



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2014

NAIC GROUP CODE: 904

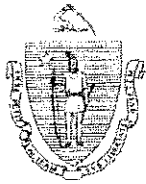
NAIC COMPANY CODE: 93610

EMPLOYERS ID NUMBER: 13-3072894

John Hancock Life & Health Insurance Company

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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COMMISSIONER OF INSURANCE

May 31, 2016

Honorable Daniel R. Judson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4 an examination has been made of the financial condition and affairs of the

JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY

at its home office at 197 Clarendon Street, Boston, Massachusetts, 02117-0717. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The John Hancock Life & Health Insurance Company ("JHLH" or "the Company") was last examined as of December 31, 2009 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2010 through December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young LLP ("E&Y"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's statutory financial statements for the calendar years 2010 through 2014. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective. Representatives from the firm of Deloitte & Touche LLP ("D&T") were retained by the Division to assist in the examination by performing certain examination procedures at the direction and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems, investments and actuarially determined loss and loss adjustment expense reserves.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings as a result of our examination.

COMPANY HISTORY

General

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 the Company amended its Certificate of Incorporation changing its name to Colonial Penn Annuity and Life Insurance Company.

On December 30, 1987, the Company was acquired by the Colonial Penn Life Insurance Company, a Pennsylvania corporation and a wholly owned subsidiary of the Colonial Penn Group Inc, and in turn a wholly owned subsidiary of FPL Group Inc., a Florida corporation. On August 16, 1991, FPL Group Inc. sold Colonial Penn Group Inc. and its subsidiaries to Charter National Life Insurance Company, a subsidiary of the Leucadia National Corporation.

On June 23 1993, John Hancock Variable Life Insurance Company ("JHVLICO"), a Massachusetts corporation and a wholly owned subsidiary of John Hancock Life Insurance Company ("JHLICO"), also a Massachusetts corporation, acquired the Company from Colonial Penn Life Insurance Company. On July 7, 1993, the Company's name was changed to John Hancock Life Insurance Company of America. The Company's name was again changed on January 20, 1998 to Investors Partner Life Company. On March 5, 1998, the Company filed a correction to its amendment to the Certificate of Incorporation changing its name to the Investor Partner Life Insurance Company.

On April 28, 2004, John Hancock Financial Services Inc., the parent of JHLICO, merged with and into the Manulife Financial Corporation. Effective August 10, 2004, the Company changed its name to Manulife Insurance Company. Effect April 4, 2008 the Company's name was changed to John Hancock Life & Health Insurance Company.

Effective January 1, 2009 the Company was re-domesticated from the State of Delaware to the Commonwealth of Massachusetts. On December 31, 2009 the Company's parent, JHVLICO, merged with John Hancock Life Insurance Company USA ("JHUSA") and ownership of the Company was transferred from JHVLICO to JHUSA.

Dividends

During the period of this examination, the Company's Board of Directors did not declare any dividends to its shareholder.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board of Directors.

Articles of Incorporation and Bylaws

The articles of incorporation and bylaws of the Company were reviewed. As part of the review, we noted that in accordance with the bylaws, the annual meeting of the shareholder was held each year in compliance with the bylaws at which time nine directors were elected to serve a term of one year or until their successors are elected and qualified. A quorum was noted at each meeting.

Board of Directors

At the annual meeting of shareholders, the shareholders shall choose by ballot not fewer than five directors, who shall hold office until the next annual meeting. A majority of the Board of Directors present shall be necessary to constitute a quorum for the transaction of business. Vacancies may be filled by the unanimous vote of the remaining directors or by the stockholders. Regular meetings of the Board of Directors may be held at such times as may be determined from time to time by the Chairman, the Chief Executive Officer or the Board of Directors.

Directors of the Company at December 31, 2014 were as follows:

| <u>Name of Director</u> | <u>Business Affiliation</u> |
|-------------------------|---|
| Craig R. Bromley | President, John Hancock Financial Services |
| Thomas N. Borshoff | Self-employed |
| Paul M. Connolly | Retired, Chief Operating Officer, Federal Reserve Bank of Boston |
| Michael J. Doughty | President and General Manager, John Hancock Insurance |
| Ruth A. Fleming | Retired Attorney |
| James D. Gallagher | Executive Vice President, General Counsel and Chief Administrative Officer, John Hancock Financial Services |
| Scott S. Hartz | Executive Vice President, General Account Investments, Manulife Financial Corporation |

John Hancock Life & Health Insurance Company

Rex E. Schlaybaugh, Jr.

Attorney, Dykema Gossett PLLC

John G. Vrysen

President and CEO, Vrysen Consulting

Officers

Officers of the Company at December 31, 2014 were as follows:

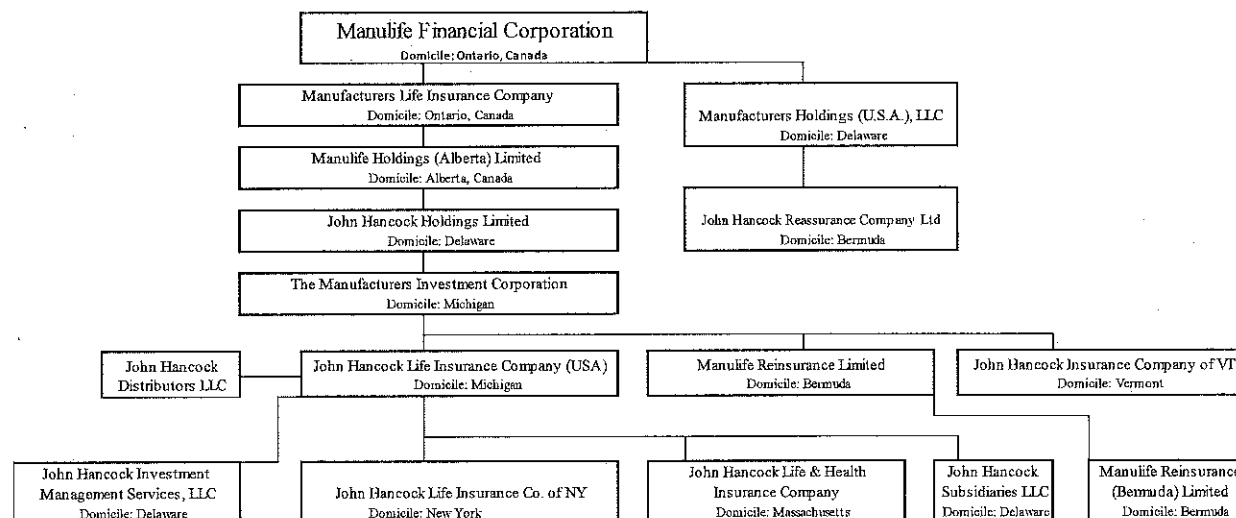
| <u>Name of Officer</u> | <u>Title</u> |
|------------------------|--|
| Craig R. Bromley | Chairman and President |
| Emanuel Alves | Vice President and Counsel and Corporate Secretary |
| Simonetta Vendittelli | Vice President & Controller |

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system known as “Manulife Financial Corporation” and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. The “ultimate controlling person” of the group is Manulife Financial Corporation.

Organizational Chart

At December 31, 2014, the Company is a member of the following organizational chart:



Transactions and Agreements with Subsidiaries and Affiliates

Administrative Service Agreement

The Company and JHUSA entered into an Administrative Service Agreement under which JHUSA provides certain administrative functions with respect to the operations of the Company. Where necessary, JHUSA may arrange to furnish the required services through one of more of its affiliates. Charges under the agreement shall reflect the actual cost thereof.

Liquidity Pool and Loan Facility Agreement

The Liquidity Pool is managed by JHUSA and is a vehicle for designated affiliates to invest their excess cash up to an aggregate of \$5 billion in U.S. currency and in an amount not to exceed 10% of the Company's admitted assets as shown in the last financial statement filed with the Division. Interest payable on U.S. dollar deposits is reset daily to the one-month U.S. Dollar London Inter-Bank Bid Rate.

Investment Management Agreement

The Company and JHUSA entered into an Investment Management Agreement under which JHUSA provides certain investment management services for the Company in its investment operations.

Financial Support Agreement

The Company has entered into a Financial Support Agreement with JHUSA providing a guarantee that JHLH be capitalized such that its Risk Based Capital ("RBC") ratio according to the NAIC formula is at or above 225% annually. In addition JHUSA or one of its affiliates will cause JHLH to have cash on hand for timely payment of the Company's contractual obligations.

Farmland Investment Advisory and Management Agreement

Effective October 1, 2009, the Company entered into a Farmland Investment Advisory and Management Agreement with Hancock Natural Resource Group, Inc. for the purpose of providing the Company with investment management and advisory services with respect to investments in commercial farmland.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed to transact business in all fifty (50) states, the District of Columbia and Puerto Rico. The Company's primary business is group and individual long term care ("LTC") insurance. In June 2010 the Company ceased writing new group business. The Company continues to write individual LTC business. The Company also administers, for the U.S. Office of Personnel Management ("OPM"), the Federal Long Term Care Insurance Program ("FLTCIP"), the largest employer-sponsored group long term care program in the United States. All policies, related assets and liabilities for the FLTCIP are held in the Company's Separate Account.

John Hancock Life & Health Insurance Company

The Company's life business consists primarily of single premium whole life insurance including COLI policies assumed from JHVLICO. The Company does not write any new life insurance business.

Treatment of Policyholders-Market Conduct

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company as of December 31, 2014. The market conduct examination was called pursuant to authority in M.G.L. Chapter 175, Section 4. The market conduct examination was conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of INS Regulatory Insurance Services, Inc. ("INS") were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins. The business areas that were reviewed under this comprehensive market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating and Claims. Each business area reviewed includes the identification and evaluation of the insurer's internal controls.

REINSURANCE

JHLH has entered into assumed and ceded reinsurance agreements, primarily with affiliates. The majority of key reinsurance agreements are the result of JHLH's parent reorganization which resulted in the merger of JHLICO and JHVLICO with and into JHUSA in 2009. Below are summaries of the key reinsurance agreements in effect as of the examination date.

Ceded Reinsurance

The Company has a coinsurance arrangement with John Hancock Reassurance Company, LTD of Bermuda ("JHRECO"). The Company cedes 50% of all liabilities for Group Long Term Care policies sold before 2008 and 50% of all liabilities for all individual policies originally issued in 1997 through December 31, 2007. The treaties also provide for JHRECO to provide the Company with letters of credit for the reserves credit taken by the Company.

Assumed Reinsurance

On October 1, 2009, pursuant to an assumption reinsurance agreement, approximately \$1.4 billion of reserves related to individual and group LTC policies sold to policyholders who reside in the State of New York (including assets supporting the business) were transferred from JHUSA to the Company.

Effective December 18, 2009, the Company accepted from JHLICO through novation, the assumed reinsurance contracts with AIG National Insurance Company, Clarendon National Insurance Company, Continental Casualty Company, Federal Insurance Company, Frontier

John Hancock Life & Health Insurance Company

Insurance Company, North American Specialty Insurance Company, Republic Western Insurance Company and Safety National Casualty Corporation. These contracts represent a closed block of specialty reinsurance covering a broad range of accident risks including death, disability, and/or medical benefits arising from one Managing General Underwriter, James E Hackett Reinsurance (JEH Re). Reinsurance contracts were accepted from 1991 through the end of 1998, and were a mixture of excess of loss, aggregate and quota share agreements. The vast majority of the business remaining is either Personal Accident London Market Excess (LMX) business or Workers Compensation Carve Out business. Through commutations and settlement activity, the reserve exposure of the block has been reduced significantly since 2007. All new business was discontinued on December 31, 1998. JHLH retrocedes 100% of this business to JHUSA.

Effective June 23, 1993, the Company assumed from Charter National Life Insurance under a 100% coinsurance agreement, single premium universal life policies. As of December 31, 2014, reserves on this business amounted to \$18,131,000.

Effective January 1, 2010, the Company entered into an agreement with JHUSA to assume under a 100% coinsurance basis certain blocks of discontinued business. The majority of this business is made up of Director Response and Group Creditor. Total reserves as of December 31, 2014, on this business was \$64,131,000, which was then retroceded to external reinsurers.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts and by the National Association of Insurance Commissioners as of December 31, 2014. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2014

Statement of Operations for the Year Ended December 31, 2014

Reconciliation of Capital and Surplus for the Five-Year Period Ended December 31, 2014

John Hancock Life & Health Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2014

| Assets | Per Annual Statement |
|--|-------------------------|
| Bonds | \$ 2,721,936,636 |
| Stocks: | |
| Preferred stocks | 7,500,000 |
| Common stocks | 23,509,191 |
| Mortgage loans on real estate: | |
| First liens | 299,700,798 |
| Real estate: | |
| Properties held for the production of income | 176,524,387 |
| Cash, cash equivalents and short-term investments | 136,734,700 |
| Contact loans | 69,182,767 |
| Derivatives | 334,846,576 |
| Other invested assets | 311,177,702 |
| Receivable for securities | 683,955 |
| Aggregate Write-ins for invested assets | 715,116 |
| Subtotals, cash and invested assets | 4,082,511,828 |
| Investment income due and accrued | 48,560,037 |
| Premiums and considerations: | |
| Uncollected premiums and agents' balances | 21,734,174 |
| Deferred premiums booked but not yet due | 1,125,046 |
| Reinsurance: | |
| Amounts recoverable from reinsurers | 2,675,049 |
| Other amounts receivable under reinsurance contracts | 7,768,752 |
| Net deferred tax asset | 21,924,197 |
| Guaranty funds receivable or on deposit | 46,847 |
| Receivables from parent, subsidiaries and affiliates | 236,782,573 |
| Aggregate write-ins for other than invested assets | 1,679,721 |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | 4,424,808,224 |
| From Separate Accounts, Segregated Accounts and Protected Cell Accounts | 6,275,321,267 |
| Total Assets | \$ 10,700,129,491 |

John Hancock Life & Health Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2014

| Liabilities | Per Annual Statement |
|--|-------------------------|
| Aggregate reserve for life contracts | \$ 742,884,677 |
| Aggregate reserve for accident and health contracts | 1,454,105,562 |
| Liability for deposit-type contracts | 27,767,778 |
| Contract claims: | |
| Life | 1,096,587 |
| Accident and health | 12,445,472 |
| Premiums and annuity considerations received in advance | 15,772,110 |
| Contract liabilities not included elsewhere: | |
| Other amounts payable on reinsurance | 4,799,365 |
| Interest Maintenance Reserve | 28,193,708 |
| Commissions to agents due or accrued | 33,511 |
| General expenses due or accrued | 830,410 |
| Transfers to Separate Accounts due or accrued | (9,821,634) |
| Taxes, licenses and fees due or accrued, excluding federal income taxes | (1,515,586) |
| Current federal and foreign income taxes | 10,484,696 |
| Amounts withheld or retained by company as agent or trustee | 65,306 |
| Remittances and items not allocated | 933,614 |
| Miscellaneous liabilities: | |
| Asset valuation reserve | 77,254,827 |
| Funds held under reinsurance treaties with unauthorized reinsurers | 954,026,345 |
| Payable to parent, subsidiaries and affiliates | 78,492,159 |
| Derivatives | 122,644,365 |
| Aggregate write-ins for liabilities | 158,558,653 |
| Total Liabilities excluding Separate Account business | 3,679,051,925 |
| From Separate Accounts statement | 6,275,321,267 |
| Total liabilities | 9,954,373,192 |
| Common capital stock | 10,955,800 |
| Gross paid-in and contributed surplus | 600,622,131 |
| Unassigned funds (surplus) | 134,178,368 |
| Surplus | 734,800,499 |
| Total capital and surplus | 745,756,299 |
| Totals | \$ 10,700,129,491 |

John Hancock Life & Health Insurance Company

Statement of Operations
For the Year Ended December 31, 2014

| | Per Annual Statement |
|--|-------------------------|
| Premium and annuity considerations | \$ 576,048,633 |
| Net investment income | 149,227,526 |
| Amortization of interest maintenance reserve | 7,458,010 |
| Commissions and expense allowances on reinsurance ceded | 8,373,581 |
| Miscellaneous Income | |
| Income from fees associated with investment management, administration and contract guarantees from Separate Account | 14,233,628 |
| Aggregate write-ins for miscellaneous income | 27,819,690 |
| Totals | 783,161,068 |
| Death benefits | 23,477,801 |
| Disability benefits and benefits under A&H policies | 85,454,919 |
| Surrender benefits and withdrawals for life contracts | 172,546,720 |
| Interest and adjustments on contract or deposit-type contract funds | 435,229 |
| Increase in aggregate reserves for life and accident and health policies and contracts | 70,751,269 |
| Totals | 352,665,938 |
| Commissions on premiums, annuity considerations and deposit-type contract funds | 10,624,695 |
| Commissions and expense allowances on reinsurance assumed | (489,780) |
| General insurance expenses | 18,518,367 |
| Insurance taxes, licenses and fees, excl. federal income taxes | 4,047,042 |
| Increase in loading on deferred and uncollected premiums | 963,825 |
| Net transfer to Separate Accounts net of reinsurance | 263,971,800 |
| Aggregate write-ins for deductions | 125,203,644 |
| Totals | 775,505,531 |
| Net gain from operations before dividends to policyholders and federal income taxes | 7,655,537 |
| Federal income taxes incurred (excluding tax on capital gains) | 10,069,820 |
| Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) | (2,414,283) |
| Net realized capital gains or (losses) | 5,214,576 |
| Net Income | \$ 2,800,293 |

John Hancock Life & Health Insurance Company

Reconciliation of Capital and Surplus
For the Five Year Period Ended December 31, 2014
(in million's)

| | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Capital and surplus, December 31, prior year | <u>\$ 682,655</u> | <u>\$ 664,851</u> | <u>\$ 597,887</u> | <u>\$ 461,846</u> | <u>\$ 350,912</u> |
| Net income (loss) | 2,800 | 82,381 | 12,029 | 93,053 | (218,488) |
| Change in net unrealized capital gains or (losses) | 76,663 | (42,136) | 25,556 | 51,392 | (11,357) |
| Change in net unrealized foreign exchange capital gain (loss) | (1) | | | | |
| Change in net deferred income tax | 7,178 | 11,819 | 14,243 | (34,487) | 52,905 |
| Change in nonadmitted assets | 18,920 | (19,337) | | 57,778 | (27,570) |
| Change in liability for reinsurance in unauthorized companies | | 1,121 | (249) | (872) | |
| Change in asset valuation reserve | (38,401) | 12,537 | 18,593 | (27,001) | (17,707) |
| Surplus adjustment: | | | | | |
| Paid in | | | | | 300,000 |
| Change in Surplus as a result of reinsurance | (1,291) | (28,582) | (3,208) | 28,321 | 2,204 |
| Aggregate write-ins for gains and (losses) in surplus | <u>(2,768)</u> | | | <u>(32,142)</u> | <u>30,945</u> |
| Net change in capital and surplus for the year | <u>63,102</u> | <u>17,804</u> | <u>66,964</u> | <u>136,042</u> | <u>110,933</u> |
| Capital and surplus, December 31, current year | <u>\$ 745,757</u> | <u>\$ 682,655</u> | <u>\$ 664,851</u> | <u>\$ 597,887</u> | <u>\$ 461,846</u> |

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION**

There were no changes in the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

Independent actuaries from Deloitte Consulting LLP were retained by the Division to perform a review of actuarially determined reserves and liabilities as of December 31, 2014. Given the risk-focused examination approach of the overall examination, the scope of the work involved the identification and assessment of the risks of the actuarially determined reserves and liabilities. This risk-focused analysis as of December 31, 2014, confirmed that the Company's internal controls generally mitigated the identified risks. Where residual risk was present after having considered the internal controls, additional procedures that would have been performed by Deloitte Consulting LLP were deemed to be redundant to procedures already performed by Ernst & Young during the course of Ernst & Young's external audit of JHLH as of December 31, 2014. In such instances, Deloitte Consulting LLP reviewed Ernst & Young work papers summarizing such procedures.

The Company's actuarially determined reserves and liabilities include provisions for unearned premiums; future claims in excess of future premium (i.e. life insurance policy reserves and health insurance contract reserves); future payment on claims that have been incurred, whether reported or not reported as of December 31, 2014 (i.e. claim reserves); and additional reserves established due to asset adequacy analysis. The \$2,238.3 million in the recorded general account reserves and liabilities are based on morbidity, mortality, and interest rate assumptions, where applicable, that produce reserves at least as great as those required by Chapter 175 of the Massachusetts General Laws. The \$4,803.2 million in reserves held in Exhibit 3 of the Company's Separate Account Annual Statement as of December 31, 2014, for the Federal Employees Long Term Care Insurance Program was not reviewed. Deloitte Consulting LLP's procedures were limited to a validation of the Company's assertion that it performs administrative services only for the Federal Employees Long Term Care Insurance Program and therefore bears no insurance risk.

Deloitte Consulting LLP reviewed documentation related to asset adequacy analysis that confirmed that the actuarially determined reserves and liabilities, after the establishment of \$130 million of additional reserves for the single premium universal life block of business due to the low interest rate environment and contractual minimum credited interest rate guarantees, are adequate as of December 31, 2014, in light of the assets held by the Company with respect to the reserves and liabilities.

SEPARATE ACCOUNTS

History

Sections 132F and 132G, Chapter 175 of the Massachusetts General Laws (and amendments thereto) provide for the establishment of a Separate Investment Account by a life insurance company. These Separate Investment Accounts are not part of the Company's General Account. Net income, realized capital gains or losses, and unrealized appreciation or depreciation of the Separate Accounts are credited directly to policyholders who participate in the Separate Accounts, without regard to any other income, realized capital gains or losses, or unrealized appreciation or depreciation of the Company.

Separate Accounts

The Company's Separate Accounts relate to a group annuity products called the Stable Value Fund and long term care products related to the Federal Long Term Care Insurance Program. Both products are not guaranteed by the Company's General Account. The asset balance by product in the Company's Separate Account as of December 31, 2014 is as follows:

| <u>Product</u> | <u>Balance as of December 31, 2014</u> |
|--|--|
| Stable Value Fund | \$ 1,443,419,540 |
| Federal Long Term Care Insurance Program | <u>4,803,237,026</u> |
| Total Separate Accounts | <u>\$ 6,246,656,566</u> |

SUBSEQUENT EVENTS

In 2009 JHLH renewed its contract with the Office of Personnel Management ("OPM"), to be the administrator of the Federal Long Term Care Insurance Program ("FLTCIP") providing long term care coverage to Federal employees, including U.S. Postal Service employees, members of the uniformed services, annuitants and their qualified family members. The FLTCIP was created under the authority of Public Law 106-265, the Long-Term Care Security Act ("Act"), and was codified as Chapter 90 of Titles 5 of the U.S. Code. Prescribed regulations necessary to carry out the law are codified at 5 CFR Part 875.

The Act directs OPM to contract with one or more qualified companies to issue a group long term care insurance policy to OPM to provide such insurance. The company must be licensed to issue long term care insurance in all 50 states and the District of Columbia. However, the terms of the contract awarded for FLTCIP which relate to the nature, provision, or extent of coverage or benefits shall supersede and preempt any State or local law, or any regulation issued there under, which are related to long term care insurance.

The term of the seven year contract during the examination period was from May 1, 2009 through April 30, 2016. On September 18, 2015, the OPM issued a Solicitation seeking qualified insurers to bid on the new contract to provide FLTCIP services for the seven year

period May 1, 2016 through April 30, 2023. On April 5, 2016 the OPM awarded JHLH the new contract.

Since the terms of the contract relating to premium and policy benefit features have not been finalized, information relating to these terms and the new contract period was not available to the examination team for review. The Division considers this program to be a material operation of the Company and therefore will review the terms and conditions of the new contract once it is finalized and available.


SUMMARY OF RECOMMENDATIONS

There are no recommendations being made as part of this examination report.

SIGNATURE PAGE

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company during the course of the examination.

The assistance rendered by Deloitte & Touche LLP who participated in this examination is hereby acknowledged.

A handwritten signature in black ink, appearing to read 'John M. Curran', is written over a horizontal line.

John M. Curran, CFE
Supervising Examiner
and Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance