

DELAWARE DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION REPORT

John Hancock Life Insurance Company (USA)
NAIC #65838
601 Congress St.
Boston, MA 02110

As of

June 30, 2010

Karen Weldin Stewart, CIR-ML
Commissioner



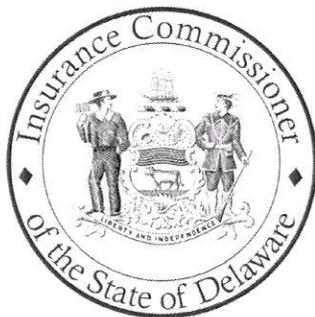
Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of June 30, 2010 on

John Hancock Life Insurance Company (USA)

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

Attest By:



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



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



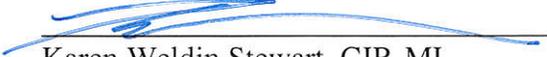
Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
John Hancock Life Insurance Company (USA)
AS OF
June 30, 2010

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.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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October 4, 2011

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 09-501, 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)

The examination was performed as of June 30, 2010. John Hancock Life Insurance Company (USA), hereinafter referred to as the "Company" or as "John Hancock Life," organized under the laws of the State of Michigan. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

601 Congress St.
Boston, MA 02110

The off-site examination phase was performed 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.

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John Hancock Life Insurance Company (USA)

EXECUTIVE SUMMARY

John Hancock Life Insurance Company (USA) 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.

According to the Company's 2009 Annual Statement filed with the Delaware Department of Insurance, John Hancock Life reported ordinary life insurance premium in the amount of \$61,792,275, ordinary annuity considerations in the amount of \$33,024,472 and group life and annuity premium considerations in the amount of \$1,242,474. The Company's main administrative offices are located in Boston, Massachusetts.

The examination was announced as part of a series of examinations on companies in the Individual Life Insurance marketplace in Delaware. The companies were chosen based on Delaware's market share, market analysis and the company's complaint index.

The purpose of the examination was to focus on the Company's compliance with past regulatory or litigation settlements related to the sales and marketing of life insurance, while additionally determining compliance with Delaware insurance laws and regulations.

In general, the examination focused on the Company's life insurance business in the following areas of operation: Company Operations/Management; Complaint Handling, Marketing/Sales, Producer Licensing, Producer Oversight and Policyholder

A total of seven exceptions were noted for failure to properly file a form utilized with its application, as required by 18 Del. C. §2712.

No exceptions were noted in the other areas of operations reviewed.

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 July 1, 2009, through June 30, 2010. The purpose of the examination was to determine compliance by the Company with Delaware insurance laws and regulations.

The examination was a target market conduct examination of the Company's life insurance business in the following areas of operation: Company Operations/Management; Complaint Handling, Marketing/Sales, Producer Licensing,

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Policyholder Service.

METHODOLOGY

This examination was performed in accordance with Market Regulation standards established by the Department and examination procedures suggested 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.

The Company identified 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 are not 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

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

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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, 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.

COMPANY OPERATIONS AND MANAGEMENT

A. Underwriting Guidelines

The Company provided the following manual, guidelines and procedures for review:

1. Life Product Manual, Life Underwriting & Administration
2. Aviation and Sports Guidelines
3. Financial Guidelines
4. Foreign Residence and Travel Guidelines
5. Health Styles
6. Internal and External On-line Underwriting Guidelines Resources
7. Cancellation, Declination, Rescission and Not-Taken Procedures

The underwriting manual, guidelines and procedures were reviewed to ensure guidelines were in place and being followed in a uniform and consistent manner and no underwriting practices or procedures were in place that could be considered discriminatory in nature, or specifically prohibited by the following statutes or regulations:

- 18 Del. C. §2304(13) Unfair discrimination; life insurance, annuities, and health insurance.
- 18 Del. C. §2304 (24) Discriminatory practices against victims of abuse regarding life and health insurance.
- 18 Del. C. §2304 (28) Volunteer firefighters and ambulance personnel.
- 18 Del. C. §2316 Refusal to issue policy to blind or deaf persons prohibited.
- 18 Del. Admin. Code 1209 §3.0 Life and Health Submissions Regarding

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Acquired Immunodeficiency Syndrome (AIDS).

- 18 Del. Admin. Code 1217 §3.1 Unfair Discrimination in Life Insurance, Annuities and Health Insurance on the Basis of Physical or Mental Impairment.

No exceptions were noted.

B. Internal Audit and Compliance Procedures

The Company provided copies of their internal audit and compliance procedures. The audits and procedures were reviewed to ensure the Company provided for the evaluation of compliance with all statutes and regulations dealing with sales methods, advertising, and filing and approval requirements for life insurance and annuities. In addition, the procedures were reviewed to ensure the Company was providing for the following:

- (1) Periodic reviews of consumer complaints in order to determine patterns of improper practices.
- (2) Regular reporting to senior officers and the board of directors or an appropriate committee thereof with respect to any significant findings.
- (3) The establishment of lines of communication, control and responsibility over the dissemination of advertising and promotional materials, including illustrations and illustration explanations, with the requirement that such materials shall not be used without the approval by company employees whose compensation, other than generally applicable company bonus or incentive plans, is not directly linked to marketing or sales.

No exceptions were noted.

INDIVIDUAL UNDERWRITING

The Underwriting file review was sorted and conducted in 6 general segments.

- A. Universal Life Policies Issued
- B. Variable Life Policies Issued
- C. Term Life Policies Issued
- D. Life Policies Declined
- E. Life Policies Not-Taken
- F. Term Life Conversions

Each segment was reviewed for compliance with the following Delaware laws and regulations pertaining to: sales and marketing, disclosures, illustrations, underwriting practices, forms approval and producer licensing and oversight. Issues relating to forms

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or producer licensing and oversight appear in those respective sections of the Report and are not duplicated in the Underwriting portion of the Report.

- 18 Del. C. §320. Conduct of examination; access to records; correction.
- 18 Del. C. §1703. Producer License Requirements.
- 18 Del. C. §1715. Producer Appointment Requirements
- 18 Del. C. §2300. Unfair Insurance Practices.
- 18 Del. C. §2708. Consent of insured; life, health insurance.
- 18 Del. C. §2709. Alteration of application, life and health insurance.
- 18 Del. C. §2712, Filing, approval of forms.
- 18 Del. Admin. Code 202 §2.0 Company Producer Licensing Responsibility
- 18 Del. Admin. Code 1203 Life Insurance Solicitation
- 18 Del. Admin. Code 1203 §4.0 Definitions-Policy Summary, Buyers Guide
- 18 Del. Admin. Code 1203 §5.0 Disclosure Requirements
- 18 Del. Admin. Code 1203 §6.0 General Rules of Disclosure
- 18 Del. Admin. Code 1204 §§5.1-5.3 Replacement of Life Insurance-Duties of Producers
- 18 Del. Admin. Code 1204 §6.1 Replacement of Life Insurance- Duties of All Insurers
- 18 Del. Admin. Code 1204 §§7.1-7.4 Replacement of Life Insurance-Duties of Replacing Insurer
- 18 Del. Admin. Code 1204 §8.0 Insurer Duties with Direct Response Sales
- 18 Del. Admin. Code 1210 §5.0 Policies to be Illustrated
- 18 Del. Admin. Code 1210 §6.0 Life Insurance Illustrations *Rules and Prohibitions*
- 18 Del. Admin. Code 1210 §§7.0-7.5 Standards for Basic Illustrations
- 18 Del. Admin. Code 1210 §8.0 Standards for Supplemental Illustrations
- 18 Del. Admin. Code 1210 §9.0 Delivery of Illustration and Record Retention
- 18 Del. Admin. Code 1210 §10.0 Annual Report; Notice to Policy Owners
- 18 Del. Admin. Code 1210 §11.0 Annual Illustration Certifications

A. Universal Life Policies Issued

The Company identified a universe of 186 life policies issued during the experience period. Of the 186 life policies issued, 94 were Universal Life policies. A random sample of 25 universal life policy files was requested, received and reviewed.

The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

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No exceptions were noted.

B. Variable Life Policies Issued

The Company identified a universe of 186 life policies issued during the experience period. Of the 186 life policies issued, 40 were Variable Life Policies. A random sample of 25 Variable Life policy files was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

No exceptions were noted.

C. Term Life Policies Issued

The Company identified a universe of 186 life policies issued during the experience period. Of the 186 life policies issued, 41 were Term Life Policies. A random sample of 25 term life policies was requested, received and reviewed. The files were reviewed to determine compliance to issuance, underwriting, and replacement statutes and regulations.

No exceptions were noted.

D. Life Policies Declined

The Company identified 17 life policies declined during the experience period. All 17 declined policy files were requested received and reviewed. The files were reviewed to ensure declinations were not the result of any discriminatory underwriting practice and the proper return of any unearned premium.

No exceptions were noted.

E. Life Policies Not-Taken

The Company provided a list of all policies not-taken during the experience period identifying three life policies not-taken. All three policy files were requested, received and reviewed. A not-taken policy by definition is a contract that is issued and the insured requests cancellation. The files were reviewed to ensure compliance with the

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10-day premium refund provisions of the contract.

No exceptions were noted.

F. Term Life Conversions

The Company identified a universe of seven term life policies converted during the experience period. All seven policy conversion files were requested, received and reviewed. The files were reviewed to determine compliance to issuance and underwriting statutes and regulations.

No exceptions were noted.

FORMS

The Company was requested to provide a list and copies of all policy and/or member forms, conversion contracts, applications, riders, amendments and endorsements used during the experience period. The forms provided were reviewed to ensure compliance with 18 Del. C. §2712, Filing, approval of forms.

The following exceptions were noted:

7 Exceptions – 18 Del. C. §2712. Filing, approval of forms.

(a) No basic insurance policy or annuity contract, form, or application form where written application is required and is to be made a part of the policy or contract or printed rider or endorsement form or form of renewal certificate shall be delivered or issued for delivery in this State, unless the form has been filed with the Commissioner.

Department form filing of the noted form could not be established. The form number, description and frequency of use are listed in the table below.

Form Number	Form Description	Frequency of Use
20090302	Consent to Insurance	7

Recommendation: It is recommended that the Company review its procedures to ensure that all forms are filed and approved as required by 18 Del. C. §2712.

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CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of consumer complaint logs for 2007, 2008, 2009, and 2010. The Company identified four consumer complaints received during the experience period. All four complaint files were requested, received, and reviewed. The company also provided complaint logs 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 log.

The complaint files and the 4 years of complaint logs were reviewed for compliance with 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. Written complaint files involving claims were also reviewed for compliance with 18 Del. Admin. Code 902 §1.2.1.2.

No exceptions were noted.

ADVERTISING

The Company was requested to provide a list of all Advertising and Marketing Material utilized during the experience period. In addition, the Company was requested to provide a copy of the advertising certificate of compliance submitted to the Department during the experience period. The Company provided a list of 1,366 pieces of advertising. The advertising consisted of: Letters, Direct Mailers, Brochures, Presentations, Radio and Television Scripts, Cards, Illustrations, Product Guides, Product Manuals and the Company's web page. A sample of 100 pieces of advertising was requested, received and reviewed. The 100 advertising materials and the Company's web site were reviewed to ascertain compliance with 18 Del. C. §2303, Unfair Methods of Competition and Unfair or Deceptive Acts or Practices.

No exceptions were noted.

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PRODUCER LICENSING & OVERSIGHT

The Company was requested to provide a list of all producers active and terminated during the experience period in addition to the Company's oversight policies and procedures regarding the following activities:

- Appointment Procedures
- Product Training & Compliance
- Allegations of Misconduct Reports
- Producer Terminations
- Monitoring Producer Replacement Activity

The policies and procedures were received and reviewed. The Company provided a list of 1710 active producers, and 273 terminated producers. A random sample of 50 active producers and 25 terminated producers was compared to departmental records of producers to verify appointments, terminations and licensing. In addition, a comparison was made on the 75 producers identified on applications reviewed in the policy issued sections of the exam. Verification of appointments, terminations and licensing was performed to ensure compliance with the following statutes and regulation:

- 18 Del. C. §1703. License required.
- 18 Del. C. §1715. Appointments.
- 18 Del. C. §1716. Notification to Insurance Commissioner of termination.
- 18 Del. Admin. Code §11.0 Agent Qualification for Variable Life Insurance Sales

No exceptions were noted.

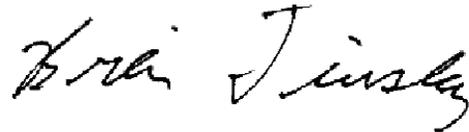
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CONCLUSION

The recommendation made below identifies 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 all forms are filed and approved as required by 18 Del. C. §2712. (FORMS)

The examination conducted by Brian Tinsley, Heather Harley, and Stephen Misenheimer is respectfully submitted.



Brian Tinsley, AIE, MCM
Examiner-in-Charge
Market Conduct
Delaware Department of Insurance