



# Permanent Life Insurance. LTC Assistance.

## *LifeCare Benefit Riders*



## Key **BENEFITS**

- *Convenience:* one process, one affordable premium, one life insurance policy
- *Flexibility:* all, some, or none of the life insurance benefit can be used for LTC needs
- *Value:* less expensive than purchasing separate permanent life and LTC insurance

The LifeCare Benefit<sup>1</sup> and LifeCare Benefit Max<sup>2</sup> riders are designed to help clients concerned about protecting themselves and their families from the high costs of long term care (LTC).

When combined with a permanent life insurance policy, the optional LifeCare Benefit rider allows policyholders to accelerate their death benefit to pay for long term care expenses, should the need arise. With the addition of the innovative LifeCare Benefit Max (LMAX) rider, payments for long term care are continued after the initial death benefit has been fully accelerated. The portion of the death benefit not used to cover long term care expenses remains in the policy and is paid as a life insurance benefit.

1. Products and features may not be available in all states or may vary by state. LifeCare Benefit is an accelerated death benefit and is not available in all states.
2. LifeCare Benefit Max is not currently available on all permanent life policies and may not be available in all states. LifeCare Benefit Max is available only with LifeCare Benefit and is not available on policies with face amounts greater than \$1 million at issue.

## LIFECARE Benefit

A permanent life insurance policy with the LifeCare Benefit and LifeCare Benefit Max riders provides a single solution to two critical needs clients often face:

- Immediate funds in case of death<sup>3</sup>
- Funds to help pay LTC expenses if needed

### **LifeCare Benefit Rider**

- Life insurance provides immediate funds in case of death or access to the policy death benefit to help pay long term care expenses<sup>3</sup>
- Any part of the initial death benefit not used for LTC will be paid to beneficiaries
- Unique, complimentary long term care services
- Available with several universal life and variable universal life policies

### **LifeCare Benefit Max (LMAX) Rider**

- Double the benefit pool for LTC assistance
- Continues payments for long term care purposes after the entire death benefit of the underlying policy has been fully accelerated for LTC needs under LifeCare Benefit
- Residual Death Benefit equal to the lesser of \$25,000 or 10% of the Total Sum Insured
- Available with several universal life and variable universal life policies

3. Loans and withdrawals will decrease the policy's cash value and death benefit. Surrender charges may apply in the early years.

## MEETING CLIENT NEEDS

Many clients recognize the importance of purchasing both life insurance and long term care protection. If you're looking to address both needs in a single policy, a permanent John Hancock life insurance policy with the LifeCare Benefit rider can be the solution. Adding LifeCare Benefit to a permanent life insurance policy makes the policy face amount available as a Benefit Pool to pay long term care expenses.

### NEED

*Affordable guaranteed life insurance and LTC protection*

### SOLUTION

*Guaranteed<sup>4</sup> Universal Life with the LifeCare Benefit rider.* Protection UL-G offers affordable, guaranteed death benefit protection. With the addition of the LifeCare Benefit rider, the death benefit becomes a guaranteed 'pool' of money that can be used to pay for LTC expenses. Any death benefit not used to pay long term care expenses is paid as a life insurance benefit. The premium for the life insurance policy with the LifeCare Benefit rider is fixed at issue and will not increase.

### NEED

*Life insurance and LTC protection with the potential to accumulate cash value to supplement retirement income<sup>3</sup>*

### SOLUTION

*When the LifeCare Benefit rider is added to a life insurance policy that is designed to build value, both the Account Value and the Total Benefit Pool have the potential to grow. All, some, or none of the death benefit can be used to pay for long term care expenses. Any portion not used will be paid to the heirs and will be income tax-favored under current law. In addition, by overfunding the policy, the Account Value could be used as a source of significant supplemental retirement income. If the Account Value is accessed for retirement income, the death benefit and cash value will decrease as will the Total Benefit Pool.<sup>2</sup>*

4. The policy death benefit is guaranteed provided minimum premium requirements are met. Guarantees are based on the claims-paying ability of the issuer.

**NEED**

*Maximize wealth transfer to heirs and prevent asset depletion as a result of LTC expenses*

**SOLUTION**

*Retirees with sufficient income and excess assets can use a portion of their assets to purchase a life insurance policy with the LifeCare Benefit rider. The policy death benefit can be used for LTC expenses, if necessary. Any portion not used for LTC expenses is paid to the heirs as a death benefit.*

**NEED**

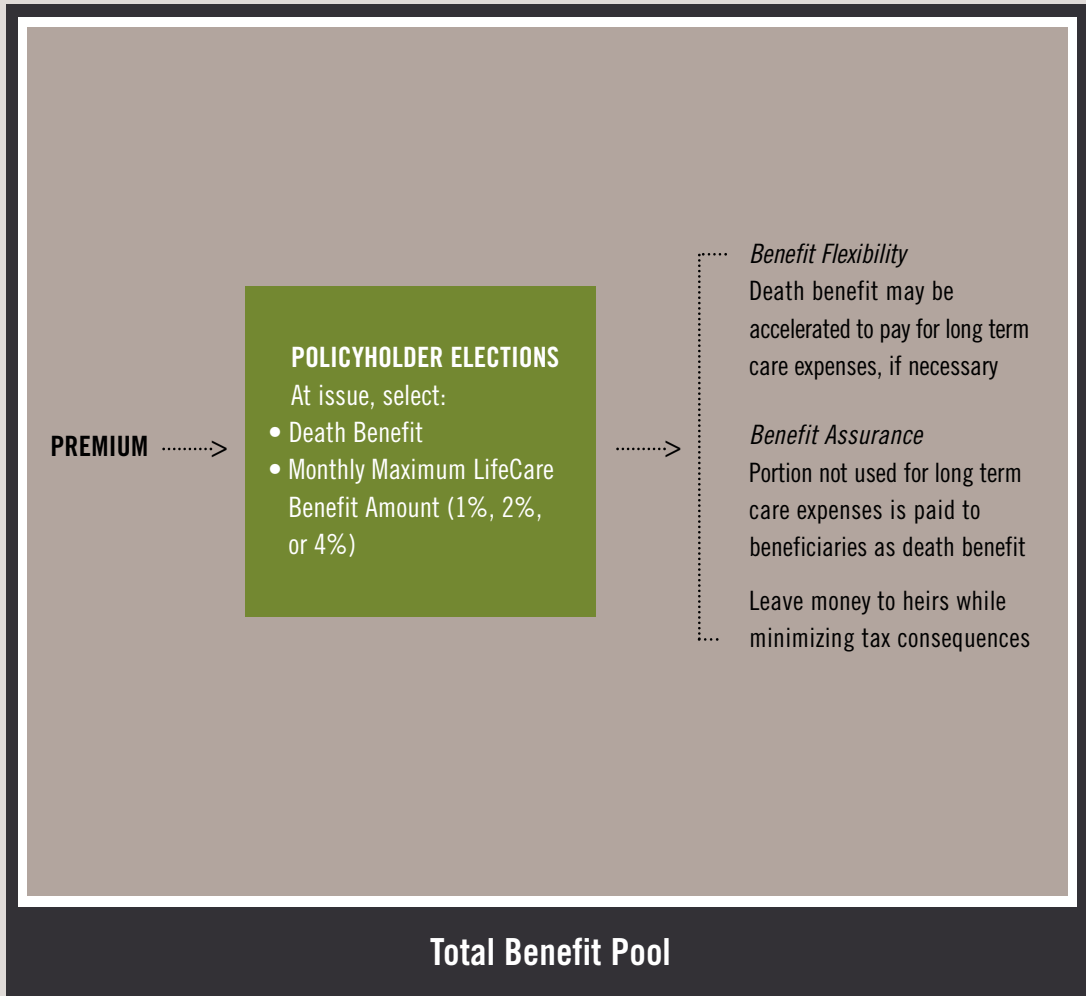
*Personally owned life insurance and LTC protection paid for with business dollars*

**SOLUTION**

*Protection UL-G with the LifeCare Benefit rider. The company pays the executive a bonus equal to the policy premium plus any taxes due. The company takes a tax deduction equal to the bonus. The executive has a guaranteed lifetime death benefit and guaranteed funds to pay for LTC expenses. Additional security could be provided by adding the Disability Payment of Specified Premium rider to guarantee the death benefit/Total Benefit Pool in the event of disability.<sup>5</sup>*

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## HOW LIFECARE BENEFIT RIDER WORKS



#### 1. *Policyholder Elections*

At issue, select the life insurance face amount needed and the LTC Monthly Maximum Benefit Amount (MMBA) — 1%, 2%, or 4%. This amount is available to pay covered long term care expenses on a reimbursement basis. To determine the appropriate benefit percentage, consider both the benefit amount desired and the length of time needed. The MMBA percentage cannot be changed after issue.

#### 2. *Total Benefit Pool*

The full amount of the life insurance death benefit is the “Total Benefit Pool.” It is available for either life or long term care protection.

#### 3. *Benefit Flexibility*

The policyholder can accelerate some, all, or none of the Total Benefit Pool to pay for qualified long term care costs.

#### 4. *Benefit Assurance*

The portion of the Total Benefit Pool not used for long term care purposes will be paid to beneficiaries as a death benefit (income tax-free under current tax law)<sup>6</sup>; unless the Extension of Benefits provision is in effect. In that case, any remaining death benefit will not be paid. (See Extension of Benefits section on page 8.)

6. Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration. No legal, tax, or accounting advice can be given by John Hancock, its agents, employees, or registered representatives. Prospective purchasers should consult their professional tax adviser for details.

Face Amounts Available<sup>1</sup>

**Minimum:**

Minimum face amount of underlying base policy (\$50,000 or \$100,000, depending on the life insurance policy selected).

**Maximum:**

The face amount that would result in \$50,000 of Maximum Monthly Benefit at issue.

| \$50,000                |                       |
|-------------------------|-----------------------|
| MAXIMUM MONTHLY BENEFIT | MAXIMUM FACE AT ISSUE |
| 1%                      | \$5,000,000           |
| 2%                      | \$2,500,000           |
| 4%                      | \$1,250,000           |

Benefit Triggers

Benefit eligible triggers must be met before the benefit will be payable for an eligible claim. Benefits are paid after the client is unable to perform only two of six activities of daily living (ADLs) which include:

- Bathing
- Maintaining continence
- Dressing
- Eating
- Toileting
- Transferring

Benefits are also triggered with demonstration of cognitive impairment.

Disability must last at least 90 days.

Waiting Period

Benefits begin after satisfaction of the benefit triggers and a waiting period.

The waiting period (elimination period) may vary by state but is generally 100 days. It begins on the first day that LTC services are received and needs to be satisfied only once during the life of the policy.

Choice of Setting

Clients may elect to receive long term care assistance in their choice of setting:

- Home health care
- Assisted living facility
- Adult day care facility
- Skilled nursing facility
- Hospice center

Monthly Benefits

The LifeCare Benefit rider pays benefits on a monthly basis. This is a significant advantage over Daily Benefit Plans, particularly with Home Health Care. The Monthly Benefit Plan pays all approved charges each month, up to the selected benefit maximum, regardless of the daily or weekly charges.

Extension of Benefits Provision

This provision continues benefit payments until:

- There is no remaining death benefit
- The insured dies, or
- A "Period of Care" is completed

This provision applies only to care in a qualified nursing home and only when the insured is also the owner. It does not apply to assisted living or home health care. Therefore, if the policy owner/insured is in a nursing home and benefit payments have begun, the payments will continue regardless of policy value or rider status. However, if this provision is exercised and there is any remaining death benefit, it will not be paid upon death.

Clients who are concerned about forfeiting their policy death benefit under this provision should be advised to continue their premium payments so that the policy death benefit is retained.

*Consult the "LifeCare Benefit Rider Technical Guide" for more detailed information on the Extension of Benefits Provision.*

|                                   |  |
|-----------------------------------|--|
| <b>FEATURES<sup>1</sup></b>       | <b>LifeCare Benefit Rider</b>  |
| <b>Bed Hold Benefit</b>           | If hospital care is needed while the insured is staying in a nursing home or assisted living facility, the policy can pay to reserve a bed in a facility for up to 10 days per stay <sup>1</sup> , up to the selected monthly benefit.   |
| <b>CARE ADVISORY SERVICES</b>     | <b>LifeCare Benefit Rider</b>  |
|                                   | Life insurance policies with the LifeCare Benefit rider include complimentary long term care advisory services.  |
| <b>Seniorlink<sup>7</sup></b>     | <p>The insured (and his/her immediate family) have instant access to <i>Seniorlink</i> which offers complete resources and advice to help clients make smart decisions about long term care issues.</p> <p><i>Please refer to the Seniorlink brochure for more information regarding this benefit.</i></p>   |
| <b>Advantage List<sup>8</sup></b> | <p>The <i>Advantage List</i> program provides competitive rates at over 7,500 participating providers nationwide. The cost savings can help stretch benefit dollars at selected:</p> <ul style="list-style-type: none"> <li>• Home health care providers</li> <li>• Assisted living facilities</li> <li>• Adult day care facilities</li> <li>• Hospice centers</li> <li>• Providers of durable medical equipment</li> <li>• Skilled nursing facilities</li> </ul> <p><i>Please refer to the “Advantage List” brochure for more information regarding this benefit.</i></p> |
| <b>UNDERWRITING</b>               | <b>LifeCare Benefit Rider</b>  |
|                                   | <p>In general, the same guidelines are used to underwrite life insurance policies with the LifeCare Benefit rider as are used in underwriting individual life and LTC insurance policies.</p> <p><i>Consult the “LifeCare Benefit Rider Technical Guide” for more detailed information on the underwriting guidelines for the LCB rider.</i></p>   |
| <b>CLAIMS</b>                     | <b>LifeCare Benefit Rider</b>  |
| <b>LifeCare Benefit Claims</b>    | <p>The Maximum Monthly Benefit Amount (MMBA) is calculated based on the death benefit in effect at time of claim. Benefit payments will be made on a reimbursement basis each calendar month for eligible services received.</p> <p>Accelerated payments continue until:</p> <ul style="list-style-type: none"> <li>• The policy is terminated because of death, surrender, or lapse</li> <li>• The insured recovers</li> <li>• The full Total Sum Insured is paid out under the LTC acceleration rider</li> </ul>   |
| <b>ACCESSING ACCOUNT VALUES</b>   | <b>LifeCare Benefit Rider</b>  |
| <b>Withdrawals<sup>3</sup></b>    | <p>Policy loans and withdrawals reduce the Total Benefit Pool under the LifeCare Benefit.</p> <ul style="list-style-type: none"> <li>• Reduce the Total Benefit Pool dollar for dollar, and thereby reduce the calculated MMBA payment</li> <li>• Are available while on claim, but will result in a recalculation of the Maximum Monthly Benefit Payment</li> </ul>   |
|                                   | <p><sup>7.</sup> <i>SeniorLink</i> is not affiliated with the John Hancock Life Insurance Company and its subsidiaries. <i>SeniorLink</i> is a current referral service provider for John Hancock and can be changed at any time.</p> <p><sup>8.</sup> <i>Advantage List</i> is not available in Puerto Rico.</p>  |

## ACCESSING ACCOUNT VALUES

### LifeCare Benefit Rider

#### Policy Loans<sup>3</sup>

- Reduce the Total Benefit Pool available, but do not result in a recalculation of the Maximum Monthly Benefit Payment
- A proportional amount of each monthly benefit payment serves to repay the loan. This amount is calculated to repay the total policy loan by the time the death benefit is fully accelerated.

*Note: The net death benefit is reduced by the amount of the loan. If the policy lapses while a loan is outstanding, the loan will be treated as a distribution from the policy and there may be resulting tax consequences.*

## TAX CONSIDERATIONS

### LifeCare Benefit Rider

#### Tax-Qualified LTC Benefit

The LCB rider is intended to be a Qualified LTC Insurance contract under Internal Revenue Code Section 7702 (B)(b):

- LTC benefits are intended to be excludable from Federal Gross Income
- Even if the policy is a Modified Endowment Contract (MEC), the intent is for the LTC benefit payment to continue to be excludable from income taxes
- 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

#### LTC Charges Reduce Cost Basis

- Monthly charges for the LCB rider are considered policy distributions for Federal Income Tax purposes, and will usually reduce the policy's tax basis
- For MEC's, these charges will be taxable when the policy is in a gain position

*Note: In these cases, illustrations will reflect a "tax paid" column.*

## REQUIREMENTS

### LifeCare Benefit Rider

#### Licensing Requirements

Because LifeCare Benefit combines life insurance and long term care protection in a single policy:

- Some states require a health license in addition to being properly licensed to sell John Hancock life insurance products
- In all states, you must be a Registered Representative to offer Variable Life Insurance
- You must meet all state licensing requirements to sell life insurance

*Note: Licensing requirements vary from state to state. Consult the "LifeCare Benefit Rider Technical Guide" for an up-to-date listing of the licensing requirements for selling the LCB rider in your state.*

#### Required Materials at Time of Solicitation

- Illustration
- Outline of Coverage
- Replacement form. Required if replacement is involved.

*Note: Some states require additional materials at time of solicitation. Consult the "LifeCare Benefit Rider Technical Guide" for a list of the materials required in your state.*

## CARE ADVISORY SERVICES

### LifeCare Benefit Max (LMAX) Rider

The LifeCare Benefit Max (LMAX) rider continues payments for long term care purposes started by the LifeCare Benefit rider after the policy death benefit has been fully accelerated.

Face Amount

Policies with LMAX are limited to a maximum face amount at issue of \$1 million.

Total Benefit Amount

The total benefit amount available under LMAX is equal to the initial death benefit (not to exceed \$1 million), provided the insured is alive and in need of long term care.

Residual Death Benefit

LMAX also provides a Residual Death Benefit upon the death of the insured equal to the lesser of \$25,000 or 10% of the Total Sum Insured, reduced proportionally for any reductions not due to acceleration under the LCB rider. The death benefit payable will be the greater of the Residual Death Benefit or the actual policy death benefit (reduced by any outstanding loans).

- Once the policy has been fully accelerated, the Residual Death Benefit will be in effect for life — even if the LMAX maximum payment limit has been reached
- If, under the Extension of Benefits provision, policy cash value becomes insufficient to support monthly deductions, Residual Death Benefit terminates

The following example demonstrates the benefit amounts and benefit periods of a \$1 million policy with the LifeCare Benefit and LMAX riders.

| MAXIMUM MONTHLY BENEFIT |          | BENEFIT PERIOD IN MONTHS |      |       |
|-------------------------|----------|--------------------------|------|-------|
| %                       | Amount   | LifeCare Benefit         | LMAX | Total |
| 1%                      | \$10,000 | 100                      | 100  | 200   |
| 2%                      | \$20,000 | 50                       | 50   | 100   |
| 4%                      | \$40,000 | 25                       | 25   | 50    |

Maximum Monthly Benefit Amount (MMBA)

The LMAX Maximum Monthly Benefit Amount is constant; it is not affected by increases or decreases in the policy face amount.

- If the policy death benefit is reduced (through withdrawals, loans, etc.), the LMAX Monthly Benefit will not decrease unless the policy owner requests it
- If the policy death benefit has increased due to over-funding, and is in the corridor, the LMAX Monthly Benefit does not increase

LMAX Claims

Once the policy death benefit begins to accelerate under the terms of the LifeCare Benefit rider, the LMAX rider has no effect. LMAX charges continue to be deducted from the account value and are not reduced because of death benefit accelerations in any way.

- LMAX long term care payments do not take effect until the last dollar of base policy death benefit is accelerated
- The LMAX Maximum Monthly Benefit Amount may be higher than the LCB amount if the client requested decreases in the base coverage or took partial withdrawals
- LMAX payments could also be higher than those under LifeCare Benefit if a loan existed on the policy once death benefit accelerations began under LifeCare Benefit. This is because a portion of each monthly payment under LifeCare Benefit is “held back” to repay the loan by the time the policy is fully accelerated. So, once fully accelerated, the monthly payment would increase to the full amount because the loan would have been fully repaid.
- Conversely, LMAX payments may be lower if the policy was in the corridor when LifeCare Benefit accelerations began

LMAX Payment Duration

LMAX payments will continue until the earlier of:

- The insured's recovery
- The insured's death
- The total of all extension payments reaches the maximum amount

If the insured recovers and LMAX payments cease, but he/she subsequently qualifies for benefits, claims payments begin again (with no new elimination period) at the same LMAX Maximum Monthly Benefit Amount, still subject to the same limits.

Effects of Monthly Deductions  
While on Claim

The example below assumes the following:

- \$250,000 face amount
- Male, age 45, Preferred risk class
- Annual premium: \$2,192
- Claim at age 75, fully reimbursable 2% LifeCare Benefit / \$5,000/month for 50 months
- 2% LMAX Benefit — \$5,000/month for an additional 50 months

*These figures are for illustrative purposes. It assumes a hypothetical rate of return and is not a representation of expected future results. Unless indicated otherwise, these values are not guaranteed.*

| YEAR | BASE POLICY<br>NET DEATH/<br>LTC BENEFIT<br>PRE-CLAIM | ACCOUNT VALUE <sup>9</sup><br>(START OF YEAR) | ANNUAL<br>POLICY<br>& RIDER<br>CHARGES | MAXIMUM<br>MONTHLY LTC BENEFIT<br>(ANNUALIZED) |          | NET<br>DEATH BENEFIT<br>POST-CLAIM |
|------|---|---|--|--|----------|------------------------------------|
|      |   |   |  | LIFECARE                                       | LMAX     |                                    |
| 1    | \$250,000   | \$84,584                                      | \$ 4,034                               | \$ 60,000                                      | \$ 0     | \$ 190,000                         |
| 2    | \$190,000   | \$63,200                                      | \$ 3,555                               | \$ 60,000                                      | \$ 0     | \$ 130,000                         |
| 3    | \$130,000   | \$42,080                                      | \$ 2,375                               | \$ 60,000                                      | \$ 0     | \$ 70,000                          |
| 4    | \$ 70,000   | \$21,908                                      | \$ 1,077                               | \$ 60,000                                      | \$ 0     | \$ 25,000 <sup>11</sup>            |
| 5    | \$ 10,000   | \$ 2,991                                      | \$ 43                                  | \$10,000 <sup>10</sup>                         | \$50,000 | \$ 25,000 <sup>11</sup>            |
| 6    | \$ 0  | \$ 0  | \$ 0                                   | \$ 0   | \$60,000 | \$ 25,000 <sup>11</sup>            |
| 7    | \$ 0  | \$ 0  | \$ 0                                   | \$ 0   | \$60,000 | \$ 25,000 <sup>11</sup>            |
| 8+   | \$ 0  | \$ 0  | \$ 0                                   | \$ 0   | \$60,000 | \$ 25,000 <sup>11</sup>            |

9. Affects the Cost of Insurance and LTC rider charges.

10. No loans or withdrawals assumed. After month 50, death benefit fully accelerated.

11. Residual Death Benefit is equal to the lesser of \$25,000 or 10% of the initial death benefit. Net death benefit is equal to the greater of the base policy death benefit or the LMAX Residual Death Benefit.



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