

MARKET CONDUCT EXAMINATION REPORT

ON

JOHN HANCOCK LIFE INSURANCE COMPANY

AS OF

JUNE 15, 2007

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SALUTATION

June 30, 2009

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 07.714, and pursuant to statutory provisions including 18 Del. C. §§318-322, a Market Conduct Examination has been conducted of the affairs and practices of:

John Hancock Life Insurance Company.

The examination was performed as of June 15, 2007. John Hancock Life Insurance Company, hereinafter referred to as the "Company" or as "John Hancock," is incorporated under the laws of the State of Delaware. This examination was conducted at the following Company location:

- 197 Clarendon St. Boston, MA 02117.

Portions of the examination may have been performed off-site, either at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or as "DDOI," or other appropriate locations.

The report of examination thereon is respectfully submitted.

FOREWORD

This examination reflects John Hancock's insurance activities in the State of Delaware. This Market Conduct Examination Report is, in general, a report by exception. As such, some of the information reviewed by the examiners will not be referenced in this written report, since reference to or comments about any practices, procedures, or files that did not result in any errors or irregularities is generally not made.

In performing this examination the DDOI selected a portion of the Company's operations for review. This report does not fully reflect a review of all of the practices and activities of the Company.

Failure to comment on specific products, procedures or files does not constitute approval thereof by the DDOI.

The final public examination report consists of three parts: the examiners' report, the company's response to that report and the administrative action, if any, based upon the findings of the examiners.

Where used in the report:

- "Company" refers to John Hancock Life Insurance Company
- "Del. Ch." refers to the Statutes of Delaware
- "DE Admin. Code" refers to Delaware's Regulations
- "DDOI" refers to the Delaware Department of Insurance
- "JHLICO" refers to John Hancock Life Insurance Company
- "JHFS" refers to John Hancock Financial Services
- "LTC" refers to Long-Term Care Insurance coverage
- "NAIC" refers to the National Association of Insurance Commissioners
- "NAIC MCEH" refers to the NAIC's *Market Conduct Examiners' Handbook*

SCOPE OF EXAMINATION

The Delaware Department of Insurance has authority to perform this examination pursuant to, but not limited to, 18 Del. C. §§318-322.

This Market Conduct Examination of John Hancock began on June 15, 2007 and covered the period of January 1, 2005 through May 31, 2007, unless otherwise noted.

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures established by the NAIC. While the examiners report on the errors found in individual files, the examination also focuses on general business practices of the Company.

It is the Department's practice to cite companies for errors or apparent violation of a statute or regulation when the results of a sample review show errors/noncompliance at or above the following levels: 0 percent (0%) for Complaints, Sales and Advertising, producers who are not appointed and/or licensed, and the use of forms, rates and rules that are neither filed with nor approved by the Department; seven percent (7%) for claims; and ten percent (10%) for all other areas reviewed. Any operation with an error ratio in excess of these criteria indicates a general business practice.

When errors are detected in a sample yet the error rate is below the applicable threshold for citing an apparent violation, the Department may choose to issue a Management Letter to the company.

This examination includes a review of the following lines of business: Individual Long Term Care and Group Long Term Care. Unless otherwise noted the examination also includes a review of the following company business areas: Company Operations/Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating & Claims.

Previous Examination Findings

There were no Delaware Market Conduct Examinations conducted prior to this examination.

EXECUTIVE SUMMARY

This Market Conduct Examination focused on the Long Term Care business of John Hancock Life Insurance Company. The examiners noted no concerns in the Underwriting, Claims, Complaints or Policyholder Treatment policies and procedures for this line of business.

All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify or criticize improper or non-compliant business practices in this State or in other jurisdictions does not constitute acceptance of such practices.

EXPLANATION OF EXAMINATION PROCESS

Forms, Filings and Underwriting Guidelines

The examiners review a company's policy forms and underwriting guidelines to determine compliance with filing approval and content requirements, to ensure that the contract language is not ambiguous and that the policy's provisions are adequate to protect those insured. In addition, the examiners review the company's underwriting guidelines and review them in comparison with the active files and terminated files, as well as claim files, in order to determine if the company adheres to its own instructions.

Marketing

Delaware law limits which companies may sell insurance, as well as the type of insurance that a company is allowed to market. The department issues a Certificate of Authority to an insurer only after the insurer has completed an application process. Delaware law also requires the insurer to only use individuals or agencies that are licensed by the Department to sell their products. The examiners review the company's operations to ensure they are in compliance with their Certificate of Authority, the licensing requirements of Delaware and the Advertising laws and regulations.

Complaints

The examiners review the complaints the Company received directly from consumers and the complaints received by the Department. The purpose of the review is to determine the accuracy of handling and the resolution of the complaint along with the timeliness of the response.

Underwriting and Rating

The examiners review the company's underwriting and rating practices, which includes: the use of policy forms, endorsements and riders; adherence to underwriting guidelines and company manuals; determination and assessment of premium; and declination and termination procedures.

Claims

The examiners review the claims handling practices of the company in order to determine the efficiency of handling, accuracy of payment, timeliness of investigation, adherence to contract provisions and compliance with Delaware law. A claim is considered to be a request or demand for payment of a loss which may be included within the terms of coverage of an insurance policy; or, a request or demand for any other payment under the policy, such as for the return of unearned premium or nonforfeiture benefits. The claim may be Paid, Denied or Closed without Payment.

Sampling of Files

Due to the large number of policy files and claims files, the examiners cannot review every file and conduct the examination efficiently. As such, the examiners review a sample of the company's files. A policy file, as a sampling unit, is considered to be one complete premium unit representing the charges provided or restricted by the riders attached, issued, or re-rated during the period of the examination. A claim file, as a sampling unit, is an individual demand/request for payment or action under an insurance contract for benefits which may or may not be payable.

The most appropriate statistic to measure the company's compliance with the law is the percent of files in error. The types of practices considered to be an error include, but are

not limited to: miscalculations of premium based upon the information in the file; improper acceptance or denial of an application; unreasonable delay in the acknowledgement, investigation, payment or denial of a claim; failure to correctly calculate claim benefits; and failure of the company to comply with Delaware's laws and regulations.

Some files may contain multiple errors which are indicated by category but only considered once in determining the error ratio. The error ratio criterion used to develop confidence levels for the policy file review is ten percent (10%) and is seven percent (7%) for the claim file review, as established by the NAIC and adopted by the Delaware Department.

EXAMINATION FINDINGS

I. COMPANY OVERVIEW

A. History

John Hancock Mutual Life Insurance Company was founded in 1862. The Board of Directors adopted a Plan of Reorganization effective February 1, 2000. John Hancock Mutual Life Insurance Company converted from a mutual life insurance company to a stock life insurance company, changed its name to John Hancock Life Insurance Company, (JHLICO) and became a wholly-owned subsidiary of John Hancock Financial Services, Inc. (JHFS), a holding company. Effective April 28, 2004, Manulife Financial Corporation (Manulife) acquired all of the outstanding common shares of JHFS that were not already beneficially owned by Manulife as general fund assets and JHFS became a wholly owned subsidiary of Manulife. Accordingly, Manulife is now the indirect, ultimate parent of JHLICO.

B. Profile

JHLICO is licensed in all states including the District of Columbia, Puerto Rico, Guam, Northern Mariana Islands and the Virgin Islands. The Company is also licensed in Canada in the provinces of Alberta, Manitoba, Ontario, Quebec and Saskatchewan.

JHLICO markets Life Insurance, Long Term Care Insurance, Annuities and Mutual Fund products. The products are sold through a multi-channel approach that includes John Hancock Financial Network as well as Third Party Distributors. The Third Party Channels include Independent Agents, Brokerage General Agents, Producer Groups, Broker-dealers and Banks.

C. MGA and Vendor Oversight

No exceptions were noted in the areas of MGA and Vendor Oversight. The list of vendors provided by the Company showed five (5) vendors. All vendor contracts were provided by the Company and were reviewed by the examiners for their accuracy and

adherence to Delaware's statutes and regulations. No exceptions were noted as a result of this review.

D. Internal Audit

A listing showed seven (7) internal audits completed during the examination period. Of these, three (3) reports were reviewed and compared with the Company's Internal Audit procedures. The other four (4) reports pertained to financial issues so they were not requested for review. No exceptions were noted as a result of this review.

E. Certificate of Authority

The examiners reviewed the Company's operations for compliance with their Certificate of Authority to ensure that only those companies with the appropriate authority are transacting the business of insurance in Delaware. No exceptions were noted as a result of this review.

II. COMPANY OPERATIONS/MANAGEMENT

The examiners reviewed the information provided by the Company in regards to Company Operations and Management. This information was compared to the Company's Underwriting, Claim and Complaint files. No exceptions were noted during the review of this information.

III. COMPLAINT HANDLING

The examiners reviewed the Company's complaint log which listed three complaints, two which were also received by the DDOI and one which was also received by the Company's Senior Executive office. The complaint log appears to be complete and accurate.

IV. MARKETING and SALES

The examiners reviewed the Company's Sales and Marketing practices. The Company markets their products through the use of independent agents and brokers. These agents are permitted to develop their own advertising materials, however, all sales material must be submitted to the Compliance Specialist within the Company who ensures that the material is in compliance with regulatory, as well as Company, standards. No exceptions were noted during a review of the Company's Sales and Marketing procedures.

V. PRODUCER LICENSING and TRAINING

For this examination a separate Licensing Review was not conducted. However, during the Underwriting Review the examiners did confirm whether or not the writing agent was properly licensed and appointed at the time the policy was written.

VI. POLICYHOLDER SERVICES

The examiners reviewed the Company's Policyholder Services procedures. These procedures were tested during a review of the Company's Complaint, Claim and Underwriting files. No exceptions were noted during this review.

VII. UNDERWRITING and RATING

The examiners requested listings of all In-force, Cancelled and Replacement policies applicable to the examination period. The Company provided a listing of 264 policies identified as In-force and 77 Cancelled policies issued during the same period. The Company stated no Replacements occurred during the time period of this examination.

LTC Inforce Policies

Field Size:	264
Sample Size:	50
Sample Type:	Random
Number of Errors:	0
Found Error Ratio:	0%
Criterion Used:	10%

Findings: No exceptions in the handling of these files were noted.

LTC Cancelled Policies – Consumer Initiated

Field Size:	21
Sample Size:	21
Sample Type:	Census
Number of Errors:	0
Found Error Ratio:	0%
Criterion Used:	10%

Findings: No exceptions in the handling of these files were noted.

LTC Cancelled Policies – Company Initiated

Field Size:	56
Sample Size:	56
Sample Type:	Census
Number of Errors:	0
Found Error Ratio:	0%
Criterion Used:	10%

Findings: No exceptions in the handling of these files were noted.

VIII. CLAIMS

LTC Individual Inforce Paid Claims

Field Size:	34
Sample Size:	34
Sample Type:	Census
Number of Errors:	0
Found Error Ratio:	0%
Criterion Used:	7%

Findings: No exceptions in the handling of these files were noted.

LTC Individual Inforce Denied Claims

Field Size:	2
Sample Size:	2
Sample Type:	Census
Number of Errors:	0
Found Error Ratio:	0
Criterion Used:	7%

Findings: No exceptions in the handling of these files were noted.

LTC Individual Inforce Paid Claims

Field Size:	7
Sample Size:	7
Sample Type:	Census
Number of Errors:	0
Found Error Ratio:	0
Criterion Used:	7%

Findings: No exceptions in the handling of these files were noted.

RECOMMENDATIONS

No recommendations were issued for this examination.

CONCLUSION

The examination was conducted by Brian Tinsley, Roger Fournier, Susanna Stevens and Cynthia Amann and is respectfully submitted.

A handwritten signature in cursive script, appearing to read "Brian Tinsley".

Brian Tinsley
Market Conduct Examiner-in-Charge
Department of Insurance
State of Delaware