Outline of Coverage

Comprehensive Long-Term Care Insurance Policy
Outline Of Coverage
Custom Care III Policy Series CA-06 7/12

John Hancock Life Insurance Company (U.S.A.)
LTC Administrative Office
1 John Hancock Way, Suite 1700 Boston, MA 02217-1700

THIS POLICY IS AN APPROVED LONG TERM CARE INSURANCE POLICY UNDER CALIFORNIA LAW AND REGULATIONS. HOWEVER, THE BENEFITS PAYABLE BY THIS POLICY WILL NOT QUALIFY FOR MEDI-CAL ASSET PROTECTION UNDER THE CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE. FOR INFORMATION ABOUT POLICIES AND CERTIFICATES QUALIFYING UNDER THE CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE, CALL THE HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM AT THE TOLL-FREE NUMBER 1-800-434-0222.

This contract for long term care insurance is intended to be a federally qualified long term care insurance contract and may qualify you for federal and state tax benefits.

CAUTION: The issuance of this long term care insurance Policy is based upon Your responses to the questions on Your application. A copy of Your application is enclosed. If Your answers are incorrect or untrue, the company has the right to deny benefits or rescind Your Policy. The best time to clear up any questions is now, before a claim arises! If, for any reason, any of Your answers are incorrect, contact the company at this address: John Hancock Life Insurance Company (U.S.A.), **1 John Hancock Way, Suite 1700 Boston, MA 02217-1700** or call Us at 1-800-377-7311.

NOTICE TO BUYER: This Policy may not cover all of the costs associated with long term care incurred by You during the period of coverage. You are advised to review carefully all Policy limitations.

1. This Policy is an individual policy of insurance which is issued in the State of California.

2. **PURPOSE OF OUTLINE OF COVERAGE**

   This Outline of Coverage provides a very brief description of the important features of the Policy. You should compare this Outline of Coverage to outlines of coverage for other policies available to You. This is not an insurance contract, but only a summary of coverage. Only the individual Policy contains governing contractual provisions. This means that the Policy sets forth in detail the rights and obligations of both You and the insurance company. Therefore, if You purchase this coverage, or any other coverage, it is important that You READ YOUR POLICY CAREFULLY!

3. **TERMS UNDER WHICH THE POLICY MAY BE RETURNED AND PREMIUMS REFUNDED**

   (a) **THIRTY DAY FREE LOOK.** If You are not completely satisfied with this Policy for any reason, You may return it within 30 days from the date it was delivered to You. We will then refund any premium paid, and the Policy will be treated as if it had never been issued.

   (b) **REFUND OF UNEARNED PREMIUMS.** Upon receipt of notice that You have died, We will refund the premium paid for any period beyond the date of death.

4. **THIS IS NOT A MEDICARE SUPPLEMENT POLICY**

If You are eligible for Medicare, review the Guide to Health Insurance for People with Medicare available from John Hancock. Neither John Hancock Life Insurance Company (U.S.A.) nor its agents represent Medicare, the federal government or any state government.

5. **LONG TERM CARE COVERAGE**

Policies of this category are designed to provide coverage for one or more necessary or medically necessary diagnostic, preventative, therapeutic, rehabilitative, maintenance, or personal care services, provided in a setting other than an acute care unit of a hospital, such as in a Nursing Facility, in the community, or in the home.

This Policy provides coverage for actual charges incurred for care up to the applicable Daily or Benefit Amount for covered long term care expenses, subject to Policy limitations and requirements.

6. **BENEFITS PROVIDED BY THIS POLICY**

Benefit Limits Selected:	**Nursing Facility Benefit Amount**	$_____
	Residential Care Facility Percentage	_____%
	Home & Community Based Care Percentage	_____%
		_____-days
	Benefit Period	_____
	Elimination Period	_____
	Inflation Coverage	_____
	Optional Benefits	

(a) Subject to Policy conditions, requirements and limitations, this Policy provides benefits for actual charges incurred for:

- a confinement in a Nursing Facility for room and board and care services;
- confinement in a Residential Care Facility for room and board and care services; and
- Home and Community-Based Care.

Home and Community-Based Care received on any day that You are also confined in a Nursing Facility or a Residential Care Facility will be paid under the applicable Nursing Facility Benefit or the Residential Care Facility Benefit, not the Home and Community-Based Care Benefit. In the event that You are confined in both a Nursing Facility and Residential Care Facility on the same day, We will pay either the Nursing Facility Benefit or the Residential Care Facility Benefit, whichever is greater.

We will not pay benefits for charges during the Elimination Period, except for Care Coordination, Hospice Care, Respite Care and the Additional Stay at Home Benefit (if included in the Policy.) The Elimination Period (waiting period) is the number of Dates of Services, that would otherwise be covered by the Policy, for which We will not pay benefits. The days used to satisfy Your Elimination Period do not need to be consecutive and may be accumulated under separate claims. Only one complete Elimination Period needs to be met while Your Policy is in force.

We will not pay benefits in excess of the Policy Limit as shown in the Policy Schedule. However, benefits for Care Coordination and the Additional Stay at Home Benefit (if included in the Policy) will not reduce the Policy Limit.

(b) **Care Coordination**: Care Coordination provides an important benefit to You. The Care Coordination Benefit provides You and Your family members with access to the services of a Care Coordinator who is also a Licensed Health Care Practitioner. The Care Coordinator will assess Your needs for long-term care, develop a written Plan of Care designed to meet those needs, and help You and Your family to navigate through the long term care delivery system; and may assist in the coordination and the monitoring of long term care services as appropriate. In addition, using the Care Coordination Benefit will help You minimize the paperwork by streamlining the claim process.

- ***Assessment and Certification***. The Care Coordinator will conduct an assessment to determine Your status and needs. The assessment encompasses a wide range of factors that make Your situation unique, such as Your functional, cognitive, behavioral, and emotional well-being, as well as family support and the safety of Your environment. This assessment of Your needs will form the basis of the Care Coordinator's Certification that You are a Chronically Ill Individual and Your Plan of Care.
- ***Development of Your Plan of Care.*** The Care Coordinator will work with You, Your Physician, Your family or Your representative, to develop a Plan of Care. The Plan of Care will describe the type and frequency of services that will meet Your needs as identified in the assessment. Please note that the Plan of Care may also include services that are not covered by this Policy.
- ***Coordinating Service Delivery.*** The Care Coordinator may assist You in securing the services recommended in Your Plan of Care as necessary. The Care Coordinator will provide You with information on provider resources local to You, community programs, and health information resources.
- ***Monitoring.*** After You begin to receive services through Your Plan of Care, We will periodically check with You, Your family and Your providers to: re-assess Your current condition; monitor and assess the care You are receiving; determine whether Your Plan of Care continues to be appropriate; and recommend any necessary changes. This re-assessment will occur at least once a year (or more frequently as We determine appropriate) in order to provide You with the required annual Certification and to update Your Plan of Care as needed.

If You choose not to access the Care Coordination Benefit, You must arrange for Your Physician or another Licensed Health Care Practitioner to certify that You are a Chronically Ill Individual and prepare a Plan of Care for You at Your own expense. You must submit all Certifications and Plans of Care to Us.

(c) **Institutional Benefits:**

(1) **Nursing Facility Benefit.** We will pay the actual charges incurred for confinement in a Nursing Facility up to the Nursing Facility Benefit Amount. Actual charges include: room and board, ancillary services and supplies and Nursing Care charged by the Nursing Facility, as well as services that are available under the Home and Community-Based Care Benefit.

In addition, if Your stay in a Nursing Facility is interrupted for any reason and a benefit is payable under this Policy, We will continue to pay the actual charges for up to 60-days in any calendar year in order to reserve Your bed during Your absence.

(2) **Residential Care Facility Benefit.** We will pay the actual charges incurred for confinement in a Residential Care Facility up to the Residential Care Facility Benefit Amount. Actual charges include: care and services provided by the Residential Care Facility, all other care and services covered under other benefits of the Policy, and any other care and services that are needed to assist You with the disabling conditions that caused Your Severe Cognitive Impairment or inability to perform the Activities of Daily Living.

In addition, if Your stay in a Residential Care Facility is interrupted for any reason and a benefit is payable under this Policy, We will continue to pay the actual charges for up to 60-days in any calendar year in order to reserve Your bed during Your absence.

(d) **Non-institutional Benefits:**

(1) **Home and Community-Based Care Benefit.** We will pay the Home and Community-Based Care Benefit Amount if You are receiving Home and Community-Based Care. Home and Community-Based Care includes:

- Home Health Care
- Adult Day Care
- Homemaker Services
- Hospice Care
- Personal Care
- Respite Care.

The Home and Community-Based Care Benefit Amount is equal to the Nursing Facility Benefit Amount multiplied by the Home and Community-Based Care Percentage that You selected on Your application for this Policy, multiplied by 30-days.

Note - Respite Care is paid under the Respite Care Benefit. The Respite Care Benefit is equal to 21-days times the Nursing Facility Benefit Amount per calendar year, regardless of the site of care. You do not have to satisfy the Elimination Period to receive this benefit. Benefits paid under the Respite Care Benefit reduce the Policy Limit.

(e) **Additional Benefits:**

- **Return of Premium upon Death Benefit.** *Important Notice - The Return of Premium Benefit is not applicable to You if You are age 65 or older.*

  If You die before Your 65th birthday, We will pay to Your beneficiary a Return of Premium upon Death Benefit if Your Policy is in force on the date of Your death. The Return of Premium upon Death Benefit will be calculated by subtracting the sum of all benefits paid under Your Policy for charges incurred prior to the date of Your death from the sum of all premiums paid for Your Policy (accumulated without interest).

  Important Notice Regarding Federal Income Tax Law – Please note that the payment of the Return of Premium Benefit may have Federal Income Tax implications for Your estate or beneficiary. You are advised to review this benefit with a qualified tax professional or attorney to determine any such tax impact.

(f) **Eligibility for Payment of Benefits.** You are eligible for benefits under this Policy if You are a Chronically Ill Individual. A Chronically Ill Individual means that You:

- need Substantial Assistance to perform at least two of the Activities of Daily Living due to the loss of functional capacity for a period expected to last 90-days; or
- require substantial supervision to protect yourself from threats to health and safety due to the presence of a Severe Cognitive Impairment.

Activities of Daily Living mean the following activities:

- *Bathing* which means washing Yourself by sponge bath or in either a tub or shower, including the act of getting into or out of the tub or shower.
- *Continence* which means the ability to maintain control of bowel and bladder function; or when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag.)
- *Dressing* which means putting on and taking off all items of clothing and any necessary braces, fasteners or artificial limbs.
- *Eating* which means feeding Yourself by getting food in the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.
- *Toileting* which means getting to and from the toilet, getting on or off the toilet, and performing associated personal hygiene.
- *Transferring* which means the ability to move into or out of a bed, chair or wheelchair.
- .

Severe Cognitive Impairment means a deficiency in a person's short-term or long term memory; orientation as to person, place, and time; deductive or abstract reasoning; or judgment as it relates to safety awareness. The need for substantial supervision due to the presence of severe Cognitive Impairment is established by clinical evidence and standardized tests as required by us that reliably measure your impairment.

Substantial Assistance means you need hands-on or standby assistance a majority of the times that a particular Activity of Daily Living is performed during a calendar week. Hands-on assistance means the physical assistance of another person without which You would be unable to perform the Activity of Daily Living. Standby assistance means the presence of another person within arm's reach of you that is necessary to prevent, by physical intervention, injury to you while you are performing the Activity of Daily Living.

Substantial Supervision means You need continual supervision due to Your Severe Cognitive Impairment (which may include cueing by verbal prompting, gestures, or other demonstration) by another person that is necessary to protect You from threats to Your health or safety (such as may result from wandering).

(g) **Conditions.** To receive benefits under this Policy:

- You must satisfy Your Elimination Period;
- You must receive services while this Policy is in effect;
- You must receive care or services that are consistent with Your care needs and covered under this Policy and which are specified in a Plan of Care; and
- We must receive to Us a current Plan of Care and written Proof of Loss, both of which are acceptable to us.

Because this Policy is intended to be tax-qualified under federal law, You must ALSO provide Us with a written Certification from a Licensed Health Care Practitioner that You are a Chronically Ill Individual. This written document will be referred to as the Certification throughout this Policy. The Certification must be renewed and submitted to Us every 12 months.

(h) **Optional Benefits.** You may elect any of the optional benefits listed. You must pay an additional premium for any of the optional benefits elected.

- **SharedCare Benefit**. The SharedCare Benefit Rider allows Your Partner to access benefits under Your Policy if Your Partner first exhausts the available benefits payable under his or her policy. You and Your Partner may both receive benefits under Your Policy at the same time. In no event will We pay benefits that exceed the maximum Policy Limits of both policies combined. Your Partner must also have added an identical SharedCare Benefit Rider to their policy naming You as Covered Person for that policy.

- **Enhanced Home and Community-Based Care Benefit.** This Rider provides two important features that will allow You to remain in Your home.

  (1) **Zero-Day Elimination Period for Home and Community-Based Care**. We will waive the requirement that you satisfy the Elimination Period if You are receiving receive Home and Community-Based Care. The Elimination Period must still be satisfied before benefits are payable for confinement in a Nursing Facility or a Residential Care Facility. However, days for which the Home and Community-Based Care Elimination Period is waived will count toward meeting the Elimination Period.

  (2) **Additional Stay at Home Benefit.** The Additional Stay at Home Benefit can be used to pay for a variety of Your long term care expenses while You are living in Your Home that are not otherwise covered under the Policy. Additional Stay at Home Expenses include expenses for:

  (i) Home Modifications to Your Home;
  (ii) Emergency Medical Response Systems;
  (iii) Durable Medical Equipment;
  (iv) Caregiver Training; and
  (v) Home Safety Check.

  The Additional Stay at Home Lifetime Benefit amount is equal to 30 times the Nursing Facility Benefit Amount. You do not have to satisfy the Elimination Period to receive this benefit. Benefits paid under the Additional Stay at Home Benefit will not reduce the Policy Limit.

Important Notice Regarding Federal Income Tax Law – Please note that the payment of the Return of Premium Benefit may have Federal Income Tax implications for Your estate or beneficiary. You are advised to review this benefit with a qualified tax professional or attorney to determine any such tax impact.

- **Nonforfeiture Benefit.** If Your Policy lapses because You have not paid the premium within the Grace Period, after being in force at least three years, it will remain in force with a reduced policy limit equal to the sum of the premiums You have paid. This means that a reduced benefit will be payable instead of the full Policy Limit.

7. LIMITATIONS AND EXCLUSIONS

In addition to the Conditions to qualify for benefits set forth above, the following limitations and exclusions apply to the Policy.

(a) **Exclusions.** This Policy does not cover care or treatment:

- for intentionally self-inflicted injury.
- for alcoholism or drug abuse (unless drug abuse was a result of the administration of drugs as part of treatment by a Physician).
- due to war (declared or undeclared) or any act of war, or service in any of the armed forces or auxiliary units.
- due to participation in a felony, riot or insurrection.
- for which no charge is normally made in the absence of insurance.
- provided by a member of Your Immediate Family, unless
  - the family member is a regular employee of an organization which is providing the services; and
  - the organization receives the payment for the services; and
  - the family member receives no compensation other than the normal compensation for employees in his or her job category.
- provided outside the fifty United States and the District of Columbia, and any country or territory except as provided under the International Coverage section of the Policy.

This Policy will cover preexisting conditions that are disclosed on the Application.

(b) **Non-Duplication of Benefits.** This Policy will only pay covered charges in excess of charges covered under any of the following:

- Medicare (including amounts that would be reimbursable but for the application of a deductible or coinsurance amounts).
- any other governmental program (except Medicaid).
- any state or federal workers' compensation, employer's liability or occupational disease law, or any motor vehicle no-fault law.

(c) **Charges not Covered.** We will not pay for any of the following: Physician's charges; hospital and laboratory charges; prescription or non-prescription medication; medical supplies; and items and services furnished at Your request for beautification, convenience or entertainment.

(d) **Coordination with Other John Hancock Individual Long-Term Care Insurance Policies.**

We may reduce benefits payable under this Policy for Long-Term Care Services if We also pay benefits for such services under any other individual long-term care policy issued by Us. This includes policies providing Nursing Facility, Residential Care Facility and/or Home and Community-Based Care coverage whether payable on an expense reimbursement, indemnity or any other basis. Benefits will be reduced under this Policy, only when payment under this Policy and all other John Hancock individual long-term care policies combined would exceed the actual amount You incur for Long-Term Care Services. In no event will We pay under this Policy more than the difference between Your actual expenses and the amount payable by Your other policies with Us.

THIS POLICY MAY NOT COVER ALL THE EXPENSES ASSOCIATED WITH YOUR LONG-TERM CARE NEEDS.

8. TERMS UNDER WHICH THE POLICY MAY BE CONTINUED IN FORCE OR DISCONTINUED

(a) **RENEWABILITY: THIS POLICY IS GUARANTEED RENEWABLE.** This means You have the right, subject to the terms of Your Policy to continue this Policy as long as You pay Your premiums on time. John Hancock cannot change any of the terms of Your Policy on its own, except that, in the future, IT MAY INCREASE THE PREMIUM YOU PAY.

(b) **WAIVER OF PREMIUM.** We will waive the payment of premiums under this Policy if You have received services for which benefits are payable under the Nursing Facility Benefit, the Residential Care Facility Benefit, or the Home and Community-Based Care Benefit; and You have satisfied Your Elimination Period. The waiver period will start the day after Your Elimination Period has been satisfied and will end on the date when benefits are no longer payable.

(c) **TERMS UNDER WHICH THE COMPANY MAY CHANGE PREMIUMS. We reserve the right to increase Your premium as of any premium due date; however, any changes in premium rates must apply to all similar policies issued in Your state on this Policy form. This means We cannot single You out for an increase because of any change in Your age or health. However, Your rates may go up based on the experience of all policyholders with a policy similar to Yours.**

9. RELATIONSHIP OF COST OF CARE AND BENEFITS

Because the costs of long term care services will likely increase over time, You should consider whether and how the benefits of this Policy may be adjusted. The benefit level(s) of this Policy will not increase over time, unless You have elected to purchase Inflation Coverage. You are guaranteed the option to buy Inflation Coverage. Annual inflation increases will not be affected by the payment of claims. The Policy contains the option to purchase: Benefit Builder, CPI Compound Inflation Coverage and 5% Compound Inflation Coverage. The inflation coverage options are described at the end of this Outline of Coverage.

10. ALZHEIMER'S DISEASE, ORGANIC DISORDERS, AND RELATED MENTAL DISEASES

We cover insureds clinically diagnosed as having Alzheimer's Disease, organic disorders or related degenerative and dementing illnesses that result in a Cognitive Impairment or inability to perform Activities of Daily Living which are diagnosed by a Physician after the Date of Issue.

11. PREMIUMS

The total premium for Your Policy as well as a breakdown of the premium by base policy and optional benefits are found below.

	Annual Premium
Base Policy (includes inflation)	**$**_____
• SharedCare Benefit	**$**_____
• Enhanced Home and Community-Based Care Benefit	**$**_____
• Nonforfeiture	**$**_____
Premium Credit (if any) due to replacement coverage	**$**_____

Total Annual Premium $_____

Your premium will be $ _____ on a _____ basis.**

** You may elect to pay Your premium on an annual, semi-annual, quarterly or monthly basis. Please note that the more often you pay, the higher your premium amount will be per year. Additional premium charges are included for semi-annual, quarterly, and monthly premiums. These charges are called "modal fees". These fees are based upon the following modal factors and are used to determine the premium amount for all payment options. The modal factors are 1.00 for annual, .52 for semi-annual, .2625 for quarterly and .0875 for monthly. To calculate Your approximate total annual premium payment based on Your current policy selection:

- Multiply the "Total Annual Premium" as shown in the box above by the factor associated with Your selected mode of payment, and then
- Multiply that result by the number of payments required in a year based upon Your selected payment mode.

12. ADDITIONAL FEATURES

(a) Issuance of Your coverage may depend upon certain medical information about You. This is generally known as medical underwriting.

(b) **Added Protection Against Lapse**. You may name as many as three persons on the application to receive a termination notice 30 days after the premium due date. If Your Policy terminates because You did not pay a premium while You would meet the eligibility requirements for the payment of benefits, it may be reinstated within 5 months of the date of termination if:

- You give Us proof of the Severe Cognitive Impairment or Your inability to perform 2 of the Activities of Daily Living without Substantial Assistance; and
- You pay all the unpaid overdue premiums.

(c) **Your Right to Increase Benefits**. On each Policy anniversary, you have the right to: increase your Nursing Facility Benefit Amount in $10 increments; or increase Your Policy Limit. A request for an increase is subject to our underwriting approval and the premium for the increase will be based upon your attained age.

(d) **Your Right to Decrease Benefits**. After your first policy anniversary, or in the event of a premium increase, you have a right to lower the premiums for this Policy in no fewer than in the following ways:

- by reducing the Nursing Facility Benefit Amount (but not less than the minimum amount that was approved by the California Department of Insurance for this policy form).
- reducing Your Policy Limit (but not less than the minimum amount that was approved by the California Department of Insurance for this policy form); or
- converting this Policy to a Nursing Facility and/or Residential Care Facility Only policy, if We are then offering such policies for sale in California.

If you request a decrease in benefits, your premium will be based upon the reduced amount of coverage and your original issue age.

(e) **Upgrade Privilege**. The Upgrade Privilege allows you to keep your long term care coverage current with the latest product innovations. When we develop new benefits or benefit eligibility criteria that are not included in your Policy or if we market a new policy in California, we will notify you of the availability of the new benefits, benefit eligibility criteria or new policy within 12 months after receiving approval from the California Department of Insurance. This offer will not be available to you if you are receiving benefits under this policy or are within an Elimination Period at the time of the offer. The terms of the upgrade offer will be determined at the time of the upgrade.

(f) **Duplication of Benefits by Certain Programs**. In the event that a non-Medicaid national or state long term care program created through public funding substantially duplicates benefits covered by your policy, you will be entitled to select either a partial refund of premiums paid or an increase in future benefits.

(g) **International Coverage Benefit.** This Policy includes an International Coverage Benefit. The International Coverage Benefit provides that we will pay actual charges incurred for covered Long-Term Care Services up to the International Coverage Benefit for care received outside the United States.

The International Coverage Benefit will not be paid in excess of an amount equal to:

- 365-times the Long-Term Care Benefit Amount if You elected the daily Benefit Amount option; or
- 12-times the Long-Term Care Benefit Amount if You elected the monthly Benefit Amount option.

No benefits under the International Coverage Benefit are payable for: the Additional Stay at Home Benefit if included in this policy.

13. **Federal Income Tax Treatment of this Policy**. Long term care insurance was granted favorable federal income tax treatment in the Health Insurance Portability and Accountability Act of 1996. Policies meeting certain criteria outlined in this Act are eligible for this treatment. To the best of Our knowledge, We have designed this Policy to meet the requirements of this law. This Policy is intended to be a qualified long term care contract under Section 7702B(b) of the Internal Revenue Code. If, in the future, it is determined that this Policy does not meet these requirements, We will make every reasonable effort to amend the Policy if We are required to do so in order to gain such favorable federal income tax treatment. We will offer you an opportunity to receive these amendments.

14. **Information and Counseling**. The California Department of Insurance has prepared a Consumer Guide to Long Term Care Insurance. This guide can be obtained by calling the Department of Insurance toll-free telephone number. This number is 1-800-927-HELP. Additionally, the Health Insurance Counseling and Advocacy Program (HICAP) administered by the California Department of Aging, provides long term care insurance counseling to California senior citizens. Call the HICAP toll-free telephone number 1-800-434-0222. In addition, you can contact the HICAP office nearest to you at:

Name of Office: _____

Address: _____

Phone Number: _____/____/_____

INFLATION PROTECTION AVAILABLE FOR YOUR LONG-TERM CARE INSURANCE POLICY

BENEFIT BUILDER

Benefit Builder allows You to increase Your Policy benefits over time by way of Automatic Crediting and the Buy-Up Option.

- Automatic Crediting allows Your Policy benefits to grow gradually over time with no corresponding increase in premium, by using Excess Earnings Credits, if any, to automatically increase Your benefits. *However, please see the provision captioned Important Notice Regarding Automatic Crediting which describes situations when benefits may not increase under Automatic Crediting.*
- The Buy-Up Option provides You with the opportunity to elect to increase Your Policy benefits for an additional premium every three years.

Please note the following terms:

- **Allocated Reserve Value** refers to the portion of assets attributed to Your Policy in the Portfolio. Allocated Reserve Values are related to the amount of premiums that have been paid into the Policy plus investment earnings less expenses and past expected claims. The Allocated Reserve Value will be re-determined on each Policy Anniversary to account for the impact from benefit changes and/or benefit additions. In the event of a future inforce rate increase on this Policy, the Allocated Reserve Value will not change.

- The **Annual Benefit Increase Amount** is equal to the Excess Earnings Credit divided by a single premium rate then in effect and on file with the applicable regulator. In the event of a future inforce rate increase on this Policy the single premium rate applied to new Excess Earnings Credits will be revised to reflect updated assumptions, subject to approval by the applicable regulator.

- The **Excess Earnings Credit** is determined on each Policy Anniversary and is based upon the following formula:

  (Portfolio Rate of Return in effect as of the current Policy Anniversary – 3%)
  times the Allocated Reserve Value as of the current Policy Anniversary)
  minus any adjustment for negative Excess Earnings Credits occurring in prior years.

- **Portfolio** means the subset of Our general account that contains the assets which support the benefits for policies that include this Endorsement. The Portfolio may also support other policies with similar features and benefits as this Endorsement. The assets in the Portfolio may change over the life of a Policy. We have sole discretion over the assets of Our general account and policyholders do not have any preferential claim on those assets. We reserve the right to close the Portfolio to future applicants and establish a new Portfolio for such business.

- **Portfolio Rate of Return** means the annual rate of return (net of investment expenses) that we calculate for assets in the Portfolio. Returns are not guaranteed and will vary year-to-year. Our calculation of the Portfolio Rate of Return will be made according to the process that We have filed with the applicable insurance regulator.

Benefit Builder (cont.)

Automatic Crediting

We will calculate the Excess Earnings Credit on each Policy Anniversary. If the Excess Earnings Credit is greater than zero, We will increase the current Benefit Amounts by the Annual Benefit Increase Amount.

When the Benefit Amounts are increased, the remaining Policy Limit will be increased by an amount equal to the Annual Benefit Increase Amount times the Benefit Period (as selected in the Application attached to this Policy) times 365 days.

In the event the Excess Earnings Credit is less than or equal to zero, We will not reduce the Benefit Amounts by such decrease on the Policy Anniversary. However, We will offset any such decreases when calculating future Excess Earnings Credits. This means that there may be no benefit increases (or a reduced benefit increase) even in years where the Portfolio Rate of Return is greater than 3% until such time that the amount offset for all prior years has been recouped.

Important Notice Regarding Automatic Crediting

- Allocated Reserve Values will grow over time as each year's premium is collected. Therefore, there will be little or no benefit increases in the early years of Your Policy.
- Portfolio Rates of Return are not guaranteed and will vary from year-to-year.
- In any year, or years, when the Portfolio Rate of Return is 3% or less, your benefits will remain the same. Any future Excess Earnings Credits will be offset to make up for any prior Excess Earnings Credits that are less than zero.

We will provide You with an annual report each year indicating Portfolio performance for past and current years including how Your benefit is affected.

Automatic Crediting may not be sufficient to fully keep up with inflation.

Buy-Up Option

Option Dates

Subject to the limitations described below and starting as of the third anniversary of the Effective Date of Coverage and every third anniversary thereafter through age 75 (the "Option Dates"), We will offer You the option to increase Your Benefit Amounts by purchasing an additional amount of coverage equal to 10% of the current Benefit Amount that was in effect immediately prior to that Option Date. As such, any Annual Benefit Increase Amount earned for that Policy Anniversary will not be included in the calculation of the Buy-Up Option. No additional underwriting will be required.

We must receive Your written election within 31-days after the applicable Option Date or Your right to elect that increase will expire.

When the Benefit Amounts are increased under the Buy-Up Option, the remaining Policy Limit (as well as any remaining Benefit Amounts listed in the Policy Schedule) will be increased by the same percentage as
the increase in the Benefit Amounts and rounded to the nearest dollar.

Benefit Builder (cont.)

Important Notice:

If your age on the Effective Date of Coverage is younger than 65:

- You will have the opportunity to accept Buy-Up Options through age 75. If you decline a Buy-Up Option, that increase will not be available on any future date. You will, however, still have an opportunity to accept future Buy-Up Options through age 75 as long as you have only declined one Buy-Up Option. If you decline two Buy-Up Options, no future offers will be made.

If your age on the Effective Date of Coverage is 65 or older:

- You will have the opportunity to accept Buy-Up Options through age 75 only if You accepted each prior offer. If You decline any Buy-Up Option, no future offers will be available to You.

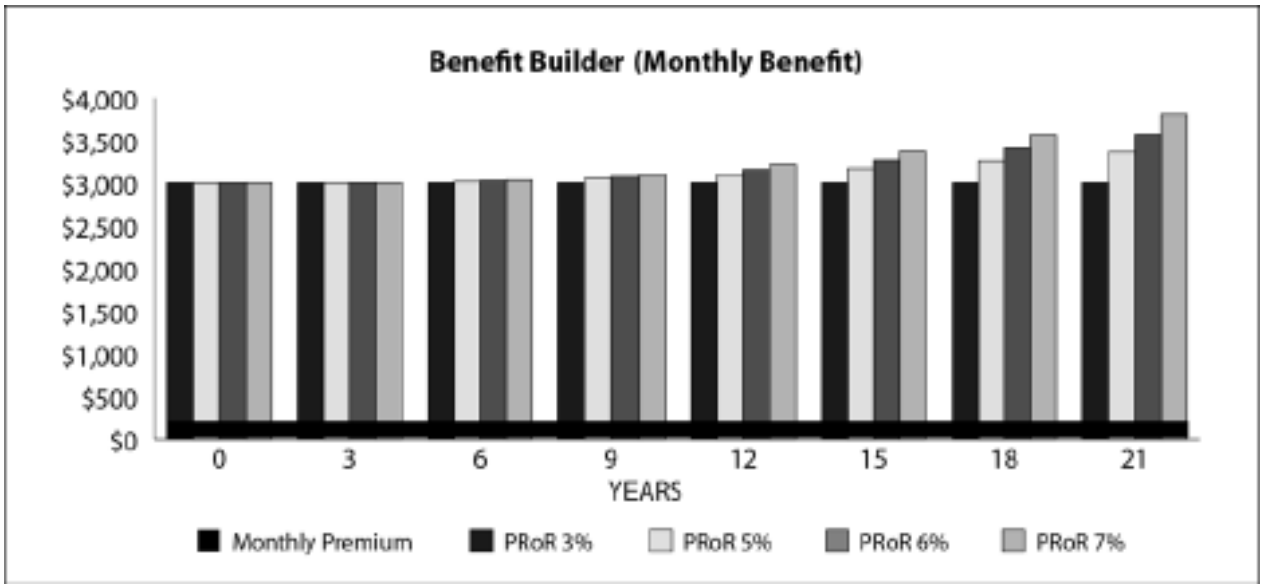
However, You may request to resume such offers by making the request to Us in writing and provide evidence of insurability satisfactory to Us. Any resumed offers will be subject to all of the conditions of this Endorsement.

The increase on any Option Date will not be available to You (and, if requested, will not take effect) if:

- You were a Chronically Ill Individual at any time during the two year period prior to the Option Date; or
- You have ever received benefits under this Policy; or
- the Option Date occurs on or after Your 76th birthday.

- The graphs below show the change in the daily or monthly Benefit Amount and the monthly premium under four possible scenarios assuming a hypothetical constant annual Portfolio Rate of Return (PRoR) of 3 %, 5%, 6% and 7%.

The graph below illustrates a policy which has been issued to a person who is age 50 and has chosen daily Benefit Amount of $100, and a 3-year Benefit Period, assuming no Buy-Up Options were elected**.**



CPI Compound Inflation Coverage and Guaranteed Increase Option

CPI Compound Inflation Coverage: Under this option, Your Benefit Amounts will be increased on each Policy anniversary by the percentage change in the non-seasonally adjusted Consumer Price Index (CPI) three months prior to Your Policy anniversary as compared to the same month's CPI one year prior and rounded to the nearest dollar. In the event the CPI decreases, We will not reduce the Benefit Amounts by such CPI decrease on the Policy anniversary. However, We will offset any such CPI decreases when calculating future CPI increases to such Benefit Amounts. When the Benefit Amounts are increased, the original Policy Limit will be increased by the same percentage as the increase in the Benefit Amounts and rounded to the nearest dollar.

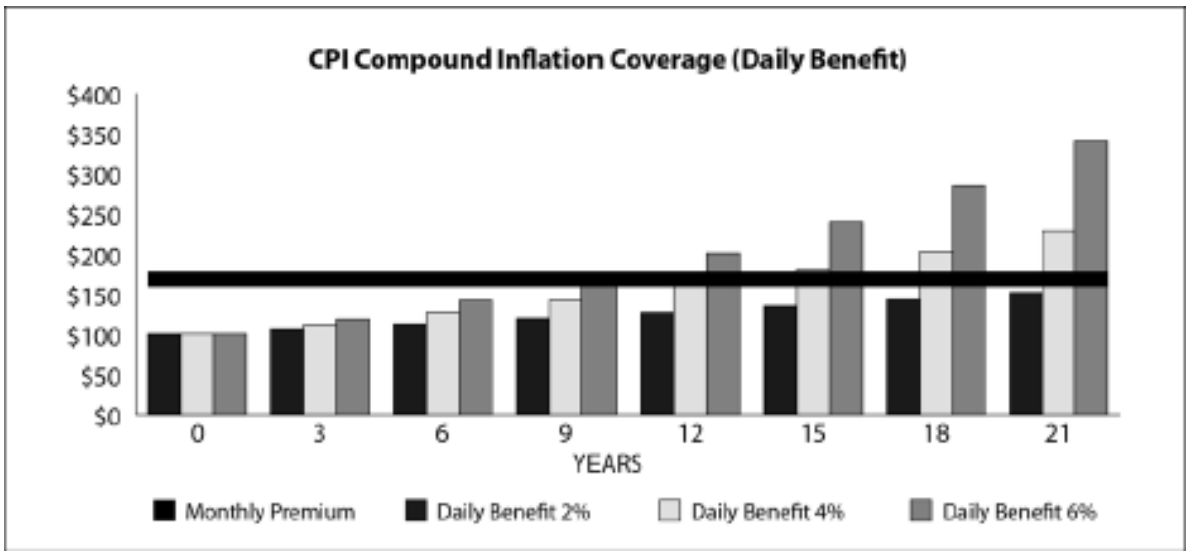
The premium for the CPI Compound Inflation Coverage is included in the Policy premium. Your premium will not change for any annual automatic CPI compound increase, except as described in the Policy.

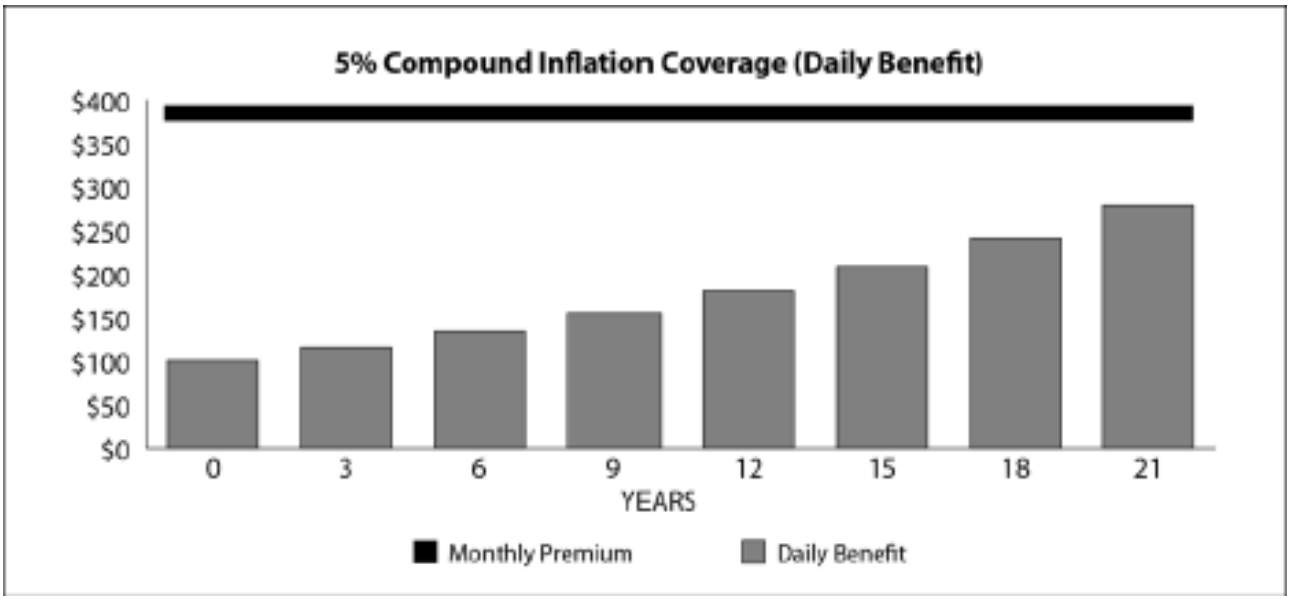
Guaranteed Increase Option: Effective as of the third anniversary of the Effective Date of Coverage and every third anniversary thereafter (the "Option Dates"), We will offer You the option to increase Your Nursing Facility Benefit Amount by purchasing an additional amount of coverage equal to 5% of the Nursing Facility Benefit Amount that was in effect immediately prior to that Option Date. This increase is in addition to the annual automatic CPI compound increase described above. No additional underwriting will be required. If You elect an increase under the Guaranteed Increase Option, the amount of the annual automatic CPI compound increase on that Option Date will be based on Your Nursing Facility Benefit Amount prior to this additional purchase.

We must receive Your written election within 31-days after the applicable Option Date or Your right to elect that increase will expire. The premium for any increase under this Guaranteed Increase Option (including any corresponding premium for any optional benefit riders/endorsements that You have elected and are part of Your Policy) will be based on Your age on the Option Date and the premium rates then in effect. The increase on any Option Date will not be available to You (and, if requested, will not take effect) if: any benefits have been payable under Your Policy during the two year period prior to the Option Date; or the Option Date occurs on or after Your 76th birthday.

CPI Compound Inflation Coverage and Guaranteed Increase Option (cont.)

The graph below shows the change in the daily Benefit Amount and the monthly premium under three possible scenarios – increases in coverage assuming a constant 2%, 4% or 6% change in the CPI. The graphs illustrate a policy which has been issued to a person who is age 50 and has chosen a daily Nursing Facility Benefit Amount of $100, and a 3-year Benefit Period.



5% Compound Inflation Coverage. Your Benefit Amounts will increase by an amount equal to 5% of the Benefit Amount in effect during the prior Policy year. The annual increase is automatic and will occur on each Policy anniversary. When the Benefit Amounts are increased, the original Policy Limit will be increased by the same percentage as the increase in the Benefit Amounts and rounded to the nearest dollar. The premium for Compound Inflation Coverage is included in the Policy premium. Your premium will not change, except as described in the Policy.

The graph below shows the change in the daily Benefit Amount and the monthly premium under Compound Inflation Coverage. The graphs illustrate a policy which has been issued to a person who is age 60 and has chosen a daily Nursing Facility Benefit Amount of $100, and a 3-year Benefit Period.