JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)

JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY

EXAMINATION REPORT

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION:	April 14, 2014 through April 6, 2015
EXAMINATION OF:	John Hancock Life Insurance Company (U.S.A.) NAIC Number: 65838 John Hancock Life & Health Insurance Company NAIC Number: 93610
LOCATION:	601 Congress Street Boston, Massachusetts 02210
PERIOD COVERED BY EXAMINATION:	January 1, 2013 through December 31, 2013
COMPLAINTS:	January 1, 2011 through December 31, 2013
EXAMINERS:	Douglas J Befort CIE, CFE, MCM — Examiner-In-Charge Tammy Gavin ARe, MCM Ron Cochran Victor Negron, CIE, MCM, FLMI, IR

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I. SUMMARY

A comprehensive market conduct examination of John Hancock Life Insurance Company (U.S.A.) and John Hancock Life & Health Insurance Company (collectively referred to as the "Companies") was performed to determine compliance with Illinois Statutes the and Illinois Administrative Code.

The following represents general findings, however, specific details are found in each section of the report. These findings are for John Hancock Life Insurance Company (U.S.A.) only. There were no findings for John Hancock Life & Health Insurance Company.

TABLE OF TOTAL VIOLATIONS						
Crit #	**Statute/Rule**	**Description of violation**	**Population**	**Files Reviewed**	**Number of Violations**	**Error %**
1	50 Ill. Adm. Code 919.50(a)	Paid Long Term Care Claim Settlements –	533	82	2	2.4%
2	215 ILCS 5/368a(c)	Paid Long Term Care Claim Settlements –	533	82	1	1.2%
3	50 Ill. Adm. Code 919.50(a)	Denied Long Term Care Claims –	15	15	3	20%
4	215 ILCS 5/368a(c)	Denied Long Term Care Claims –	15	15	1	6.6%
6	50 Ill. Adm. Code 919.50(a)	Life Waiver of Premium –	8	8	2	25%
7	215 ILCS 5/1011(A)(1)	Declined Life Applications –	147	79	1	1.3%

II. BACKGROUND

John Hancock Life Insurance Company (U.S.A.) (NAIC 65838)

The Company was incorporated on August 20, 1955, in the state of Maine as the Maine Fidelity Life Insurance Company and commenced writing business on January 31, 1956. On December 30, 1982, the Company became a wholly owned subsidiary of The Manufacturers Life Insurance Company ("MLI") when MLI acquired all of the then issued and outstanding shares of the Company. The Company subsequently changed its name to The Manufacturers Life Insurance Company (U.S.A.) on July 31, 1990, and re-domesticated to Michigan as of December 30, 1992.

On January 1, 2002, the Company merged with its immediate parent, Manulife Reinsurance Corporation (U.S.A.), a Michigan insurer, and its wholly owned subsidiary, The Manufacturers Life Insurance Company of North America, a Delaware insurer, with the Company surviving.

Also, on January 1, 2002, by way of assumption reinsurance, the Company assumed all of the insurance business, including all assets and liabilities, of its wholly owned subsidiary, The Manufacturers Life Insurance Company of America, which was subsequently merged with and into the Company on December 5, 2005.

Following the April 28, 2004, merger between Manulife Financial Corporation (MFC) and John Hancock Financial Services, Inc., the Company changed its name to John Hancock Life Insurance Company (U.S.A.), effective January 1, 2005.

On December 31, 2009, the Company merged with its affiliates, John Hancock Life Insurance Company and John Hancock Variable Life Insurance Company, both Massachusetts insurers, with the Company surviving.

John Hancock Life & Health Insurance Company (NAIC 93610)

The Company was incorporated on May 27, 1981, under the laws of the State of Delaware as the MONY Pension Insurance Company. It commenced business on October 26, 1981. On December 4, 1987, a Certificate of Amendment was filed in the Office of the Secretary of the State of Delaware, amending the Certificate of Incorporation, changing the name of the Company to Colonial Penn Annuity and Life Insurance Company.

On December 30, 1987, the Company was acquired by Colonial Penn Life Insurance Company (CPL), a Pennsylvania corporation, which was a wholly owned subsidiary of Colonial Penn Group Inc. Colonial Penn Group Inc. was an insurance holding company incorporated under the laws of the State of Delaware, and was a wholly owned subsidiary of FPL Group Inc., a Florida corporation.

On August 16, 1991, FPL Group Inc. disposed of the entire Colonial Penn Group Inc., selling it to Charter National life Insurance Company (Charter), a subsidiary of the Leucadia National Corporation (Leucadia), the ultimate parent at that point.

During the beginning of 1993, the Company's entire book of business was ceded in two primary blocks. At the same time, a $637 million block of Single Premium Whole Life policies was assumed from Charter, the company, which originally wrote the business.

On June 23, 1993, John Hancock Variable Life Insurance Company (JHVLICO), a Massachusetts corporation, which is a wholly owned subsidiary of the John Hancock Life Insurance Company (JHLICO), also a Massachusetts corporation, acquired the Company from CPL. Shortly thereafter, on July 7, 1993, the Certificate of Incorporation was amended again to change the name of the Company to John Hancock Life Insurance Company of America.

On January 20, 1998, a Certificate of Amendment of the Certificate of Incorporation was filed with the State of Delaware Secretary of State to again change the name of the Company to Investors Partner Life Company. On March 5, 1998, a Certificate of Correction to the Certificate of Amendment of the Corporation was filed to correctly reflect the name of the Company to be Investors Partner Life Insurance Company.

On April 28, 2004, John Hancock Financial Services Inc., the parent of JHLICO, merged with Manulife Financial Corporation, and Manulife Financial Corporation became the ultimate parent of the Company. Effective August 10, 2004, Investors Partner Life Insurance Company changed its name to Manulife Insurance Company. The name change was reflected on Certificate of Authority No. 4382P, issued by the Delaware Department of Insurance on September 8, 2004.

Effective April 4, 2008, Manulife Insurance Company changed its name to John Hancock Life & Health Insurance Company (JHLH). The name change was reflected on Certificate of Authority No. 4848P, issued by the Delaware Department of Insurance on April 10, 2008. Effective January 1, 2009, the Company re-domesticated to Massachusetts.

On December 31, 2009, JHLH's direct parent JHVLICO and its direct parent JHLICO merged with and into John Hancock Life Insurance Company (U.S.A.) (JHU.S.A.). The Company is a wholly-owned subsidiary of JHU.S.A., with the ultimate parent being Manulife Financial Corporation, Canada.

The Company does not have an agency force, service providers, third party administrators (TPA), wholly owned agencies, or an agency system plan or managing general agents (MGA).

JHU.S.A. provides administrative services relating to individual and group long term care policies, individual life policies and annuity contracts. The following services are performed on behalf of the insurance companies:

- Collecting premiums;
- Handling contractual changes;
- Answering customer calls and letters;
- Processing and paying claims;
- Interfacing with regulatory authorities, and;
- Maintaining appropriate records.

Total Direct Premiums Written in Illinois for Life and Annuity insurance for John Hancock Life Insurance Company (U.S.A.) was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	2013 IL Market Share
2013	$750,139,469	3.69%

Total Direct Premiums Written in Illinois for Life and Annuity insurance for John Hancock Life & Health Insurance Company was as follows:

Year	Total Written Premium In Illinois (Per Schedule T of the Annual Statement)	2013 IL Market Share
2013	$869,152	0.14%

III. METHODOLOGY

The Market Conduct Examination covered the business for the period of January 1, 2013 through December 31, 2013. Specifically, the examination focused on a review of the following areas:

1. Operations/Management
2. Complaint Handling
3. Marketing and Sales
4. Producer Licensing
5. Policyholder Service
6. Underwriting and Rating
7. Claims

The review of the categories was accomplished through examination of complaint files, advertising materials, appointed and terminated producer files, policyholder files, new business application files, and claim files. Each of the categories was examined for compliance with Department Regulations and applicable State laws.

The report concerns itself with improper practices performed by the Companies which resulted in failure to comply with Illinois Statutes and/or Administrative Rules. Criticisms were prepared and communicated to the Companies addressing violations discovered in the review process. All violations were cited in the report.

The following methods were used to obtain the required samples and to assure a methodical selection:

<u>Operations/Management</u>

1a. Reviewed audit reports
1b. Reviewed disaster recovery plan
1c. Reviewed third party administrator agreements
1d. Reviewed privacy forms and Company procedures

<u>Complaint Handling</u>

2a. Reviewed complaints received by the Illinois Department of Insurance
2b. Reviewed complaints received by the Company

The Companies provided all files relating to complaints received via the Department of Insurance and those received directly from consumers.

<u>Marketing and Sales</u>

3a. Reviewed advertising materials utilized during the examination period

Producer Licensing

4a. Reviewed active producers licensed during the examination period
4b. Reviewed producer terminations

Policyholder Service

5a. Sampled life cash surrenders
5b. Sampled extended term insurance/reduced paid up
5c. Sampled full cash annuity surrenders
5d. Sampled life waiver of premium
5e. Sampled replacements

Underwriting and Rating

6a. Sampled new business issued during the examination period
6b. Sampled denied life applications during the examination period

Claims

7a. Sampled long term care paid claims made during the examination period
7b. Sampled long term care denied claims during the examination period
7c. Sampled individual life paid claims made during the examination period
7d. Sampled annuity paid death settlements made during the examination period

All claims were reviewed for compliance with policy contracts and applicable sections of the Illinois Insurance Code (Section 5/1 Article I through XLV) and the Illinois Administrative Code.

IV. FINDINGS

Unless otherwise specifically indicated, the following reviews and findings are for John Hancock Life Insurance Company (U.S.A.).

Operations/Management

1a. A review of 26 audit reports and forms produced no criticisms.
1b. A review of the Company's disaster recovery plan produced no criticisms.
1c. A review of 34 third party administrator agreements produced no criticisms.
1d. A review of 12 privacy forms and Company procedures produced no criticisms.

Complaint Handling

2a. A review of 79 complaints received by the Illinois Department of Insurance produced no criticisms.
2b. A review of 81 complaints received directly from consumers produced no criticisms.

Marketing and Sales

3a. A review of 74 pieces of advertising materials produced no criticisms.

Producer Licensing

4a. A review of 197 agents to determine that the agents were duly licensed produced no criticisms.
4b. There were no producer terminations during the scope period.

Policyholder Service

5a. Full Life Cash Surrenders - A review of 114 requests produced no criticisms.
5b. Extended Term Insurance/Reduced Paid Up - A review of 79 transactions produced no criticisms.
5c. Full Annuity Cash Surrenders - A review of 114 requests produced no criticisms.
5d. Life Waiver of Premium - A total of eight (8) files were reviewed. The review concluded that in two (2) instances the Company failed to affirm or deny liability on claims within a reasonable time and offer payment within 30 days, which is a violation of 50 Ill. Adm. Code 919.50(a). A criticism was issued to the Company.
5e. Replacements - A review of 114 files produced no criticisms.

Underwriting and Rating

6a. New Business Issued - A review of 124 life and 86 long term care policies issued produced no criticisms.

6b. Declined Life Applications - A review of 79 declined life applications was completed. In one (1) instance the Company failed to provide written notification to the applicant of the reasons for the declination, which is a violation of 215 ILCS 5/1011(A)(1). A criticism was issued to the Company.

Claims

7a. Long Term Care Paid Claims - A review of 82 long term care paid claims was performed. Our review indicated that two (2) were not settled in a timely manner, which is a violation of 50 Ill. Adm. Code 919.50(a), and one (1) payment did not include the required interest, which is a violation of 215 ILCS 5/368a(c). A criticism was issued to the Company. This error resulted in a total of $36.85 being refunded to the claimant.

7b. Long Term Care Denied Claims - A review of 15 long term care denied claims files was completed. Three (3) of these claims were initially improperly denied and later paid after appeal, and one (1) of these payments did not include the required interest, which is a violation of 50 Ill. Adm. Code 919.50(a) and 215 ILCS 5/368a(c), respectively. A criticism was issued to the Company. This error resulted in a total of $369.12 being refunded to the claimant.

7c. Individual Life Paid Claims - A review of 108 John Hancock Life Insurance Company (U.S.A.) individual life paid claims produced no criticisms. A review of 19 John Hancock Life & Health Insurance Company individual paid claims produced no criticisms.

7d. Annuity Paid Claims - A review of 82 annuity paid death settlements produced no criticisms.

STATE OF FLORIDA)
) ss
COUNTY OF BROWARD)

Douglas Befort, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of John Hancock Life Insurance Company (USA) (NAIC #65838) and John Hancock Life & Health Insurance Company (NAIC #93610) (the "Company").

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

Examiner-In-Charge

Subscribed and sworn to before me
this 15th day of April, 2015.

Stephan Taylor, Notary Public
Notary Public

Stephan Taylor
State of Florida
My Commission Expires 07/23/20
Commission No. FF 38773

STEPHAN TAYLOR
NOTARY PUBLIC
My Comm. Expires
July 23, 2018
No. FF 38773
STATE OF FLORIDA