

Presentation on The Sandia Group Long-Term Care Insurance Plan

Enrollment Period:
March 9 – April 10, 2009

Plan Effective Date:
May 1, 2009



Long-Term Care Insurance is underwritten by John Hancock Life Insurance Company, Boston, MA 02117.



Agenda

- What Is Long-Term Care?
- Who Pays for Long-Term Care Services?
- Need for Long-Term Care Insurance
- The Sandia Plan Design Overview
- Q&A



What Is Long-Term Care?

- Long-term care is personal care or supervision needed by persons of all ages for an extended period of time
- It may be needed due to an accident or illness, or the effects of aging
- Some conditions that may require long-term care include:
 - Head Injury
 - Multiple Sclerosis
 - Parkinson's Disease
 - Stroke
 - Heart Disease
 - Alzheimer's Disease



How Do I Qualify for Benefits?

- Prior hospitalization is not required
- You need substantial assistance (hands on or stand by) from another person to perform at least 2 out of 6 Activities of Daily Living (which is expected to continue for at least 90 days)
OR
You need substantial supervision due to Severe Cognitive Impairment
- A licensed health care practitioner must certify that you meet the above criteria

- The Activities of Daily Living are:
 - bathing
 - dressing
 - eating
 - toileting
 - transferring
 - maintaining continence



What Is the Difference Between Long-Term Care & Long-Term Disability?

Long-term care insurance helps protect against financial loss in the event that you need long-term care services. If you become unable to care for yourself due to chronic illness, injury or the effects of aging, this insurance can help defray the costs of long-term care services.

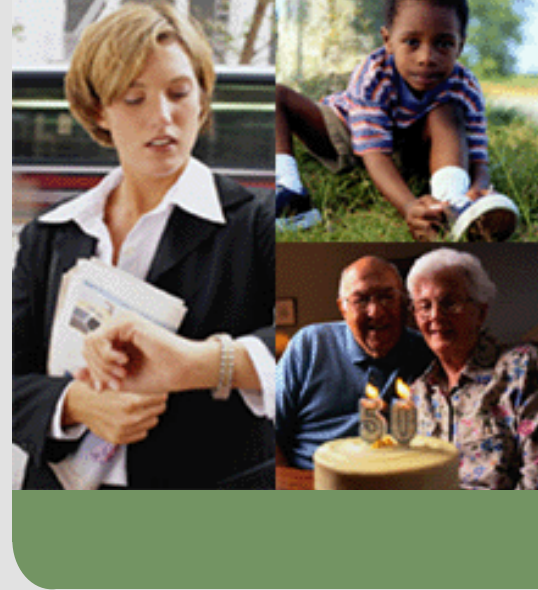
Long-term disability insurance is meant to replace your income if you are unable to work due to illness or non-occupational injury. Long-term disability insurance does not provide benefits for long-term care services.



Will I Ever Need Long-Term Care Services?

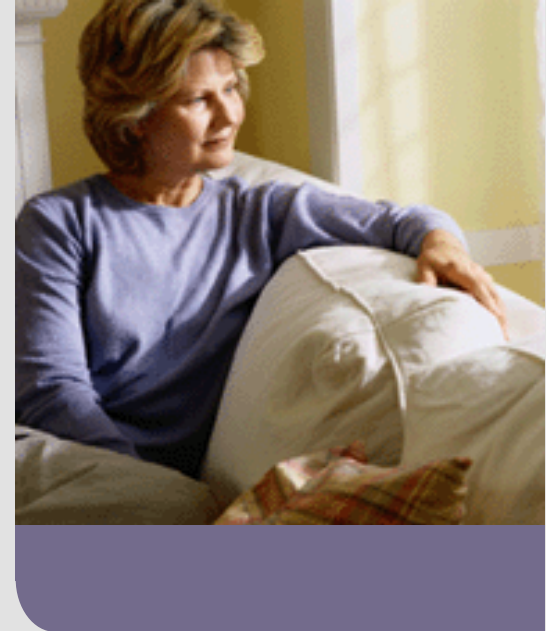
Of the 12 million Americans needing long-term care services, more than you think are in your age bracket:

- 3.3% Children
(under 18 years old)
- 43% Working Age Adults
(between 18 and 64 years old)
- 53.7% Elderly
(over 65 years old)



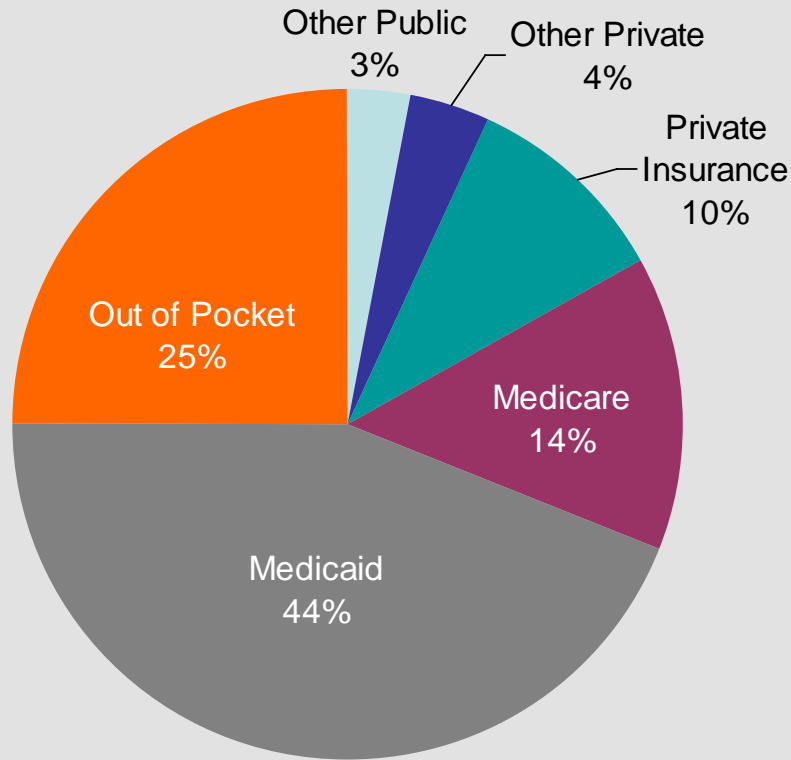
What Is the Cost of Care?

- Average yearly cost of a nursing home in the US*:
\$71,140 (\$195 per day)
- Average yearly cost of an assisted living facility in the US*:
\$37,640 (\$104 per day)
- Average cost of home health care in the US*:
Home Health Aides \$18 per hour
Registered Nurses \$67 per hour



*Source: Harris, Rothenberg International, August 2005.

Who Pays for Long-Term Care Services?



Source: GAO-Long-Term Care: Baby Boomer Generation Increases Challenge of Financing Needed Sources, March 2001.

Graph Source: Department of Health and Human Services, HCFA, Office of the Actuary, National Health Statistics Group, Personal Health Care Expenditures, 2001 (excerpt from GAO-01-563T, March 2001).

Sandia Labs Plan Design Overview



John Hancock.

Long-Term Care Insurance is underwritten by John Hancock Life Insurance Company, Boston, MA 02117.

Who Is Eligible for the Plan?

- Regular full-time and part-time, and non-regular (post-doctoral appointees and limited-term employees) full-time and part-time actively-at-work employees scheduled to work at least 24 hours per week
- Retirees and spouses of eligible retirees
- Parents and parents-in-law of eligible employees
- Spouses/qualified same-sex domestic partners of eligible employees¹
- Parents and parents-in-law of eligible employees
- Grandparents and grandparents-in-law of eligible employees
- Siblings/spouses of siblings of eligible employees and of their spouses/qualified same-sex domestic partners¹
- Adult children/spouses of adult children of eligible employees and of their spouses/qualified same-sex domestic partners¹

All applicants must reside in the U.S. (50 states and DC) on their date of application and effective date of coverage. This requirement does not apply to active employees and their spouses/qualified same-sex domestic partners temporarily residing outside the U.S. applying with their U.S. residence address. All certificates will be mailed to the U.S. residence address.

¹Spouses/qualified same-sex domestic partners, siblings and adult children must be issue age 18 or older to apply.



How Do I Apply for Coverage?

- All eligible, actively-at-work employees who enroll between **March 9 – April 10, 2009, receive guaranteed acceptance** and can enroll via:
 - The Web
 - Enrollment Form
- Retirees and eligible family members must provide proof of good health by completing the statement of health questionnaire on the application
- Applications are available on the web and in the enrollment kit
- Enrollment kits may be requested via the Web or by calling John Hancock at **1-800-932-4304**
- Eligible family members may apply whether or not the eligible employee or retiree applies



What Services Are Covered?

- Nursing Home Care*
(including inpatient hospice)
- Alternate Care Facility
- Community Based Professional Care
 - Home Health Care
 - Adult Day Care
 - Hospice Care
 - Homemaker Services
 - Personal Care
 - Respite Care
- Informal Care
- Alternate Plan of Care

*Kansas requires an expanded nursing home definition to be used. It includes licensed nursing care homes, intermediate personal care homes, and residential care facilities. A separate alternate care facility benefit is not available.



How much does the plan pay in benefits?

Decisions 1 & 2	Daily Maximum Benefit (DMB) Lifetime Maximum Benefit (LMB) options				
	1	2	3	4	5
Nursing Home DMB (100%)	\$100.00	\$150.00	\$200.00	\$250.00	\$300.00
Alternate Care Facility ¹ DMB (100%)	\$100.00	\$150.00	\$200.00	\$250.00	\$300.00
Community Based Professional Care DMB ² (75%)	\$75.00	\$112.50	\$150.00	\$187.50	\$225.00
Informal Care ³ DMB (25%)	\$25.00	\$37.50	\$50.00	\$62.50	\$75.00
Lifetime Maximum Benefit Three (3) year option	\$109,500	\$164,250	\$219,000	\$273,750	\$383,250
Lifetime Maximum Benefit Six (6) year option	\$219,000	\$328,500	\$438,000	\$547,500	\$657,000
Lifetime Maximum Benefit Ten (10) year option	\$365,000	\$547,500	\$730,000	\$912,500	\$1,095,000

The total of benefits payable for all charges incurred on any day will not exceed the nursing home DMB, except for the stay at home benefit and alternate plan of care.

¹ Kansas requires an expanded nursing home definition to be used. It includes licensed nursing care homes, intermediate personal care homes, assisted living facilities and residential care facilities. A separate alternate care facility benefit is not available.

² This includes Adult Day Care and the following services provided in your home: Home Health Care, Hospice Care and Homemaker Services that are provided by a person who is certified or employed through a licensed Home Health Care Agency.

³ Informal Care has a calendar year maximum of 30 x the Informal Care DMB.

Does the Plan Design Include Protection Against Inflation?

Decision 3

Automatic Benefit Increase

- Optional at time of enrollment for an additional cost
- Each year, the Nursing Home DMB will increase at an annual rate of 5% compounded
- Premium will remain level even though the DMB increases
- The LMB will increase in proportion to the increase in the Nursing Home DMB



Does the Plan Design Include Protection Against Inflation?

Future Purchase Option

- Voluntary coverage increase offered without proof of good health every three years, if eligible*
- Premiums for coverage increase based on current issue age at time of offer
- Increase amount to the Nursing Home DMB will be at least 5% compounded annually for the applicable period (rounded to nearest \$5)
- The LMB will increase in proportion to the DMB
- You may skip any increase offer and still be offered subsequent increases**

*An offer is not available if you are issue age 85 or older, or if you have met the benefit eligibility requirements under the policy in the six months prior to the increase effective date, or if coverage is in reduced paid-up status. If you are a resident of certain states, this provision varies slightly.

**Except Indiana

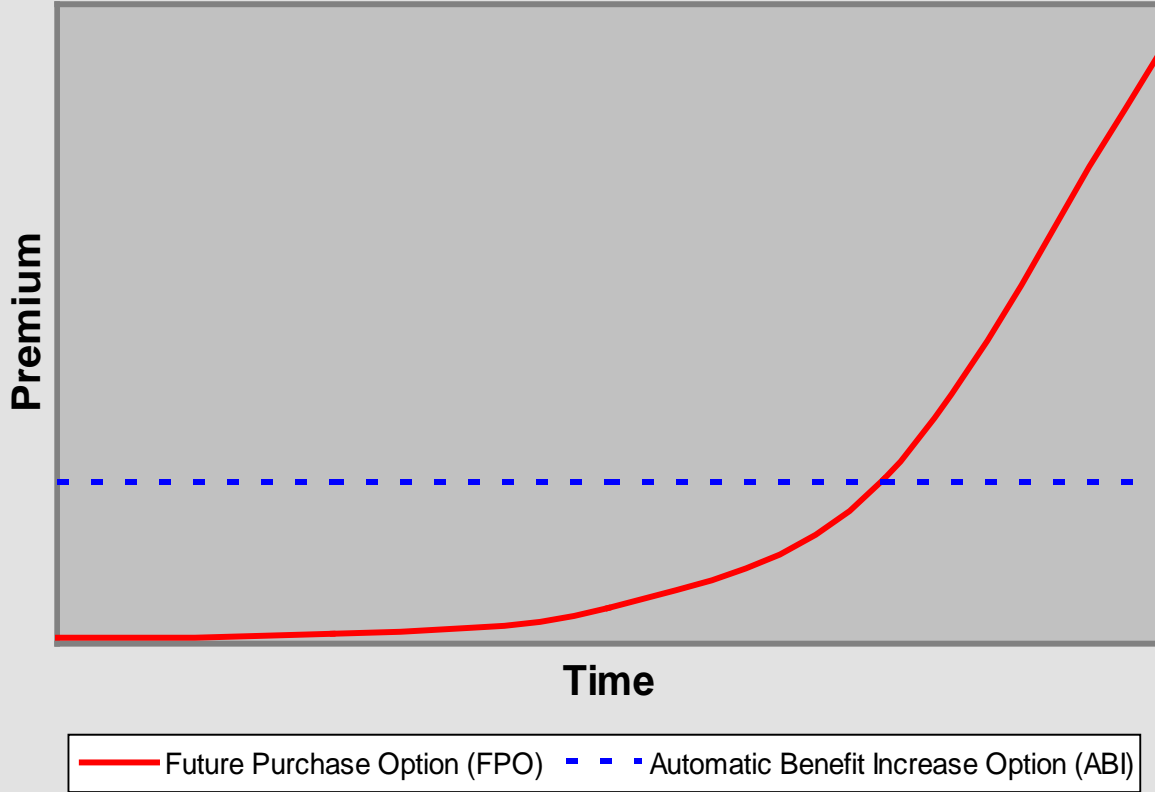


Inflation Addition Example

1. You purchase the \$200 Nursing Home DMB with a 6-year LMB of \$438,000 at issue age 40. Three years later, if you are eligible, you will be offered an inflation addition based on 5% compounded annually, which is an additional \$30 in your Nursing Home DMB.
2. If you elect the inflation addition, your premium for this additional coverage will be based on your issue age at the time of coverage, which would be 43. The premium for the original \$200 Nursing Home DMB will remain at the 40-year-old rate.
3. Your new monthly premium would be the sum of premium for your original coverage purchased at age 40, plus premium for your inflation addition increment based on issue age 43. Your new Nursing Home DMB amount would be \$230.
4. Your new LMB amount would be \$503,700 ($\$230 \times 365 \text{ days} \times 6 \text{ years}$).

	Original	Buy Up	New
Age	40	43	Total
Premium	\$27.60	\$5.88	\$33.48
DMB	\$200.00	\$30.00	\$230.00
LMB (5 year)	\$365,000	\$54,750	\$419,750

Automatic Benefit Increase Option vs. Future Purchase Option



Plan decision 1: Daily Maximum Benefit

When you apply for coverage, you will choose from one of the five daily maximum benefit (DMB) options. The DMB is the most the insurance may pay for covered services received on any day.

Plan decision 2: Lifetime Maximum Benefit

When you apply for coverage, you will choose from the three lifetime maximum benefit (LMB) options (3-year, 6-year and 10-year) of which you will choose one. The LMB is the total pool of money payable for covered long-term care services received while you are insured.

Plan decision 3: Inflation Protection Option

You have the choice of including the automatic benefit increase (ABI) inflation protection provision at enrollment for an additional cost. If you do not elect this option, the future purchase option provision will be included in your coverage.

What Services Do Care Coordinators Provide?

- Verify that you meet the benefit eligibility criteria
- Provide unlimited Care Coordination and Care Advisory Services (not managed care)
- Provide information and education on different types of facilities and levels of care
- Conduct periodic reassessments for benefit eligibility
- Research long-term care resources for insured's and their families



What Additional Services Are Covered?

- **Stay at Home Benefit***
 - Care Planning Visit
 - Home Modifications
 - Emergency Medical Response System
 - Durable Medical Equipment
 - Caregiver Training**
 - Home Safety Check
 - Provider Care Check
- **Can be used during Qualification Period**
- **Will not reduce Lifetime Maximum Benefit**
- **Separate pool of money (30x Nursing Home DMB)**
Example: \$200 DMB x 30 - \$6,000



*The Caregiver Training amount will not exceed 5 x the Nursing Home DMB.

What Additional Features Are Included?

- **Bed Reservation Benefit** – if you are receiving plan benefits in a nursing home or alternate care facility and need to leave the facility temporarily for any reason, your coverage will pay to hold your bed at the facility for up to 60 days per calendar year
- **Portability** – if you retire or leave Sandia, your coverage may be continued at group rates
- **Hospice Care** – available during the Qualification Period for inpatient and at-home hospice services



What Additional Features Are Included?

- **Restoration of Benefits** – if you have recovered from being on claim, your coverage allows you to restore your LMB if you provide proof that you:
 - have not met the benefit eligibility criteria in the 24 months prior to the request for restoration
 - have not exhausted your LMB, and
 - have been continuously insured on a premium-paying basis for at least 24 months just prior to the request
- **International Benefits** – pays actual charges incurred for any day of covered services outside the US (50 states and DC), up to the International Daily Benefit Maximum (75% of the DMB payable had the services been received in the US)*

*Limitations and plan modifications will apply.



How Is My Premium Calculated and How Do I Pay My Premiums?

- Premiums are based on issue age
- Issue age is your age on the later of the plan effective date, May 1, 2009, or the date John Hancock receives your application
- Premiums will not increase because of age, illness, or use of benefits
- The younger you are when you enroll, the lower your premiums will be
- All participants pay premiums through automatic bank withdrawal or direct billing



Do I Have to Pay Premiums While Qualified for Benefits?

Waiver of Premium Feature

- Premiums will be waived while the insured is eligible to receive benefits
- No incurred expenses are required for premiums to be waived
- Premium payment resumes on the first of the month following the date the insured no longer qualifies for benefits



How Do I Qualify for Benefits?

- Prior hospitalization is not required
- You need substantial assistance (hands on or stand by) from another person to perform at least 2 out of 6 Activities of Daily Living (which is expected to continue for at least 90 days)
OR
You need substantial supervision due to Severe Cognitive Impairment
- A licensed health care practitioner must certify that you meet the above criteria
- You need to meet the qualification period of 90 days only once while continuously insured, (no incurred expense requirement)
- The Activities of Daily Living are:
 - bathing
 - dressing
 - eating
 - toileting
 - transferring
 - maintaining continence



For More Information....

- Call the John Hancock Customer Service Center
Toll-free Phone Number: **1-800-932-4304**
Monday to Friday 8:30 a.m. – 6:30 p.m. Eastern Time
- Visit The Sandia Group Long-Term Care
Web site
<http://sandia.jhancock.com>
(username: sandia; password: mybenefit)



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