paid up to 80% of the maximum daily/monthly amount. For all other care, benefits are paid up to 100% of the maximum daily/monthly amount. The benefit eligibility is determined based on the insured's cognitive impairment or their requiring physical assistance to perform two out of six activities of daily living (ADLs) of bathing, dressing, eating, toileting, transferring and maintaining continence.

Premiums are waived after the insured has met the elimination period and is receiving Nursing Home or Assisted Living Facility benefits and will continue to be waived until the insured stops receiving such benefits.

10. Renewability

All policy forms are guaranteed renewable.

11. Applicability

This filing is applicable to in force policies only, as these policy forms are no longer being sold in the market. The premium changes will apply to the base forms as well as all applicable riders.

12. Trend Assumptions

As this is not medical insurance, we have not included any explicit medical cost trends in the projections.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

13. Marketing Method

This product was typically marketed through our traditional agency system and brokers involving a personal contact with each applicant.

14. Underwriting

These policy forms were underwritten using a medical and risk questionnaire. We also utilized Attending Physician Statement and personal interviews depending on the age of the applicant and medical conditions.

15. Premium Classes

The base policy premium rates vary by issue age, benefit period, inflation option, home health care maximum benefit percentage, and underwriting class, as in the initial rate filing.

All premium factors related to the insured elected benefit design options or any eligible discount remain unchanged from the initial rate filing.

16. Premium Modalization Rules

Frequency	Multiple of Annual Premium
Semiannual	.52
Quarterly	.27
Monthly	.09

17. Issue Age Range

The issue age range is 18-84 for all policy forms.

18. Area Factors

Area factors are not applicable to any of the policy forms or riders.

19. Reserves

Active Life Reserves have not been used in this rate increase demonstration. Minimum Statutory Claim reserves as of 12/31/2021 have been discounted to the date of incurral of each respective claim and included in the historical incurred claims. Incurred But Not Reported claim reserves as of 12/31/2021 have also been allocated to the calendar year of incurral and included in historic incurred claims.

20. Ensuring No Cross-Subsidization Between States

We have ensured no state's rate increase approvals will subsidize other states' rate increases. Rate increases will vary by state, but only to reflect the timing and amount of prior rate increases approved by that state. This is accomplished by first backing-out all prior approved rate increases from our nationwide premium data. We then re-introduce actual prior rate increases with the amount and timing based on your state's prior approvals (as detailed in the section entitled **History of Previous Rate Revisions**). The current proposed rate increases are

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

then determined based on the amounts needed in order to achieve our target lifetime loss ratios certified to in our prior filing.

Although some states may have capped our previous inforce rate increase filings, in each case this was done with the understanding that the full amount of the proposed rate increases were justified and that John Hancock would be refiled for the remainder at a later date. In instances where the remainder remains unapproved, it has been included in the current filings.

21. Past Losses Testing

Preventing companies from recouping past losses was the subject of a discussion by the NAIC in late 2013. The accepted methodology which was incorporated into the 2014 Long Term Care Model Regulation defines past losses as actual past claims less expected past claims when determining loss ratio compliance. Expected past claims are defined as the following:

“Expected claims shall be calculated based on the original filing assumptions assumed until new assumptions are filed as part of a rate increase. New assumptions shall be used for all periods beyond each requested effective date of a rate increase [regardless of whether or not the rate increase is approved]. Expected claims are calculated for each calendar year based on the in-force at the beginning of the calendar year. Expected claims shall include margins for moderately adverse experience; either amounts included in the claims that were used to determine the lifetime loss ratio consistent with the original filing or as modified in any rate increase filing.”

We apply this methodology in demonstrating that we are not recouping past losses.

The ‘Adjusted Expected Incurred Claims’ are initially calculated by applying the original pricing durational loss ratio to the actual earned premium in a given calendar year. Later, in years in which and after which we filed for inforce rate increases, expected incurred claims are based on the new assumptions that were filed.

The accumulated value of the Adjusted Expected Incurred Claims is compared to the accumulated value of Actual Incurred Claims. The lesser of the Adjusted Expected Incurred Claims or Actual Incurred Claims is used for past claims when ensuring that the resulting overall increase in rates satisfies the rate stability rule ensuring a loss ratio no less than 85% (or the original pricing loss ratio if greater) on the rate increase portion, while applying 58% (or the original pricing loss ratio if greater) on the original rate schedule. This is demonstrated at the bottom of **Exhibit 1**. The derivation of Adjusted Expected Incurred Claims and comparison to Actual Incurred Claims can be seen in **Addendum #2 – Demonstration of not Recouping Past Losses**.

John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

22. Actuarial Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualification standards for rendering this opinion and am familiar with the requirements for filing long-term care insurance premiums and filing for increases in long-term care insurance premiums. This memorandum has been prepared in conformity with all applicable Actuarial Standards of Practice, including ASOP No. 8.

The preceding Actuarial Memorandum contains:

- a) the assumptions on which this certification is based;
- b) the adjustments to prior assumptions with an explanation of the reasons previous assumptions were not realized;
- c) a lifetime projection of the prior premium rate schedules and incurred claims plus future expected premiums and claims which demonstrates that the revised premium rate schedule meets the loss ratios standards and necessary details of this state; and
- d) disclosure of the manner, if any, in which reserves have been recognized.

If the requested premium rate schedule increase is implemented and the underlying assumptions which reflect moderately adverse conditions are realized, no further premium rate schedule increases are anticipated.

I have reviewed and taken into consideration the policy design and coverage provided, and our current underwriting and claims adjudication processes.

In forming my opinion, I have used actuarial assumptions and actuarial methods and such tests of the actuarial calculations as I considered necessary. Based on these assumptions or statutory requirements where necessary, the premium rate filing is in compliance with the loss ratio standards of this state.

The basis for contract reserves has been previously filed and there is no anticipation of any changes.



Katherine A Gillis
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John Hancock Life Insurance Company (U.S.A.)
Actuarial Memorandum for Inforce Rate Increase – Custom Care Series
January 13, 2025

Addendum #1 - Assumptions and Analysis Performed

As part of the inforce management of the business, the Company monitored the performance of the business by completing periodic analysis for morbidity, voluntary lapse rates, and mortality. The findings from these analyses were used in projecting the inforce business to determine the effect of experience on the projected lifetime loss ratio. The most current studies show unfavorable trends since the study that prompted our 2019 rate increase filings.

Relative to previous expectations, the new data demonstrates lower mortality for non-claimants, higher utilization of benefits, and lower than expected claim terminations, partly offset by lower claim incidence.

[REDACTED]

A. Current & Prior Assumptions

Morbidity

[REDACTED]

Incidence

[REDACTED]

After updating assumptions to reflect the generally favorable experience, the overall A/E ratio is 101%.

Incidence (Count)		
Duration	A/E Before Assumption Update	A/E After Assumption Update
10-11	93%	99%
12-14	95%	101%
15+	94%	102%
Total	94%	101%

Claim Terminations

[REDACTED]

After updating assumptions to reflect termination experience, the A/E is 99% for the first 5 months on claim and 97% overall.

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Terminations (Count)						
Benefit Period	All Months		Months 1-5		Months 6+	
	A/E Before Assumption Update	A/E After Assumption Update	A/E Before Assumption Update	A/E After Assumption Update	A/E Before Assumption Update	A/E After Assumption Update
<10 years	97%	98%	95%	99%	98%	97%
10+ years	91%	96%	91%	102%	92%	93%
Total	96%	97%	94%	99%	97%	96%

Utilization

[REDACTED]

After updating our assumption based on experience, the total A/E is 102%.

Utilization (Amount)		
Inflation Type	A/E Before Assumption Update	A/E After Assumption Update
None/GPO	101%	101%
Simple	102%	101%
Compound	112%	104%
Total	106%	102%

Voluntary Lapses

[REDACTED]

Actual to Expected ratios by amount for this block (John Hancock individual business) summarized by inflation and duration groups before and after the assumption update are shown below.

Lapse (Amount)						
Duration	No Inflation		With Inflation		Total	
	A/E Before Assumption Update	A/E After Assumption Update	A/E Before Assumption Update	A/E After Assumption Update	A/E Before Assumption Update	A/E After Assumption Update
1-5	120%	72%	91%	100%	91%	99%
6-10	104%	87%	105%	107%	105%	104%
11-15	88%	95%	96%	100%	95%	99%
16-20	125%	93%	128%	103%	128%	101%
21-25	126%	119%	127%	123%	127%	121%
26+	109%	100%	88%	92%	104%	98%
Total	107%	96%	105%	104%	105%	102%

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The changes to the expected lapse assumption improved the fit across cohorts and resulted in a total A/E of 102%.

Mortality

[REDACTED]

The below table shows the healthy life A/E ratios by amount before and after the assumption update for our Retail Individual business.

Mortality (Amount)		
Duration	A/E Before Assumption Update	A/E After Assumption Update
1-5	100%	105%
6-10	99%	99%
11-15	96%	99%
16-20	94%	102%
21-25	97%	101%
26+	76%	84%
Total	95%	100%

Expenses

[REDACTED]

Original Pricing Assumptions

[REDACTED]

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Addendum #2 – Demonstration of not Recouping Past Losses
Custom Care (LTC-02) and Essential Care (BSC-02)

	Calendar Year	Original Incurred Loss Ratio	Historic Data Earned Premium	Adjusted Expected Incurred Claims	Historic Data Incurred Claims
Original Pricing	1988	0%	1,261	-	-
	1989	0%	1,777	-	-
	1990	0%	1,777	-	-
	1991	0%	1,777	-	-
	1992	0%	11,259	-	-
	1993	0%	18,596	-	-
	1994	0%	21,392	-	-
	1995	0%	34,643	-	-
	1996	0%	72,163	-	-
	1997	0%	99,166	-	-
	1998	0%	184,733	-	-
	1999	0%	309,793	-	-
	2000	0%	608,877	-	-
	2001	0%	1,151,326	-	-
	2002	4%	40,241,175	1,673,189	444,586
	2003	4%	179,281,433	7,306,631	3,285,613
	2004	5%	240,329,531	12,239,061	11,194,879
	2005	9%	237,539,223	20,226,905	14,002,004
	2006	12%	232,785,822	28,477,286	26,549,017
2007	15%	228,257,301	33,627,145	49,111,451	
2008	18%	223,314,426	39,805,473	40,624,649	
2009	23%	218,442,976	50,440,658	52,969,023	
2010 Assumptions	2010			67,383,718	67,428,507
	2011			76,620,269	78,877,864
	2012			88,889,554	101,823,574
2013 Assumptions	2013			109,141,406	107,792,681
	2014			124,811,861	117,168,392
	2015			135,392,023	150,833,424
2016 Assumptions	2016			157,598,845	158,835,115
	2017			178,539,244	179,275,676
	2018			200,519,220	200,949,642
2019 Assumptions	2019			247,374,838	225,712,992
	2020			270,357,724	212,936,012
	2021			294,540,080	307,649,543
Values as of 12/31/2021 (discounted at maximum statutory valuation rates)					
	Past :			2,767,643,775	> 2,734,031,756

Minimum (Accum Value of Past Incurred Claims,
Accum Value of Adjusted Expected Incurred Claims) = 2,734,031,756

The lesser of actual and expected past claims, \$2,734,031,756, is used in demonstrating compliance with the minimum loss ratio in Exhibit 1