

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

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

197 Clarendon Street
Boston, MA 02116

As of

December 31, 2022

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

I, Trinidad Navarro, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2022 on

John Hancock Life Insurance Company (USA)

is a true and correct copy of the document filed with this Department.

Attest By:

A handwritten signature in blue ink, appearing to read "S. J. S. S.", written over a horizontal line.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 4th day of March, 2024.

A handwritten signature in blue ink, appearing to read "Trinidad Navarro", written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF THE
John Hancock Life Insurance Company (USA)
AS OF
December 31, 2022

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



In Witness Whereof, I have hereunto set my hand
and affixed the official seal of this Department at the
City of Dover, this 4th day of March, 2024.

Trinidad Navarro
Insurance Commissioner

**Delaware Market Conduct Examination Report
John Hancock Life Insurance Company (U.S.A.)**

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Honorable Trinidad Navarro
Insurance Commissioner
State of Delaware
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner Navarro:

In compliance with the instructions contained in Examination Authority Number 65838-23-702 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 (U.S.A.)

NAIC #65838

The examination was performed as of December 31, 2022.

The examination was conducted at the offices of the Delaware Department of Insurance, hereinafter referred to as the Department or DDOI, or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

The examination was announced as a market conduct examination to review the Company's practices in the life insurance marketplace in Delaware. The examination focused on the Company's life insurance business in the following areas of operation: Company Operations and Management, Complaints Handling, Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

All the exceptions noted were in the areas of Producer Licensing and Underwriting and Rating.

The following exceptions were noted:

- 5 Exceptions
18 *Del. C.* § 1716 (b). Notification to Insurance Commissioner of termination.
(b) Termination without cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment or contract with a producer for any reason not set forth in § 1712 of this title shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner. Upon written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination.

The Company failed to notify the Insurance Commissioner of the producer termination within 30 days following the effective date of the termination.

- 26 Exceptions
18 *Del. Admin. C.* § 1210-9.0 Delivery of Illustration and Record Retention
9.2.1 *If no illustration is used by an insurance producer or other authorized representative in the sale of a life insurance policy or if the policy is applied for other than as illustrated, the producer or representative shall certify to that effect in writing on a form provided by the insurer. On the same form the applicant shall acknowledge that no illustration conforming to the policy applied for was provided and shall further acknowledge an understanding that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery. This form shall be submitted to the insurer at the time of policy application.*

The Company failed to provide a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

- 2 Exceptions
18 *Del. C.* § 1715. Appointments.
(a) An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance

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producer who is not acting as an agent of an insurer is not required to become appointed.

(b) To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment provision of this section is only applicable upon implementation by this Department of an electronic appointment process.

(c) Upon receipt of the notice of appointment, the Insurance Commissioner shall verify within a reasonable time not to exceed 30 days that the insurance producer is eligible for appointment. If the insurance producer is determined to be ineligible for appointment, the Insurance Commissioner shall notify the insurer within 5 days of its determination.

(d) An insurer shall pay an appointment fee, in the amount and method of payment set forth in Chapter 7 of this title, for each insurance producer appointed by the insurer.

The Company failed to provide the proof that the producers were appointed by the Company within 15 days of submitting the applications.

- 1 Exception
18 *Del. C.* § 1703. License required.
A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

- 44 Exceptions
18 *Del. Admin. C.* § 1204-7.1 Duties of Insurers That Use Agents and Brokers
Each insurer that uses an agent of broker in a life insurance or annuity sale shall:
7.1.1 Require with or as a part of each completed application for life insurance or annuity, a statement signed by the agent or broker as to whether he or she knows replacement is or may be involved in the transaction.

The Company failed to provide a statement signed by the agent as to whether he or she knows a replacement is or may be involved in the transaction.

SCOPE OF EXAMINATION

The Market Conduct Examination was conducted pursuant to the authority granted by 18 *Del. C.* §§ 318-322 and covered the experience period of January 1, 2021 through

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December 31, 2022, unless otherwise noted. The purpose of the examination was to determine compliance by the Company with the State of Delaware Statutes and Regulations in regards to complaints handling, claims handling, agent appointment and termination, annuity suitability, replacements and surrenders related to the sales and marketing of life insurance products.

The scope of the examination includes, but is not limited to, the Company's practices and procedures relating to Company Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, Policyholder Services, Underwriting and Rating, and Claims Handling. The focus of the examination was on the Company's Life Insurance business.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested by the NAIC. While examiners report on the errors found in individual files, the examiners also focus on general business practices of the Company. The Company was requested to identify the universe of files for each segment of the review. Based on the universe sizes identified, random sampling was utilized to select the files reviewed for this examination.

Delaware Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. An exception is any instance of Company activity that does not comply with an insurance statute or regulation. Exceptions contained in the Report may result in imposition of penalties. Generally, practices, procedures, or files that were reviewed by Department examiners during the course of an examination may not be referred to in the Report if no improprieties were noted.

However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review these areas of concern in order to determine the potential impact upon Company operations or future compliance.

Throughout the course of the examination, Company officials were provided status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company officials to discuss the various types of exceptions identified during the examination and review written summaries provided on the exceptions found.

COMPANY HISTORY AND PROFILE

John Hancock Life Insurance Company (U.S.A.) ("JHUSA" or the "Company") has its statutory home office at 201 Townsend Street, Suite 900, Lansing, MI 48933. Its main

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administrative office and the primary situs for its books and records are located at 197 Clarendon Street, Boston, MA 02117. The Company's principal executive office is located at 200 Berkeley Street, Boston, MA 02116.

JHUSA was initially incorporated as Maine Fidelity Life Insurance Company ("Maine Fidelity"), a stock life insurance company, on August 20, 1955 by a special act of the Maine Legislature. On December 30, 1982, The Manufacturers Life Insurance Company ("Manulife") purchased 100% of the issued common stock of Maine Fidelity from NGM Corporation. On July 31, 1990, Maine Fidelity changed its name to The Manufacturers Life Insurance Company (U.S.A.), and subsequently on December 30, 1992, the Company changed its state of domicile to Michigan. Effective January 1, 2005, the Company changed its name to John Hancock Life Insurance Company (U.S.A.).

On January 1, 2002, Manulife Reinsurance Corporation (U.S.A.) ("MRC"), which was a wholly owned subsidiary of The Manufacturers Investment Corporation ("MIC") and the immediate parent of JHUSA, and The Manufacturers Life Insurance Company of North America ("MNA"), which was an indirect wholly owned subsidiary of JHUSA, merged with and into JHUSA. As a result of the merger, MRC and MNA ceased to exist, and JHUSA became a direct wholly owned subsidiary of MIC.

Also, on January 1, 2002, The Manufacturers Life Insurance Company of America ("MLA"), which was a direct wholly owned subsidiary of JHUSA, transferred all of its business including its assets and liabilities, to JHUSA, except for the minimum capital required to maintain its status as an active insurer. On December 5, 2005, MLA was merged and with into JHUSA and as a result, ceased to exist.

On December 31, 2009, John Hancock Life Insurance Company ("JHLICO"), which was a wholly-owned subsidiary of John Hancock Financial Services, Inc. ("JHFS"), and John Hancock Variable Life Insurance Company ("JHVLICO"), which was a wholly-owned subsidiary of JHLICO, merged with and into JHUSA (the "Lifeco Merger"). As a result of the Lifeco Merger, JHLICO and JHVLICO ceased to exist.

Immediately preceding the Lifeco Merger, JHFS, which was a wholly owned subsidiary of John Hancock Holdings (Delaware) LLC ("JHHLLC"), was merged with and into MIC, with MIC surviving, while Manulife Holdings (Delaware) LLC ("MHDLL"), which was then the immediate parent of MIC, was merged with and into JHHLLC, with JHHLLC surviving (collectively referred to as the "Holdco Merger").

The Company is licensed to conduct insurance business in 49 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands, and provides a wide range of financial protection and wealth management products and services to both individual and institutional customers located primarily in the United States. Through its insurance operations, the Company offers a variety of individual life insurance products that are distributed through multiple distribution channels, including insurance agents, brokers, banks, and financial planners. The Company also offers mutual fund products and services which include a variety of retirement products to retirement plans. The Company

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distributes these products through multiple distribution channels, including insurance agents and affiliated brokers, securities brokerage firms, financial planners, pension plan sponsors, pension plan consultants, and banks. The Company discontinued new sales of its individual long-term care product but maintains in-force retail and group long-term care business. The Company also discontinued new sales of its corporate and bank-owned life insurance products.

According to the Certificate of Authority, JHUSA is authorized to transact the business of Life, including Annuities, Variable Life, Variable Annuities, Credit Life, Health and Credit Health Insurance, within the State of Delaware.

As of their 2020 Annual Statement for the State of Delaware, JHUSA reported life insurance premiums in the amount of \$97,706,498, annuity considerations in the amount of \$288,902 and accident and health insurance premiums, including policy, membership and other fees in the amount of \$5,908,327.

As of their 2021 Annual Statement for the State of Delaware, JHUSA reported life insurance premiums in the amount of \$120,978,686 annuity considerations in the amount of \$155,013 and accident and health insurance premiums, including policy, membership and other fees in the amount of \$6,021,226.

As of their 2022 Annual Statement the Company reported life insurance premiums in the amount of \$184,351,266, annuity considerations in the amount of \$71,041, and accident and health insurance premiums, including policy, membership and other fees in the amount of \$6,081,415.

COMPANY OPERATIONS AND MANAGEMENT

The Company provided the requested information documenting its management and operational procedures in areas for which they conduct business in the State of Delaware, including:

- A copy of the Company's Certificate of Authority.
- The Company History Narrative.
- A description of the Company's management structure and a copy of the Company's Organizational Chart.
- A copy of the Company's Audit Manual and a list of 15 audits conducted during the examination period.
- Copies of two anti-fraud procedures.
- A list of five entities that are involved in the sale or servicing of Life and Annuity products for the Company.
- Documentation demonstrating that the Company adequately monitors the Third-Party entities providing services to the Company.
- A narrative of the Company's Record Retention process.
- Documentation of fines levied and Reports generated from nine States.

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- The Company's Annual Statements for 2020, 2021 and 2022.

The documentation was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

COMPLAINTS HANDLING

The Company provided a universe of three consumer complaints received during the examination period. All three complaint files were requested and reviewed. The Company also provided the complaint register as requested. The Department's list of written consumer complaints that were forwarded to the Company during the experience period was compared to the Company's complaint register.

The complaint files and the complaint log were reviewed for compliance with the Delaware Statutes and Regulations including, but not limited to: 18 *Del. C.* §2304 (17). This Section of the Code requires maintenance of a complete record of all complaints received, since the date of its last examination. The record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of the complaint and the time it took to process each complaint. The files were also reviewed for compliance with 18 *Del. C.* § 2304(26) Failure to respond to regulatory inquiries.

No exceptions were noted.

MARKETING AND SALES

A. Advertising and Sales Materials - Consumers

The Company provided a universe of 576 company generated pieces of advertising utilized during the examination period. The advertising consisted of: banners, brochures, emails, flyers, illustrations, letters, newsletters, postcards, presentations, press releases, social media, videos, and web pages. A sample of 86 pieces of advertising was requested, received and reviewed. The 86 advertising materials were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

B. Advertising and Sales Materials – Producers

The Company provided a universe of 2,120 Company generated pieces of advertising utilized by producers during the examination period. The advertising consisted of: emails, flyers, power point presentations, videos, webinars, notecards, podcasts, social media,

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webpages, letters, brochures, presentations, and product guides. A sample of 114 pieces of advertising was requested, received and reviewed. The 114 advertising materials were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 *Del. C.* §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

PRODUCER LICENSING

A. Producer Licensing and Appointments

The Company provided a universe of 1,285 active producers during the examination period. A random sample of 113 producers was selected. The list was compared to Departmental records of producers and the NAIC State Based System (SBS) Lookup Search, to verify the licensing and appointments. In addition, a comparison was made on the producers identified on applications reviewed in the policy issued sections of the examination. For this examination purposes, producer licensing and appointment exceptions found in the other sections of the examination are addressed in their respective sections.

No exceptions were noted.

B. Producer Terminations

The Company provided a universe of 839 producers terminated during the examination period. A random sample of 86 terminated producers was selected for review. The sample was reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

5 Exceptions - 18 *Del. C.* § 1716 (b). Notification to Insurance Commissioner of termination.

The Company failed to notify the Insurance Commissioner of the producer termination within 30 days following the effective date of the termination.

Recommendation: It is recommended that the Company review its procedures to ensure that the Insurance Commissioner is notified of the producer termination within 30 days following the effective date of the termination as required by 18 *Del. C.* § 1716(b).

POLICYHOLDER SERVICE

A. Policies Surrendered

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The Company provided a universe of 136 insurance policies surrendered during the examination period. A random sample of 79 surrendered policies was requested, received and reviewed. The policy files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

UNDERWRITING AND RATING

A. Forms

The Company provided a universe of 130 forms available for use during the examination period. A random sample of 79 forms was requested, received and reviewed. The forms were reviewed for compliance with the State of Delaware Statutes and Regulations, including but not limited to, 18 *Del. C.* § 2712, Filing, approval of forms.

No exceptions were noted.

B. Policy Replacements

The Company provided a universe of 45 life insurance policies issued as replacements during the examination period. All 45 policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

8 Exceptions - 18 *Del. Admin. C.* § 1210-9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 18 *Del. Admin. C.* 1210 §9.2.1.

C. Universal Life Insurance Policies Issued

The Company provided a universe of 644 universal life insurance policies issued during the examination period. A random sample of 86 policy files was requested, received and

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reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

12 Exceptions - 18 Del. Admin. C. § 1210-9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 18 Del. Admin. C. 1210 §9.2.1.

2 Exceptions - 18 Del. C. § 1715. Appointments

The Company failed to provide the proof that the producers were appointed by the Company within 15 days of submitting the applications.

Recommendation: It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 Del. C. § 1715.

D. Universal Life Insurance Policy Applications Declined

The Company provided a universe of 12 universal life insurance policy applications declined during the examination period. All 12 application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

2 Exceptions - 18 Del. Admin. C. § 1210-9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

Recommendation: It is recommended that the Company maintain the signed certification

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and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 18 *Del. Admin. C.* 1210 §9.2.1.

1 Exception - 18 *Del. C.* § 1703. License required.

The Company failed to ensure that the producer was licensed before accepting the application for insurance.

Recommendation: It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 *Del. C.* § 1703.

E. Universal Life Insurance Policies Cancelled

The Company provided a universe of five universal life insurance policies cancelled during the examination period. All five policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

F. Term Life Insurance Policies Issued

The Company provided a universe of 82 term life insurance policies issued during the examination period. All 82 policy files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

The following exceptions were noted:

44 Exceptions – 18 *Del. Admin. C.* § 1204-7.1.1 Duties of Insurers That Use Agents and Brokers

The Company failed to provide a statement signed by the agent as to whether he or she knows a replacement is or may be involved in the transaction.

Recommendation: It is recommended that the Company review its procedures to ensure that for each completed application for life insurance or annuity, there is a statement signed by the agent or broker as to whether he or she knows a replacement is or may be involved in the transaction as required by 18 *Del. Admin. C.* § 1204-7.1.1.

4 Exceptions - 18 *Del. Admin. C.* § 1210-9.2.1 Delivery of Illustration and Record Retention

The Company failed to provide a signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery.

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Recommendation: It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 18 *Del. Admin. C. 1210 §9.2.1*.

G. Term Life Insurance Applications Declined

The Company provided a universe of 46 term life insurance applications declined during the examination period. All 46 application files were requested, received and reviewed. The files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

H. Term Life Insurance Policies Cancelled

The Company provided a universe of one term life insurance policy cancelled during the examination period. The policy file was requested, received and reviewed. The file was reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

CLAIMS

A. Paid Claims

The Company provided a universe of 160 claims received and paid during the examination period. A random sample of 76 paid claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Statutes and Regulations.

No exceptions were noted.

B. Denied Claims

The Company was requested to provide a list of all claims received and denied during the examination period. The Company indicated that there were no claims denied during the examination period.

No exceptions were noted.

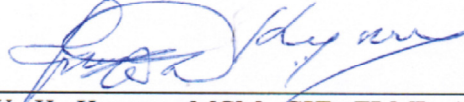
CONCLUSION

The recommendations made below identify corrective measures the Department finds necessary as a result of the exceptions noted in the Report. Location in the Report is referenced in parenthesis.

1. It is recommended that the Company review its procedures to ensure that the Insurance Commissioner is notified of the producer termination within 30 days following the effective date of the termination as required by 18 *Del. C.* § 1716 (b). (Producer Licensing)
2. It is recommended that the Company maintain the signed certification and acknowledgement that no illustration was used in the sale of the life insurance policy at the time of policy application, and that an illustration conforming to the policy as issued would be provided no later than at the time of policy delivery as required by 18 *Del. Admin. C.* 1210 §9.2.1. (Underwriting and Rating)
3. It is recommended that the Company review its procedures to ensure that all producers are appointed by the Company within 15 days of submitting an application as required by 18 *Del. C.* § 1715. (Underwriting and Rating)
4. It is recommended that the Company ensure the producers are licensed for the line of authority as required by 18 *Del. C.* § 1703. (Underwriting and Rating)
5. It is recommended that the Company review its procedures to ensure that for each completed application for life insurance or annuity, there is a statement signed by the agent or broker as to whether he or she knows a replacement is or may be involved in the transaction as required by 18 *Del. Admin. C.* § 1204-7.1.1. (Underwriting and Rating)

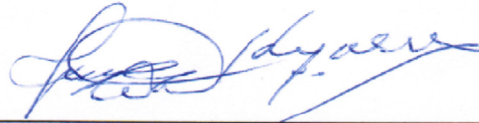
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The examination conducted by Joseph Krug, CPA, AFE, MCM; Christina Hughart, JD, MCM; and Frank Kyazze, MCM, CIE, FLMI, ALHC, is respectfully submitted.



Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance

I, Frank W.K. Kyazze, hereby verify and attest, under oath, that the above is a true and correct copy of the examination report and findings of the market conduct examination submitted to the Delaware Department of Insurance pursuant to examination authority #65838-23-702.



Frank W. K. Kyazze, MCM, CIE, FLMI, ALHC