

**DELAWARE DEPARTMENT OF INSURANCE**  
**MARKET CONDUCT EXAMINATION REPORT**

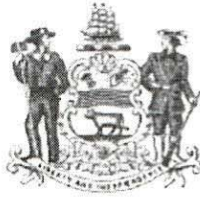
**John Hancock Life Insurance Company (USA)**  
**NAIC #65838**

197 Clarendon Street  
Boston, MA 02116-5010

**As of**

**December 31, 2019**

Trinidad Navarro  
Commissioner



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, 2019 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 "Robert E. David".



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 17 day of December, 2020.

A handwritten signature in black ink, appearing to read "Trinidad Navarro".

Trinidad Navarro  
Insurance Commissioner

Trinidad Navarro  
Commissioner



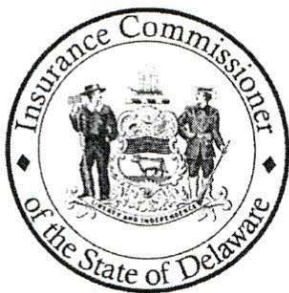
Delaware Department of Insurance

REPORT ON EXAMINATION  
OF THE  
**John Hancock Life Insurance Company (USA)**  
AS OF  
December 31, 2019

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 17 day of December, 2020.

  
Trinidad Navarro  
Insurance Commissioner

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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-LTC-20-701 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 (USA)**  
**NAIC #65838**

The examination was performed as of December 31, 2019.

The examination consisted of an off-site phase which 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.

## **EXECUTIVE SUMMARY**

John Hancock Life Insurance Company U.S.A (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. The Company’s administrative offices are located in Boston, Massachusetts.

The examination of John Hancock was announced to review the Company’s practices and procedures relating to the Long-Term Care line of business. The examination focused on the Company’s 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. The examination period is from January 1, 2017 through December 31, 2019.

All the exceptions noted were in the areas of Policyholder Service and Claims.

The following exceptions were noted:

### **10 Exceptions**

#### **18 Del. C. §320. Conduct of examination; access to records; correction.**

*(c) Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination..*

The Company failed to provide the requested lapse and termination notices.

### **1 Exception**

#### **18 Del. Admin. C. §1408-4.0 Prompt Payment of Clean Claims**

*4.1 “Claim” means a request for payment of benefits under an in-force policy, regardless of whether the benefit claimed is covered under the policy or any terms or conditions of the policy have been met.*

*4.2 “Clean Claim” means a claim that has no defect or impropriety, including any lack of required substantiating documentation, such as satisfactory evidence of expenses incurred, or particular circumstances requiring special treatment that prevents timely payment from being made on the claim.*

*4.3 Within thirty (30) days after receipt of a claim for benefits under a long-term care insurance policy or certificate, an insurer shall pay such claim if it is a clean claim, or send written notice acknowledging the date of receipt of the claim and one of the following:*

*4.3.1 The insurer is declining to pay all or part of the claim and the specific reason(s) for denial; or*

*4.3.2 That additional information is necessary to determine if all or any part of the claim is payable and the specific additional information that is necessary.*

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*4.4 Within thirty (30) days after the receipt of all the requested additional information, an insurer shall pay a claim for benefits under a long-term care insurance policy or certificate if it is a clean claim, or send a written notice that the insurer is declining to pay all or part of the claim, and the specific reason or reasons for denial.*

*4.5 If an insurer fails to comply with 4.3 or 4.4, such an insurer shall pay interest at the rate of 1% per month on the amount of the claim that should have been paid but that remains unpaid after forty-five days.*

The Company failed to pay a claim within thirty (30) days after receipt of the claim.

## **2 Exceptions**

### **18 Del. Admin. C. §1408-4.0 Prompt Payment of Clean Claims**

*4.1 “Claim” means a request for payment of benefits under an in-force policy, regardless of whether the benefit claimed is covered under the policy or any terms or conditions of the policy have been met.*

*4.2 “Clean Claim” means a claim that has no defect or impropriety, including any lack of required substantiating documentation, such as satisfactory evidence of expenses incurred, or particular circumstances requiring special treatment that prevents timely payment from being made on the claim.*

*4.3 Within thirty (30) days after receipt of a claim for benefits under a long-term care insurance policy or certificate, an insurer shall pay such claim if it is a clean claim, or send written notice acknowledging the date of receipt of the claim and one of the following:*

*4.3.1 The insurer is declining to pay all or part of the claim and the specific reason(s) for denial; or*

*4.3.2 That additional information is necessary to determine if all or any part of the claim is payable and the specific additional information that is necessary.*

*4.4 Within thirty (30) days after the receipt of all the requested additional information, an insurer shall pay a claim for benefits under a long-term care insurance policy or certificate if it is a clean claim, or send a written notice that the insurer is declining to pay all or part of the claim, and the specific reason or reasons for denial.*

The Company failed to deny the claims within thirty (30) days after receipt of the claims.

## **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.

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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 did 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 to review written summaries provided on the exceptions found.

## **COMPANY HISTORY AND PROFILE**

John Hancock Life Insurance Company U.S.A (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 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. As the surviving entity, the Company assumed all of the insurance business, including all assets and liabilities, of Manufacturers Life Insurance of America (MLA) except for the minimum capital required to maintain its status as an active insurer. On December 5, 2005, MLA was merged with and into the Company, and MLA ceased to exist.

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



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and John Hancock Variable Life Insurance Company, both Massachusetts insurers, with the Company surviving.

The Company is licensed to conduct insurance business in 49 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands. The Company 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, financial planners, and direct marketing. The Company marketed individual and group long-term care insurance products until the end of 2016. The Company also offers mutual fund products and services which include a variety of retirement products to retirement plans. The Company 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. Effective March 31, 2018, the Company discontinued new sales of its corporate and bank-owned life insurance products.

As of its 2017 annual statement for the State of Delaware, John Hancock Life Insurance Company reported Direct Business Long-Term Care (Group and Individual) premiums in the amount of \$5,561,191. As of its 2018 annual statement for the State of Delaware, John Hancock Life insurance Company reported Direct Business Long-Term Care (Group and Individual) premiums in the amount of \$6,256,531.

## **COMPANY OPERATIONS AND MANAGEMENT**

The Company provided the following Company Operations and Management documentation:

- The Company's Certificate of Authority, which indicated that the Company was authorized to transact the business of life, including annuities, variable life, variable annuities, credit life, health and credit health.
- A written overview of the Company's history, states where the Company was licensed and the major lines of business the Company writes.
- The Company's Organizational Chart and a statement that the Company had no significant organizational or managing principal changes during the period under examination.
- A statement that from 2017 through 2019 there was one completed market conduct examination with the State of Vermont, which resulted in a Stipulation and Consent Order. The Consent order was due to the Company's failure to calculate and pay sufficient interest for 962 life insurance death benefit claims between January 1, 2013 and December 31, 2018. The Company was required to pay an administrative penalty in the amount of \$800,000 to the State of Vermont Department of Financial Regulation.

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- A narrative statement that the Company had a process in place to alert the appropriate people/groups at John Hancock about new legal and regulatory requirements.
- A list of 13 audits conducted during 2017 and 2018, and statement that there were no major issues reported in the audits conducted.
- Information for four companies: Long Term Solutions Inc., Parameds Com, Medical Review Institute of America Inc., Long Term Care Group Inc., whose service contracts did not rise to the level of a Third-Party Administrator (TPA) under the Delaware Administrative Code.
- The Company's Annual Statements for 2017 and 2018, and Quarterly Statements for 2019.

The documents were reviewed to ensure compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

## **COMPLAINTS HANDLING**

### **A. CONSUMER COMPLAINTS**

The Company provided a universe of three consumer complaints received during the examination period. The three complaints were requested, received and reviewed. The complaint files were reviewed for compliance with the State of Delaware Laws and Regulations, including but not limited to: 18 *Del. C.* §2304(17) Failure to maintain complaint handling procedures. No exceptions were noted.

## **MARKETING AND SALES**

### **A. ADVERTISING AND SALES MATERIALS**

The Company was requested to provide a copy of all long-term care marketing and sales materials (advertisement and sales tools) distributed or available for distribution during the examination period. The Company indicated that at the end of 2016, John Hancock no longer marketed or sold individual or group long-term care products. Therefore, no sales materials were distributed or available for distribution during the examination period. No exceptions were noted.

## **PRODUCER LICENSING**

The Company was requested to provide a list of all producers appointed with the Company at any time during the examination period. The Company indicated that at the end of 2016, John Hancock no longer marketed or sold individual or group long-term

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care products. Therefore, no producers were appointed during the examination period for long-term care insurance sales. No exceptions were noted.

The Company was requested to provide a list of all producers terminated with the Company at any time during the examination period. The Company provided a list of 258 producers terminated. A random sample of 79 terminated producers was selected and reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

## **POLICYHOLDER SERVICE**

### **A. Group Long-Term Care Insurance Terminated Policies**

The Company provided a universe of 68 long-term care policies terminated during the examination period. The entire universe of 68 terminated policies was requested, received, and reviewed. The files were reviewed to ensure compliance with the State of Delaware Laws And Regulations. The following exceptions were noted:

#### **9 Exceptions - 18 Del. C. §320(c) Conduct of examination; access to records; correction.**

The Company failed to provide the requested termination notices

*Recommendation:* It is recommended that the Company review its procedures to ensure all the file documentation is maintained and provided upon request, as required by 18 Del. C. §320(c).

### **B. Retail Long-Term Care Insurance Terminated Policies**

The Company provided a universe of 108 long-term care policies terminated during the examination period. A random sample of 79 terminated policies was requested, received, and reviewed. The policy files were reviewed to ensure compliance with the State of Delaware Laws And Regulations. The following exception was noted:

#### **1 Exception - 18 Del. C. §320. Conduct of examination; access to records; correction.**

The Company failed to provide the requested lapse notice.

*Recommendation:* It is recommended that the Company review its procedures to ensure all file documentation is maintained and provided upon request, as required by 18 Del. C. §320(c).

## **UNDERWRITING AND RATING**

### **A. Forms**

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The Company provided a list of 104 forms available for use during the examination period. A random sample of 79 forms was requested, received and reviewed. The forms provided and forms reviewed in various sections of the examination were reviewed to ensure compliance with the State of Delaware Laws including, but not limited to, 18 *Del. C.* §2712, Filing, approval of forms. No exceptions were noted.

**B. Long-Term Care Insurance Applications**

The Company was requested to provide a list of all long-term care applications received during the examination period. The Company indicated that at the end of 2016, John Hancock no longer marketed or sold individual or group long-term care products. Therefore, no applications were received during the examination period. No exceptions were noted.

**C. Long-Term Care Insurance Replacements**

The Company was requested to provide a list of all long-term care replacement applications received during the examination period. The Company indicated that at the end of 2016, John Hancock no longer marketed or sold individual or group long-term care products. Therefore, no replacement applications were received during the examination period. No exceptions were noted.

**CLAIMS**

**A. Long-Term Care Insurance Paid Invoices**

The Company provided a universe of 2,837 claims paid during the examination period. A random sample of 108 claims was requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exception was noted:

**1 Exception - 18 *Del. Admin. C.* §1408-4.3 Prompt Payment of Clean Claims**

The Company failed to pay the claim within thirty (30) days after receipt of the claim.

*Recommendation:* It is recommended that the Company review its procedures to ensure compliance with the timely claim processing requirements of 18 *Del. Admin. C.* §1408-4.3.

**B. Long-Term Care Insurance Denied Invoices**

The Company provided a universe of 217 claims denied during the examination period. A random sample of 76 claims was requested, received, and reviewed. The claim files were reviewed for compliance with the State of Delaware Laws and Regulations. The following exceptions were noted:

## **2 Exceptions - 18 *Del. Admin. C.* § 1408-4.3.1 Prompt Payment of Clean Claims**

The Company failed to deny the claims within thirty (30) days after receipt of the claims.

*Recommendation:* It is recommended that the Company review its procedures to ensure compliance with the timely claim processing requirements of 18 *Del. Admin. C.* §1408-4.3.1.

### **C. Long-Term Care Insurance Approved Claims**

The Company provided a universe of 65 claims approved during the examination period. All 65 claims were requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Laws and Regulations. No exceptions were noted.

### **D. Long-Term Care Insurance Denied Claims**

The Company provided a universe of 8 claims denied during the examination period. All 8 claims were requested, received and reviewed. The claim files were reviewed for compliance with the State of Delaware Laws and Regulations. 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 all file documentation is maintained and provided upon request, as required by 18 *Del. C.* §320(c). (Policyholder Service)
2. It is recommended that the Company review its procedures to ensure compliance with the timely claim processing requirements of 18 *Del. Admin. C.* §1408-4.0. (Claims)

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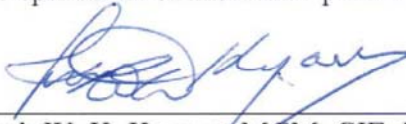
The examination conducted by Joseph Krug, Christina Hughart, Stephen Misenheimer and Frank Kyazze is respectfully submitted.



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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-LTC-20-701.



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