John Hancock
LIFE INSURANCE

Sales Strategy
The Power of Permanent Insurance

FOCUSING ON FLEXIBILITY FOR THE LONG TERM

INTRODUCTION

An individual may often need life insurance coverage to replace income for the family, repay debt obligations, or plan for a business succession or estate plan in the event of premature death. Although term insurance provides low-cost death benefit protection when purchased at younger ages, the policy becomes increasingly expensive to maintain at older ages. Moreover, unlike permanent insurance, term insurance does not provide cash value accumulation that can be tapped to supplement income or to fund an emergency need. Essentially, term insurance can provide only temporary protection with limited opportunity for the continuation of coverage at older ages.[1]

WHY PERMANENT INSURANCE?

Death Benefit protection for lifetime with a range of guarantees by product

Permanent insurance can be designed to provide both death benefit protection for lifetime and cash value accumulation potential based on an individual's particular needs. The cash values of a permanent policy also grow tax deferred and may be available to supplement income or to fund an emergency need on a tax-favored basis.[2] And, unlike term insurance, certain permanent insurance policies may provide death benefit guarantees for lifetime. In some cases, the death benefit of a permanent policy can even be accelerated during lifetime on a tax-free basis to cover qualified long-term care expenses of the insured.

Although John Hancock's term products may include a provision to accelerate the death benefit in the event the insured becomes permanently and totally disabled and is expected to survive for one year or less, the provision does not allow for the acceleration of the death benefit to cover long-term care costs anytime during lifetime. And depending on the type of permanent product chosen and the client's changing needs, the policy may be adjusted over time to accommodate cash flow needs, to switch the focus of the policy to maintain death benefit coverage, accumulate cash values, or to use the policy as an emergency fund to cover long-term care costs if and when needed.

Tax-deferred growth of cash value to supplement income or to fund an emergency

	Death Benefit Protection	Cash Value Accumulation	Acceleration of Death Benefit during lifetime to cover long-term care expenses	Potential Death Benefit Guarantee to age 100	Flexibility based on changing needs
Term	Yes	No	No	No	No
Permanent	Yes	Yes	Yes	Yes*	Yes

* Guaranteed products and features are based on the policy's premium requirements and the claims-paying ability of the insurer.

RIDERS FOR LONG-TERM CARE

To help with long-term care expenses, a rider may be added to the policy contract to accelerate the death benefit during the insured's lifetime. Note that there are additional costs associated with such a rider and benefits are subject to restrictions and limitations. When the policy death benefit is accelerated for long-term care expenses it will be reduced dollar for dollar, and the cash value is reduced proportionately.

BENEFITS OF PERMANENT LIFE INSURANCE

- **Permanent death benefit protection** – The death benefit provides protection against economic loss for lifetime.
- **Cash value accumulation** – A permanent policy has the potential to accumulate cash values on a tax-deferred basis and may help the insured to recover premiums.
- **Tax-favored income** – Distributions from cash values may be taken on a tax-free basis as long as cumulative withdrawals do not exceed cost basis and policy loans are taken thereafter. In addition, the policy should not be designed as a modified endowment contract (MEC).
- **Death benefit acceleration to cover long-term care costs** – When a rider providing long-term care benefits is included in the permanent policy, the policy's death benefit may be accelerated to cover qualified long-term care costs.
- **Flexibility** – The permanent policy may be designed to provide the insured with the flexibility to address changing needs, such as a need to adjust premium payments and/or to switch the focus of the insurance protection from death benefit protection to cash value accumulation or vice versa, or from death benefit protection to long-term care protection.

CONSIDERATIONS

- **Cash flow** – In the short term, a permanent policy requires a higher cash flow commitment.
- **Death benefit reduction** – Loans and withdrawals taken from the policy will decrease the amount of the death benefit and may potentially cause the policy to lapse if additional premiums are not paid. If Long-Term Care rider payments are made, the death benefit will be reduced proportionately as well.
- **The low cost of term insurance** – The cost of term insurance at younger ages can be significantly less than the cost of permanent insurance. It is important to consider the client's short-term and long-term goals of owning the life insurance as well as cash flow constraints.
- **Additional premiums may be required** – Depending on the performance of the underlying investment accounts of a variable life insurance policy, the cash values available for loans and withdrawals may be worth more or less than the original investment amount. Additional premiums may be required to sustain the policy.
- **Limitations** – The life insurance policy can provide death benefit protection, cash value accumulation, or funds to reimburse long-term care expenses. Although the policy may provide some of each of these benefits or a combination of them, the policy cannot provide all these benefits.
- **Additional tax, risk and expenses** – The purchase of life insurance has costs and risks associated with it, including the cost of insurance. Purchasing variable life insurance also involves investing in underlying investment accounts that correspond to a client's investment objectives and level of risk tolerance. The types of risks associated with investing in these accounts include potential market, portfolio, inflation and international risk. For more information, please refer to the product prospectus. Variable life insurance products are long-term contracts and are sold by prospectus. Variable life insurance has annual fees and expenses, including life insurance related charges and investment management fees. The primary purpose of variable universal life insurance is to provide lifetime protection against economic loss due to the death of the insured person. Cash values are not guaranteed if the client is invested in the investment accounts. There are risks associated with each investment option, and the policy may lose value.

Although term life insurance can provide effective and low-cost protection, it is a temporary solution — it goes away. There are no living benefits. Take a look at the competitive rate of return on premiums paid on a permanent policy. Then consider if a side fund on the incremental difference between the term coverage and the permanent could earn this rate of return.

CASE STUDY: JONATHAN ABBOTT

Jonathan Abbott, age 40, Preferred Non Smoker, is concerned about which policy is better for his insurance needs — term or perm?

Facts: Jonathan is considering purchasing $1,000,000 of life insurance coverage and is assessing the costs and benefits of both term and permanent life insurance. Although the premiums for the term policy are quite a bit lower, he likes the lasting flexibility that the permanent Performance UL policy provides.

Solution: Jonathan compares the 20-year term product with an annual premium of $1,270 (dropped after 20 years) to the annual full-pay premium of $5,894 on Performance UL. If Jonathan purchases the term policy, the difference in premiums between the two policies, $4,624, would need to be invested in a hypothetical "side fund" and earn over 18% in order to provide the same death benefit by year 21 as the Performance UL policy. Unlike the taxation of the "side fund," the cash value growth in a permanent policy is tax deferred.

Take a look…

Year	Term Policy			John Hancock Performance UL			Incremental Difference in Premium	ROR on Incremental Difference
	20-Year Term Insurance Premium	Death Benefit IRR	Term Death Benefit	Performance UL Level Premium	Death Benefit IRR	Performance UL Death Benefit		
1	$1,270	78,640%	$1,000,000	$5,894	16,866%	$1,000,000	$4,624	0%
5	$1,270	255%	$1,000,000	$5,894	153%	$1,000,000	$4,624	0%
10	$1,270	80%	$1,000,000	$5,894	50%	$1,000,000	$4,624	0%
15	$1,270	44%	$1,000,000	$5,894	27%	$1,000,000	$4,624	0%
20	$1,270	30%	$1,000,000	$5,894	18%	$1,000,000	$4,624	0%
21	$0	0%	$0	$5,894	17%	$1,000,000	$5,894	18%

The comparison in this module between the term and the universal life product is based only on premiums. Other factors may affect the continuance of the Performance UL policy but these have not been used in the comparison. For details, please refer to the enclosed basic illustration, which also shows both the guaranteed and non-guaranteed elements underlying the supplemental illustration.

The IRR on death benefit is equivalent to an interest rate at which an amount equal to the illustrated premiums could have been invested outside the policy to arrive at the net death benefit of the policy. **This is a supplemental illustration authorized for distribution only when preceded or accompanied by a basic illustration from the issuer.** Benefits and values may not be guaranteed; the assumptions on which they are based are subject to change by the insurer. Actual results may be more or less favorable. Refer to the basic illustration for guaranteed elements and other important information.

For more information, call your John Hancock Representative or the Advanced Markets Group at 888-266-7498, option 3.

1. A conversion privilege may be available on some term insurance policies in which the insured may convert the policy to a permanent policy within a period of time and without evidence of insurability. This privilege can be valuable if the insured's health has deteriorated and permanent insurance coverage is needed.
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. Cash value available for loans and withdrawals may be more or less than originally invested.

There are material fundamental differences between term life insurance and universal life insurance and the relevant client guides must accompany any personalized illustrations provided to or discussed with clients. This is a comparison of different products which vary in premiums, rates, fees, expenses, features and benefits. The products are different and are designed to meet different client needs.

Please consult with a professional advisor to find out which type of life insurance is more suitable for you.

Insurance policies and/or associated riders and features may not be available in all states.

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