THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

Report on the Comprehensive Market Conduct Examination of

John Hancock Life & Health Insurance Company

Boston, Massachusetts

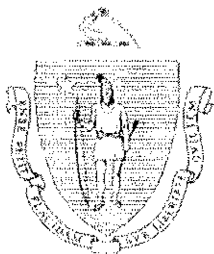
For the Period January 1, 2014 through December 31, 2014

NAIC COMPANY CODE: 93610

TABLE OF CONTENTS

Scope of Examination	4
Examination Approach	4
Executive Summary	5
Company Background	6
I. Company Operations/Management	8
II. Complaint handling	17
III. Marketing and Sales	20
IV. Producer Licensing	23
V. Policyholder Services	25
VI. Underwriting And Rating	333
VII. Claims	355
Summary	455
Acknowledgement	466

APPENDIX A – LIFE AND ANNUITY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES



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DANIEL R. JUDSON
COMMISSIONER OF INSURANCE

December 15, 2015

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

Dear Commissioner Judson:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, § 4, a comprehensive examination has been made of the market conduct affairs of

JOHN HANCOCK LIFE & HEALTH INSURANCE COMPANY

at their home offices located at:

601 Congress Street
Boston, MA 02210

The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Massachusetts Division of Insurance (the "Division") conducted a comprehensive market conduct examination ("examination") of John Hancock Life & Health Insurance Company (the "Company") for the period January 1, 2014 to December 31, 2014. The Company did not market any products during the examination period, and is no longer actively marketing any products. Accordingly, standards were not tested in the Producer Licensing, Marketing and Sales or Underwriting and Rating sections of the examination. The examination was called pursuant to authority in Massachusetts General Laws Chapter ("M.G.L. c.") 175, § 4. The examination was conducted under the direction, 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 the examination.

EXAMINATION APPROACH

A tailored examination approach was developed using the guidance and standards of the *2014 NAIC Market Regulation Handbook* ("the Handbook"), the examination standards of the Division, the Commonwealth of Massachusetts' insurance laws, regulations and bulletins, and selected Federal laws and regulations. All procedures were performed under the supervision of the market conduct examination staff of the Division. The operational areas that were reviewed under this examination include company operations and management, complaints handling, policyholder services, and claims. This examination report describes the procedures performed in these operational areas and the results of those procedures.

In addition to the processes and procedures guidance in the Handbook, the examination included an assessment of the Company's related internal controls. While the Handbook approach is designed to detect incidents of deficiency through transaction testing, the internal control assessment provides an understanding of the key controls that the Company's management uses to operate their business and to meet key business objectives, including complying with applicable laws and regulations related to market conduct activities.

The internal control assessment is comprised of three significant steps: (a) identifying controls; (b) determining whether the control has been reasonably designed to accomplish its intended purpose in mitigating the risk; and (c) verifying that the control is functioning as intended (i.e., review or testing of the controls). The effectiveness of the internal controls was considered when determining sample sizes for transaction testing. The form of this examination report is "Report by Test," as described in Chapter 15, Section A of the Handbook.

The Division considers a "finding" to be a violation of Massachusetts insurance laws, regulations or bulletins. An "observation" is defined as a departure from an industry best practice. The Division recommends that the Company's management evaluate any "finding" or "observation" for applicability to other jurisdictions. All unacceptable or non-compliant practices may not have been discovered or noted in this report. Failure to identify unacceptable or non-compliant business practices does not constitute acceptance of such practices. When applicable, corrective action should be taken in all jurisdictions. The Company shall report to the Division any such corrective action taken.

EXECUTIVE SUMMARY

This summary of the examination is intended to provide a high-level overview of the examination results highlighting where recommendations were made or required actions were noted. The body of the report provides details of the scope of the examination, the examination approach, internal controls for each standard, review and test procedures conducted, findings and observations, recommendations and required actions. Company managerial and supervisory personnel from each operational area should review the examination report for results relating to their specific area.

The following is a summary of all findings and observations, along with related recommendations and required action and, if applicable, subsequent Company action noted in this examination report. Any Massachusetts laws, regulations and bulletins cited in this report may be viewed on the Division's website at www.mass.gov/doi.

The examination resulted in no recommendations or required action with regard to company operations/management, complaint handling, marketing and sales, policyholder services, underwriting and rating, or claims. The examination indicated that the Company is in compliance with all tested Company policies, procedures and statutory requirements addressed in the examination. Further, the tested Company practices appear to meet industry best practices in these areas.

COMPANY BACKGROUND

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, a Certificate of Amendment was filed in the Office of the Secretary of the State of Delaware, amending the Certificate of Incorporation and changing the name of the Company to Colonial Penn Annuity and Life Insurance Company.

On December 30, 1987, the Company was acquired by Colonial Penn Life Insurance Company (CPL), a Pennsylvania corporation, which was a wholly owned subsidiary of Colonial Penn Group Inc. Colonial Penn Group Inc. was an insurance holding company incorporated under the laws of the State of Delaware, and was a wholly owned subsidiary of FPL Group Inc., a Florida corporation.

On August 16, 1991, FPL Group Inc. disposed of the entire Colonial Penn Group Inc., selling it to Charter National life Insurance Company (Charter), a subsidiary of the Leucadia National Corporation, the ultimate parent at that point.

During the beginning of 1993, the Company's entire book of business was ceded in two primary blocks. At the same time, a $637 million block of Single Premium Whole Life policies was assumed from Charter, which originally wrote the business.

On June 23, 1993, John Hancock Variable Life Insurance Company (JHVLICO), a Massachusetts corporation, which is a wholly owned subsidiary of the John Hancock Life Insurance Company (JHLICO), also a Massachusetts corporation, acquired the Company from CPL. Shortly thereafter, on July 7, 1993, the Certificate of Incorporation was amended again to change the name of the Company to John Hancock Life Insurance Company of America.

On January 20, 1998, a Certificate of Amendment of the Certificate of Incorporation was filed with the State of Delaware Secretary of State to again change the name of the Company to Investors Partner Life Company. On March 5, 1998, a Certificate of Correction to the Certificate of Amendment of the Corporation was filed to correctly reflect the name of the Company to be Investors Partner Life Insurance Company.

On April 28, 2004, John Hancock Financial Services Inc., the parent of JHLICO, merged with Manulife Financial Corporation, and Manulife Financial Corporation became the ultimate parent of the Company. Effective August 10, 2004, Investors Partner Life Insurance Company changed its name to Manulife Insurance Company. The name change was reflected on Certificate of Authority No. 4382P, issued by the Delaware Department of Insurance on September 8, 2004.

Effective April 4, 2008, Manulife Insurance Company changed its name to John Hancock Life & Health Insurance Company ("JHLH"). The name change was reflected on Certificate of Authority No. 4848P, issued by the Delaware Department of Insurance on April 10, 2008.

Effective January 1, 2009 the Company re-domesticated to Massachusetts. On December 31, 2009, JHLH's direct parent JHVLICO and its direct parent JHLICO merged with and into John Hancock Life Insurance Company (U.S.A.) ("JHUSA"). The Company is currently a wholly-owned subsidiary of JHUSA, with the ultimate parent being Manulife Financial Corporation, Canada.

The Company does not have an agency force, service providers (TPA's), wholly owned agencies, or an agency system plan (MGA's).

JHUSA provides administrative services relating to group long term care policies and individual life policies. The following services are performed on behalf of the insurance companies:

- Collecting premiums;
- Handling contractual changes;
- Answering customer calls and letters;
- Processing and paying claims;
- Interfacing with regulatory authorities, and;
- Maintaining appropriate records.

The Company is licensed in all states, the District of Columbia and Puerto Rico. The Company is currently only offering individual long-term care insurance in New York. In June 2010, the Company discontinued offering its group long-term care business in Massachusetts and elsewhere to employer groups. Thus, the Company is no longer selling business in Massachusetts. The Company continues to service its Massachusetts in-force group long-term care business and a small number of in-force life insurance policies.

I. COMPANY OPERATIONS/MANAGEMENT

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard I-1. The regulated entity has an up-to-date, valid internal, or external, audit program.

Objective: This Standard addresses the audit function and its responsibilities.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has an internal audit function completed internally by company staff.
- The internal audit department is an independent function operating under a Chief Audit Executive (CAE).
- The Chief Audit Executive formally reports to the audit committee five times per year.
- Four of those reports include quarterly results of audits.
- The audit results are reported with rated (ratings of Satisfactory, Requires Improvement or Unsatisfactory) and non-rated (advisory or consulting work) audit activity for the quarter.
- Any complex audit work (rated or non-rated) and audits with ratings of Unsatisfactory or Requires Improvement is highlighted in a paragraph that describes the issue and brief statement of the findings.
- The fifth report is made annually in December and outlines the audit plan for the coming year.
- A reconciliation report of actual accomplishments to the original audit plan approved by the Audit Committee is also provided annually.
- In addition, interim reports and less formal communication may be provided to the Audit Committee on an ad hoc basis, if needed.
- The CAE also provides an annual assessment to the Risk Management function by sending a report to the Risk Committee.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed general procedures for internal audits and compliance as well as a listing of internal audits performed between 2011 and 2014. Seven (7) audit reports were selected and reviewed. INS also interviewed the Company's Audit Services Vice President, who detailed the audit activities of the Company. None of the internal audits presented any unusual or items of concern to the examiners. INS determined that the Company has appropriate policies and processes to guide and monitor its internal audit functions.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-2. The regulated entity has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Objective: This Standard addresses the effectiveness of the Company's Computer Information.

Controls Assessment: The following controls were noted in review of this Standard:

- The parent Company, Manulife, has established enterprise-wide information security policies and standards that John Hancock follows. These policies are aligned with industry practices (e.g. ISO 27001/27002).
- The Company has a policy that outlines the control framework that organizes security and risk controls into categorized Security and Risk Domains as per the ISO 27002:2005 framework.
- The policies apply to all forms of information created, used or maintained by or on behalf of John Hancock, including that pertaining to consumers, commercial and corporate customers and proprietary information about the Company's products, services, processes, strategies and performance.
- Controls are tested and verified by the Company's internal Audit Services.
- John Hancock utilizes a variety of encryption approaches to protect against unauthorized modification of data. (e.g., digital signatures).
- John Hancock has an Information Acquisition, Development and Maintenance Policy, which ensures that the acquisition, development and maintenance of Manulife information systems are performed in a secure and controlled manner.
- John Hancock has Logical Access Control Policy and Standard, which states that all access shall be granted on a Least Privilege Access Basis. Restating this, you should only have the access you need to do your job, with the least amount of privileges required.
- John Hancock's Information Risk Management team is responsible for conducting regular application access reviews, which are performed on all significant applications.
- Regular reviews ensure that all those with current access should have that access.
- Access is removed if the manager determines the access is not needed.
- Monthly termination reviews ensure that any associates that have terminated or transferred in the previous month have had their access removed.
- Annual Key System Reviews are conducted to ensure that all access to production application servers and folders is required and at the proper permission level.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed Company's computer information policies and procedures. INS determined that the Company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-3. The regulated entity has antifraud initiatives in place that are reasonably calculated to detect, prosecute, and prevent fraudulent insurance acts.

Objective: This Standard addresses the effectiveness of the Company's antifraud plan. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company maintains an antifraud plan.
- The Investigative Services Unit is responsible for a number of antifraud activities and investigations across the globe in conjunction with different business units.
- Updates are completed when the compliance office sends an alert that changes are required.
- Changes are then made to the plan and are subject to approval of the Company's US Compliance office.
- The Investigative Services Unit is responsible for a number of antifraud activities and investigations across the globe in conjunction with different business units.
- In addition, the unit oversees antifraud training of employees via a module in the Compass system (internal system) and also conducts in person training.
- The Company requires annual completion of forms for 1033 compliance.
- The Investigative Services Unit electronically fingerprints all John Hancock US based new hires (either directly or scans print cards obtained from new hires living/working outside Massachusetts).
- A third party vendor conducts a complete background check to include education, employment and professional credential verifications; a review of insurance and Financial Insurance Regulatory Authority licensing records when applicable; and criminal records checks.
- The same third party vendor also conducts a similar background check on Manulife and John Hancock employees living/working in Canada.
- The unit makes reports to the Massachusetts Fraud Bureau and Division of Insurance as required.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's Antifraud Plan and Antifraud Guidelines Manuals that addressed the antifraud initiatives. The Company also interviewed the Company's Assistant Vice President responsible for Antifraud oversight. INS determined that the Company has comprehensive antifraud prevention guidelines designed to provide the employees with the necessary guidance and resources to effectively detect, prevent, and report suspected fraud.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-4. The regulated entity has a valid disaster recovery plan.

Objective: This Standard addresses the Company's efforts to adequately monitor the activities of the contracted entities that perform business functions on its behalf.

Controls Assessment: The following controls were noted in review of this Standard:

- John Hancock has a Business Continuity and Disaster Recovery Planning and Incident Management Process.
- The Company's plans are built to address denial of access or loss of a primary business production site, computing services of a key vendor that impedes the ability to serve customers, and unavailability of a substantial proportion of business unit staff (e.g. infectious disease).
- Business Continuity Plans are owned by each individual business unit and are tailored specifically to business unit requirements.
- Plans identify critical functions through a business impact analysis and specific tasks necessary to recover those functions in the event of a business interruption.
- The plans are reviewed annually, exercised, and approved by senior management, per company standards.
- The Company has an alternate site program that leverages the multiple John Hancock campuses as well as a workplace flexibility program enabling staff to work remotely.
- The Company also has contracted with recovery vendors.
- Standard disaster recovery includes all critical production data, regardless of platform to be backed up and stored offsite for disaster recovery purposes.
- A written data center recovery plan is maintained which outlines the strategy and steps needed to restore the complete technical environment including software and tools, and for restoring all production applications.
- In the event of data center disaster, the critical workload would be restored at the Company's disaster recovery sites.
- The sites are fully equipped data centers which John Hancock contracts and/or owns and include the hardware and network components required to recover the critical workload.
- All components of John Hancock's disaster recovery plans are maintained on an ongoing basis to ensure their integrity and tests are conducted regularly.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's Business Continuity and Disaster Recovery Planning and Incident Management Process. INS determined that the company has a comprehensive disaster recovery plan.

Transaction Testing Results

Findings: None.

Observations: None.

Recommendations: None.

Standard I-5. Contracts between the regulated entity and entities assuming a business function or acting on behalf of the regulated entity, such as, but not limited to, MGAs, GAs, TPAs and management agreements must comply with applicable licensing requirements, statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not have service providers (TPA's), wholly owned agencies, or an agency system plan (MGA's) active during the examination period.

Standard I-6. The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not have service providers (TPA's), wholly owned agencies, or an agency system plan (MGA's) active during the examination period.

Standard I-7. Records are adequate, accessible, consistent and orderly and comply with record retention requirements.

Objective: This Standard addresses the adequacy and accessibility of the Company's records. See

Controls Assessment: The following controls were noted in review of this Standard:

- The Company maintains a Records Management Program.
- The records have life cycles with different stages.
- All Company records, regardless of medium or format, are actively managed and protected throughout their lifecycle, from planning to disposition.
- The Company maintains a record retention schedule listing that includes the type of file, file description, function, codes and indicators of the types of records for each code.
- There are strong controls and a secure process for ensuring appropriate security measures are taken when destroying records.
- Records are retained in appropriate company or departmental locations rather than in employee personal storage.
- The Company maintains all records as required for regulatory, legal, business and archival purposes, regardless of media type or location.
- The Company maintains the integrity and accessibility of records for as long as the information is required.
- The Company ensures all records are stored in an acceptable shared repository with appropriate access controls.
- The Company properly disposes of records when retention requirements have been met.
- The Company protects the confidentiality and security of any proprietary, nonpublic, personal and Company information.
- All business units maintain procedures that identify business records that they created and access, where they are stored and their retention requirements.
- All employees must create accurate and complete records. Alteration, mutilation or otherwise tampering with a record is strictly forbidden under records policy and the Code of Business Conduct and Ethics.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's record retention policies (Records management Principles, Standards and Guidelines, Records Management Policy Manuals) and evaluated them for reasonableness. INS determined that the Company's records are adequate, accessible, consistent and orderly and comply with record retention requirements. There were no concerns about record availability occurring during the examination process.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-8. The regulated entity is licensed for the lines of business that are being written.

Objective: This Standard addresses whether the lines of business written by the Company are in accordance with the lines of business authorized by the Division. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: INS reviewed the Company's certificate of authority, and compared it to the lines of business which the Company has previously written in the Commonwealth. The Certificate of Authority is consistent with the lines of business written by the Company. John Hancock Life & Health Insurance Company did not market any new products during the examination period, and the Company is no longer actively marketing any products in the Commonwealth of Massachusetts.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-9. The regulated entity cooperates on a timely basis with examiners performing the examinations.

Objective: This Standard is concerned with the Company's cooperation during the course of the examination. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Due to the nature of this Standard, no controls assessment was performed.

Controls Reliance: Not applicable.

Transaction Testing Procedure: The Company's level of cooperation and responsiveness to examiner requests was assessed throughout the examination process. The Company examination coordinator was consistently responsive to examiner requests during the examination and there were no concerns about company responsiveness arising during the examination process.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-10. The regulated entity has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions to minimize any improper intrusion into the privacy of applicants and policyholders.

Objective: This Standard addresses the Company's policies and procedures to ensure it minimizes improper intrusion into the privacy of individuals. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in conjunction with the review of this Standard and Standards I-11 through I-17:

- The Company has developed and implemented written policies, standards and procedures for the collection, use, disclosure and management of information gathered in connection with insurance transactions.
- The Company's Privacy Officer (PO) is responsible for developing privacy policies and procedures.
- All new policies developed by the PO are reviewed and approved by the Chief Privacy Officer (CPO) and Chief Compliance Officer (CCO) and reviewed at least annually thereafter by the Director of Privacy.
- All material changes to the existing policies are approved by the CCO and CPO, and non-material changes are approved by the Director of Privacy.
- All employees are responsible for adhering to all Corporate, Divisional and business unit privacy policies and procedures.
- Privacy is centrally coordinated throughout a division and there is an annual privacy training and certification process required for each employee.
- An incident response process exists and an attorney is assigned as counsel to the privacy office (covers both paper and electronic privacy).
- John Hancock strictly adheres to State and Federal Privacy laws.
- Privacy Coordinators are responsible for implementing information protection policies and procedures for all employees in their respective business areas.

- All managers are responsible for ensuring employees who report to them understand and adhere to all privacy policies and procedures and that all privacy/security training requirements are completed.
- John Hancock implemented many administrative, technical and physical safeguards designed to protect Personal Identifiable Information (PII), Personal Health Information (PHI) and Company Confidential Information (CCI) from the time it is collected until it is no longer needed and properly disposed of in accordance with the Company's Records Management Policy.
- All employees (full-and part-time, contractors and temporary hires) are required to secure ongoing information protection training and awareness.
- At the Corporate level, all employees are required to complete annual Code of Ethics training, and this training typically includes a section on Information Protection.
- John Hancock provides its customers with Privacy Notices that describe the information it collects about them, how that information is used and shared, and how it is protected.
- All transfer of information that involves PII/PHI/CCI is done securely.
- Any proposed marketing or secure initiative that involves a new or different information sharing practice between employees, affiliated companies or third parties is assessed to identify risk and to determine if there is any violation of the Customer Privacy Notice.
- John Hancock does not sell or share information with affiliate companies to market other John Hancock products unless the customer asks the Company to do so. Therefore, John Hancock does not provide an Opt-Out Program to its customer.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the processes for privacy and information security compliance provided by the Company. In addition, INS interviewed the Company's Chief Compliance Officer regarding privacy protection. Based upon the review and interview, INS determined that the Company has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions to minimize any improper intrusion into the privacy of applicants and policyholders.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard I-11. The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-12. The regulated entity has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-13. The regulated entity provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-14. If the regulated entity discloses information subject to an opt out right, the company has policies and procedures in place so that nonpublic personal financial information will not be disclosed when a consumer who is not a customer has opted out, and the company provides opt out notices to its customers and other affected consumers.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-15. The regulated entity's collection, use and disclosure of nonpublic personal financial information are in compliance with applicable statutes, rules and regulations.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-16. In states promulgating the health information provisions of the NAIC model regulation, or providing equivalent protection through other substantially similar laws under the jurisdiction of the insurance department, the regulated entity has policies and procedures in place so that nonpublic personal health information will not be disclosed except as permitted by law, unless a customer or a consumer who is not a customer has authorized the disclosure.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-17. Each licensee shall implement a comprehensive written information security program for the protection of nonpublic customer information.

The objective of this Standard relates to privacy matters and is included in Standards I-10.

Standard I-18. All data required to be reported to departments of insurance is complete and accurate.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

II. COMPLAINT HANDLING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard II-1. All complaints are recorded in the required format on the regulated entity's complaint register.

Objective: This Standard addresses whether the Company formally tracks complaints or grievances as required by statute. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of all Complaint Handling Standards:

- The Company's complaints are recorded in the required format on the Company's complaint register.
- Written Company policies and procedures govern complaint handling.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's complaint register and the six Massachusetts complaints received during the examination period. Based upon review, INS determined that the Company records all complaints in the required format on the Company's complaint register.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard II-2. The regulated entity has adequate complaint handling procedures in place and communicates such procedures to policyholders.

Objective: This Standard addresses whether the Company has adequate complaint handling procedures, and communicates those procedures to policyholders and consumers. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

- Written Company policies and procedures govern complaint handling.
- If a consumer refuses to put a complaint into writing and it is determined to be an actual complaint, the manager or supervisor will memorialize the complaint to writing.

- All complaints are sent to Customer Relations for tracking and handling.
- All Life, LTC, and Annuity complaints are tracked on the Complaint Lawsuit Tracking System (COLTS) maintained by Customer Relations.
- The complaints are logged by Customer Relations and an acknowledgment letter is sent out within one business day.
- Customer Relations then works with the individual business area to gather information and respond to the complaint.
- In some instances, the Legal Department or business area will respond directly to the complaint.
- The Division of Insurance or Attorney General complaints are received by the Corporate Secretary's Office and sent to Customer Relations for logging and handling.
- The complaints are sent by the Corporate Secretary's Office to Customer Relations via email or, if in hard copy, through inter-office mail.
- All regulatory complaints contain a deadline provided by the applicable Department of Insurance or Attorney General's office.
- The analysis, response, and resolution efforts are prioritized accordingly.
- Complaints involving retirement investment and mutual fund products are handled by other areas within the Company.
- The Company uses a variety of performance benchmarks and goals to measure and monitor complaint activity.
- For regulatory complaints, the Company produces daily due date reports that show the applicable due dates.
- In addition, daily open case list reports display all open complaints and the length of time each case had been pending. These reports are assessed daily.
- The Company produces reports showing cycle times, weekly production statistics by consultant and other related features.
- The Company provides quarterly reports to senior management with metrics including complaint volumes, complaints by product type, reason codes by function, source of complaints, resolution codes, etc. These reports are produced for life and long term care with annuities reported separately.
- Ad hoc reports are produced upon request.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the policies and procedures provided by the Company. INS also interviewed the Director of Consumer Relations, who described the Company's complaints handling process. In addition, INS reviewed the six Massachusetts complaints received during the examination period, and the Company's complaint register and log. INS determined that the Company has adequate complaint handling procedures in place. The Company has established policies and procedures to adequately handle any complaints received.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard II-3. The regulated entity takes adequate steps to finalize and dispose of the complaint in accordance with applicable statutes, rules and regulations, and contract language.

Objective: This Standard addresses whether the Company's response to the complaint fully addresses the issues raised, and whether policyholders or consumers with similar fact patterns are treated consistently and fairly.
Controls Assessment: See Standard II-2.

Controls Reliance: See Standard II-2.

Transaction Testing Procedure: INS reviewed the policies and procedures provided by the Company. INS also interviewed the Director of Consumer Relations, who described the Company's complaints handling process. In addition, INS reviewed six Massachusetts complaints received during the examination period, and the Company's complaint register and log. INS determined that the Company takes adequate steps to finalize and dispose of the complaints in accordance with applicable statutes, rules and regulations, and contract language.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard II-4. The time frame within which the regulated entity responds to complaints is in accordance with applicable statutes, rules and regulations.

Objective: This Standard addresses the time required for the Company to process each complaint. See
Controls Assessment: See Standard II-2.

Controls Reliance: See Standard II-2.

Transaction Testing Procedure: INS reviewed the policies and procedures provided by the Company. INS also interviewed the Director of Consumer Relations, who described the Company's complaints handling process. In addition, INS reviewed the six Massachusetts complaints received during the examination period, and the Company's complaint register and log. INS determined that the Company responds to complaints in accordance with applicable statutes, rules and regulations.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

III. MARKETING AND SALES

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard III-1. All advertising and sales materials are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-2. Regulated entity internal producer training materials are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-3. Regulated entity communications to producers are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-4. The insurer's rules pertaining to producer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-5. The insurer's rules pertaining to insurer requirements in connection with replacements are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-6. An illustration used in the sale of a policy contains all required information and is delivered in accordance with statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-7. The insurer has suitability standards for its products, when required by applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-8. Pre-need funeral contracts or pre-arrangement disclosures and advertisements are in compliance with statutes, rules, and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-9. The regulated entity's policy forms provide required disclosure material regarding accelerated benefit provisions.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-10. Policy application forms used by depository institutions provide required disclosure material regarding insurance sales.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-11. Insurer rules pertaining to producer requirements with regard to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-12. Insurer rules pertaining to suitability in annuity transactions are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-13. The insurer has procedures in place to educate and monitor insurance producers and to provide full disclosure to consumers regarding all sales of products involving fixed-index annuity products, and all sales are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-14. The insurer has product-specific training and materials designed to provide producers with adequate knowledge of the annuity products recommended prior to soliciting the sale of annuity products. The insurer also must have reasonable procedures in place to require its producers to comply with applicable producer training requirements.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-15. The insurer has procedures in place to provide full disclosure to consumers regarding all sales of products involving fixed-index annuity products, and all sales are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-16. The insurer has procedures in place to provide full disclosure to consumers regarding all sales of products involving index life, and all sales are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard III-17. The insurer's underwriting requirements and guidelines pertaining to travel are in compliance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

IV. PRODUCER LICENSING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard IV-1. Regulated entity records of licensed and appointed (if applicable) producers agree with insurance department records.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

Standard IV-2. The producers are properly licensed and appointed and have appropriate continuing education (if required by state law) in the jurisdiction where the application was taken.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

Standard IV-3. Termination of producers complies with applicable standards, rules and regulations regarding notification to the producer and notification to the state, if applicable.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

Standard IV-4. The regulated entity's policy of producer appointments and terminations does not result in unfair discrimination against policyholders.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

Standard IV-5. Records of terminated producers adequately document the reasons for terminations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

Standard IV-6. Producer account balances are in accordance with the producer's contract with the insurer.

No work performed. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products so they do not utilize producers in Massachusetts.

V. POLICYHOLDER SERVICES

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard V-1. Premium notices and billing notices are sent out with an adequate amount of advance notice.

Objective: This Standard addresses whether the Company provides policyholders with sufficient advance notice of premiums due. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- All billing notifications are automated according to the specific parameters of each line of business.
- The term life billings are sent 21 days in advance of the due date with automatic drafts available for monthly frequencies only.
- Universal life policies were all issued single payment policies so there is no additional billing for those policies.
- Any automatic draft returned items are received through a data feed that generates an automated reversal of premium and correspondence to the insured.
- The group long term care bills are sent 30 days in advance, that is, 1 month prior to the due month by the 10th of the month.
- Reminder notices are sent thirty (30) days after the premium due date.
- Protection Against Unintended Lapse (PAUL) notices are sent at the same time as the reminder notices to designees selected by the insureds to receive notification of policies in danger of lapsing.
- Policies that are due and unpaid 90 days beyond their due date, lapse for non-payment.
- Lapse notifications are system generated and sent to the insureds.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for providing billing and lapse notices. INS also interviewed the Company Assistance Vice President, the Director of Collections and the Director of Long Term Care Insurance, who described the Company's billing process. INS determined that the Company has sufficient policies and procedures for providing billing and lapse notices in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-2. Policy issuance and insured-requested cancellations are timely.

Objective: This Standard addresses the Company's procedures to ensure that policyholder cancellation requests are processed timely. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written policies and procedures for processing of policyholder and contract holder transaction requests.
- The Company has established standards for processing policyholder transactions like policy cancellation requests.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for processing insured-requested cancellations. INS also reviewed the three (3) group long term care policy cancellation requests received during the examination period. Based upon review and testing, INS determined that the Company has policies and procedures to process insured-requested cancellations accurately and timely.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-3. All correspondence directed to the regulated entity is answered in a timely and responsive manner by the appropriate department.

Objective: This Standard addresses the Company's procedures for providing timely responses to customers. Complaints are covered in the Complaint Handling Section, and claims are covered in the Claims Section.
Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written policies and procedures for timely processing of customer correspondence.
- There is a Call Center that handles most front office activity related to phone inquiries from insureds and other consumers.
- The policyholder service area receives work requests from the call center.
- The Company has established standards for processing transactions.
- The standard for completion of each of the items is between 3-10 days.
- Phone call standards require 80% of calls answered within 30 seconds for life and 80% of calls answered within 60 seconds for group long term care.
- Emails are usually directly handled first by the Service Center.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for responding to customer correspondence. INS also reviewed a sample of 80 life policy service transactions and 60 group long term care insurance service policy transactions. During the file reviews, the examiners observed that communications were handled in a timely manner and without delay. Based on review, company management personnel interview and testing, INS determined that the Company has policies and procedures to process customer correspondence in a timely and responsive manner.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-4. Whenever the regulated entity transfers the obligations of its contracts to another regulated entity pursuant to an assumption reinsurance agreement, the regulated entity has gained the prior approval of the insurance department and the regulated entity has sent the required notices to affected policyholders.

There was no work performed for this Standard. The Company did not enter into any assumption reinsurance agreements during the examination period.

Standard V-5. Policy transactions are processed accurately and completely.

Objective: This Standard addresses procedures for processing changes to insurance accounts after policy issuance. Billing transactions are tested in Standard V-1, and insured-requested cancellations are reviewed in Standard V-2. Return of premium testing is included in Standard V-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written policies and procedures for the timely processing of policyholder and contract holder service transactions.
- The Company has established standards for processing transactions.
- The standard for completion of each of the items is between 3-10 days.
- Phone call standards require 80% of calls answered within 30 seconds for life and 80% of calls answered within 60 seconds for group long term care.
- Emails are usually directly handled first by the Service Center.
- Transaction requests were considered and responded to in a timely manner.
- There were no instances of delays noted by the examiners during their file reviews.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the policies and procedures for processing post-issue policy transactions. INS also reviewed a sample of 80 life policy service transactions and 60 group long term care insurance service policy transactions. During files review process, the examiners observed that policy transactions were handled in a timely manner and without delay. Based on review, company management personnel interview and testing, INS determined that the Company has policies and procedures to process policy transactions in a timely and responsive manner.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-6. Reasonable attempts to locate missing policyholders or beneficiaries are made.

Objective: This Standard addresses efforts to locate missing policyholders or beneficiaries, and to comply with escheatment and reporting requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Return mail is logged in a workflow and an attempt to identify a correct address is made through ACCURINT. If there is no success, the item is pended for six months and ACCURINT is again searched to attempt to find a new address.
- When a check is unpaid for a period of 120 days, telephone contact is made to determine if a check needs to be re-issued. If the check remains uncashed, additional due diligence would be conducted.
- The Company has an in house process in place to search monthly against the Social Security Death Master File (SSDMF) monthly update file.
- Social Security Number and name matches are identified through the monthly search process. In addition, the Company searches quarterly using LexisNexis to conduct a search against all databases and five years of lapse history.
- Fuzzy matches are identified in this quarterly search.
- Shared services maintains the fuzzy matches and researches them if there is not a beneficiary claim or contact within 90 days.
- At that time, a thorough search process is undertaken to determine if the fuzzy match is an insured.
- When there is a death notification in any system, the BRIDGER system automatically searches all other databases to identify any other policies for that individual.
- The BRIDGER system conducts a search and reports back daily with any hits.
- Trigger events begin dormancy periods for determining when escheatment is applicable.

- When there is a death claim, there is an automated system to communicate the death to other business areas. In addition, there is a monthly review against the Social Security Death Master File (SSDMF).

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's policies and procedures for locating missing policyholders and beneficiaries. INS also interviewed the Assistant Vice President, who described: 1) the procedures to escheat unclaimed policy or contract benefits in accordance with state law, and 2) processes for locating missing policyholders, contract holders and beneficiaries, when correspondence such as annual statements, premium notices, privacy notices, etc. is returned as undeliverable. INS determined that the Company's escheatment and missing policyholders and/or beneficiaries processes were adequate.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-7. Unearned premiums are correctly calculated and returned to the appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.

Objective: This Standard addresses return of the correctly calculated unearned premium in a timely manner when policies are cancelled. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has written service standards to ensure the accurate and timely processing of unearned premium refunds.
- For group long term care (GLTC) insurance policy premium refunds, refunds are sent out by the GLTC Collections Department when premium is received for an insured beyond the coverage termination date or during the period which premium is waived due to active Claim status.
- The Care Admin system used by the GLTC Collections Department for all processing of premiums will automatically detect when premium is applied to the system for an account which has been terminated or is in waiver of premium due to Claim status and will place that premium in a suspense location on the Care Admin system.
- The GLTC Collections team reviews these suspense items daily as part of their processing and will review each account to determine if premium has been paid beyond the coverage termination date or waiver of premium date.
- Once confirmed, the GLTC Collections team member will process the refund on the Care Admin system via a system refund template.
- The GLTC Collections Department team member will complete the Refund Template by confirming that the pre filled Payor name and address is correct and will also confirm the refund amount calculated by the Care system based on the termination or waiver of premium date is accurate and pre filled correctly on the Care Refund Template.

- The team member will then choose from a list of available refund reasons which will appear on the memo of the refund check.
- Once the refund template has been completed by the GLTC Collections Department team member it routes automatically via the Care Admin System to the Manulife/John Hancock Treasury Department.
- The Refund Check is generated overnight during a batch process and mailed from the Treasury Department to the address on file in the Care Admin System for the Payor.
- Premiums paid past a termination or death notification are calculated by the administrative system, CARE, based on a pro-rated basis.
- These monies are placed in a suspense account.
- These premiums are refunded from that suspense account to the payor of the coverage or the estate of the payor.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed a sample of 80 group long term care insurance policy premium refunds to ensure that unearned premiums were properly calculated and returned timely. INS determined that the unearned premium was accurately calculated and returned in a timely manner to the policyholder.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-8. Reinstatement is applied consistently and in accordance with policy provisions.

Objective: This Standard addresses consistent reinstatement processing in compliance with policy provisions. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- A term life policy lapses after 69 days.
- Group long term care lapses after one month and 21 days.
- Any premium payments made after that period require the completion of a form to reinstate the policy.
- The form is reviewed by a reinstatement team and sent to underwriting for review.
- The process is the same for life and group long term care, however, group long term care lapses are rare.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the five group long term care insurance policies which were reinstated during the examination period. INS also interviewed the Company's Policyholder Service management personnel, who described the Company's policies and procedures with regard to reinstatement requests. Based on the files tested, and the interview, INS determined that the Company has policy and procedures to process the reinstatement requests in accordance with the policy provisions.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-9. Non-forfeiture options are communicated to the policyholder and correctly applied in accordance with the policy contract.

Objective: This Standard evaluates notification to life policyholders regarding non-forfeiture options, and requires application of these options in accordance with the contract. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Non-forfeiture options are applied in accordance with the policy provisions.
- The policyholder also has the option to choose automatic premium loans, if their premium remained unpaid after the grace period. The automatic premium loan option could be selected at issue or after issue.
- Non-forfeiture information for a policy is programmed into the system and the system automatically applies the non-forfeiture option.
- A lapse notice is sent to the policyholder, which explains the non-forfeiture option elected, or the policy default non-forfeiture option, if applicable.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's non-forfeiture process. The Company also stated that, "In JHLH, the majority of Life policies are either Term or Single Premium UL, neither of which has non-forfeiture processing. There is a small group of policies that are the result of group conversions. To the extent that one of these policies has a plan type that has cash values and non-forfeiture processing, the non-forfeiture option is set at issue." Based on the review, INS determined that non-forfeiture options are communicated to the policyholder and correctly applied in accordance with the policy provisions.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-10. The regulated entity provides each policy owner with an annual report of policy values in accordance with statute, rules and regulations and, upon request, an in-force illustration or contract policy summary.

Objective: This Standard addresses periodic disclosure to the policyholder of contract information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Annual Statements are provided for the Universal Life business.
- The Annual Statements are sent approximately two weeks after the policy anniversary.
- An interim report may be requested from the Service Center at any time.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS interviewed the Policyholder Service management personnel, who described the Company's practices and procedures for providing policyholders with the required annual or quarterly report. Based on the interview, INS determined that the Company has adequate procedures for providing universal life policyholders with timely Annual Reports.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard V-11. Upon receipt of a request from policyholder for accelerated benefit payment, the regulated entity must disclose to the policyholder the effect of the request on the policy's cash value, accumulation account, death benefit, premium, policy loans and liens. The regulated entity must also advise that the request may adversely affect the recipient's eligibility for Medicaid or other government benefits or entitlements.

No work was performed for this Standard. This Standard not covered in the scope of the examination because the Company did not offer new business with accelerated benefits in Massachusetts during the examination period. Accelerated benefits are available for some of the life policies but claims are extremely rare.

VI. UNDERWRITING AND RATING

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures, (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard VI-1. The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-2. All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-3. The regulated entity does not permit illegal rebating, commission cutting or inducements.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-4. The regulated entity underwriting practices are not unfairly discriminatory. The company adheres to applicable statutes, rules and regulations and regulated entity guidelines in the selection of risks.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-5. All forms including contracts, riders, endorsement forms and certificates are filed with the insurance department, if applicable.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely and completely.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-7. Rejections and declinations are not unfairly discriminatory.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-8. Cancellation/non-renewal, discontinuance and declination notices comply with policy provisions, state laws and regulated entity guidelines.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-9. Rescissions are not made for non-material misrepresentation.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-10. Pertinent information on applications that form a part of the policy is complete and accurate

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

Standard VI-11. The regulated entity complies with the specific requirements for Acquired Immune Deficiency Syndrome (AIDS)-related concerns in accordance with statutes, rules and regulations.

No work was performed for this Standard. John Hancock Life & Health Insurance Company did not market any products during the examination period, and is no longer actively marketing any products.

VII. CLAIMS

Evaluation of the Standards in this business area is based on (a) an assessment of the Company's internal control environment, policies and procedures (b) the Company's response to various information requests, and (c) a review of several types of files at the Company.

Standard VII-1. The initial contact by the regulated entity with the claimant is within the required time frame.

Objective: This Standard addresses the timeliness of the Company's initial contact with the claimant. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- For life insurance policy claims, a beneficiary, attorney or representative contacts the Call Center.
- Claimant statements are then sent out with requests for required documentation.
- When the information is returned, a claim record is created and the claim is considered incurred at that point.
- When the claim form is returned, an acknowledgement is sent out.
- For group long term care insurance policy claims, a call is usually received in the Call Center where questions are asked and to assess whether a policy is in-force.
- Once determined to be active policy and a claim scenario, a claim form is sent to the caller.
- When the claim form is returned, an acknowledgement letter is sent out.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the claims handling policies and procedures. INS also reviewed all six life policy claims, and a sample of 103 group long term care insurance policy claims received during the examination. INS observed that appropriate contact was made after the notification of claim was received. Based upon testing INS determined that the Company's processes for providing timely initial contact with claimants are functioning in accordance with its policies, procedures, and statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-2. Timely investigations are conducted.

Objective: The Standard addresses the timeliness and completeness of the Company's claim investigations. See Appendix A for applicable statutes, regulations and bulletins.
Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- For life insurance policy claims, a beneficiary, attorney or representative contacts the Call Center.
- Claimant statements are then sent out with requests for required documentation.
- When the information is returned, a claim record is created and the claim is considered incurred at that point.
- The claim is then processed with a goal of 95% of claims being paid within 10 days.
- Since the Company has an older block of business, there are no investigations required as the policies are beyond the contestable period.
- For group long term care insurance policy claims, a call is usually received in the Call Center where questions are asked and to assess whether a policy is in-force.
- Once determined to be active policy and a claim scenario, a claim form is sent to the caller.
- When the claim form is returned, an acknowledgement letter is sent out.
- Benefit eligibility determinations are made by licensed healthcare practitioners.
- Once approved, facilities are generally paid on a monthly basis and home health is generally paid on a weekly basis.
- If a claim form is not returned timely or if there is required additional information not returned, status letters warning of closure and closure letters are sent.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected all six life insurance claims, and a sample of 103 group long term care insurance claims received during the examination. Based upon testing, INS determined that the Company's processes for timely claims investigation are functioning in accordance with its policies, procedures, and statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-3. Claims are resolved in a timely manner.

Objective: The Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard

- Written policies and procedures govern the Company's claims handling processes.
- For life insurance, a beneficiary, attorney or representative contacts the Call Center.
- Claimant statements are then sent out with requests for required documentation.
- When the information is returned, a claim record is created and the claim is considered incurred at that point.

- The claim is then processed with a goal of 80% of claims being paid within 10 days. Quality goal is 95 %.
- For group long term care, a call is usually received in the Call Center where questions are asked and to assess whether a policy is in-force.
- Once determined to be active policy and a claim scenario, a claim form is sent to the caller.
- When the claim form is returned, an acknowledgement letter is sent out.
- The claim then undergoes a dual process with provider eligibility and benefit eligibility undertaken simultaneously.
- Benefit eligibility determinations are made by licensed healthcare practitioners.
- Once approved, facilities are generally paid on a monthly basis and home health is generally paid on a weekly basis.
- If a claim form is not returned timely or if there is required additional information not returned, status letters warning of closure and closure letters are sent.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS reviewed all six life insurance claims, and a sample of 103 group long term care insurance claims, received during the examination period. Based upon testing, INS determined that the Company resolved claims in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.

Objective: The Standard addresses the timeliness of the Company's response to all claim correspondence. See Standard VI-6 for testing of statutorily-required non-claim correspondence. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company handles claims correspondence in a timely manner.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's claims handling policies and procedures. INS also reviewed all six life insurance claims, and a sample of 103 group long term care insurance claims, received during the examination. Based on testing, INS determined that the Company responded to claims correspondence in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-5. Claim files are adequately documented.

Objective: The Standard addresses the adequacy of information maintained in the Company's claim files.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS also reviewed all six life insurance claims, and a sample of 103 group long term care insurance claims, received during the examination. Based on testing, INS determined that the Company's claim files were adequately documented.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-6. Claims are properly handled in accordance with policy provisions and applicable statutes (including HIPPA), rules and regulations.

Objective: The Standard addresses whether the claim appears to have been paid for the appropriate amount to the appropriate claimant/payee and whether the Company provides appropriate protection of confidential information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.

- The Company procedures require reference to the policy contract for claim provisions.
- The Company has specific procedures designed to maintain appropriate controls of personal and confidential claimant information.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the claims handling policies and procedures. Based on review, INS determined that the Company's claim handling processes are functioning in accordance with its policies and procedures, and applicable statutes, rules and regulations.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-7. Regulated entity claim forms are appropriate for the type of product.

Objective: The Standard addresses the Company's use of claim forms that are proper for the type of product.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- The Company receives claim notifications from a variety of sources.
- The appropriate claimant statements/forms are then sent out with requests for the required documentation.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS reviewed this Standard during the testing of the claim file reviews. Based on review and testing, INS determined that the Company is using appropriate claim forms for the product offerings and is in compliance with this Standard.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-8. Claim files are reserved in accordance with the regulated entity's established procedures.

Objective: The Standard addresses the Company's process to establish and monitor claim reserves for reported losses.

Controls Assessment: The following controls were noted in review of this Standard:

- The Company has an established reserve valuation methodology.
- Reserves are developed by actuarial methods and are determined based on interest rates, mortality tables and valuation methods prescribed by the NAIC that will provide, in the aggregate, reserves that are greater than or equal to the maximum of guaranteed policy cash values or the amounts required by the Insurance Division.
- Reserves are established when the results of asset adequacy testing indicate the need for such reserves or the net premiums exceed the gross premiums on any insurance in-force.
- The claim reserve calculation includes the Disabled Life Reserve (DLR) and Incurred But Not Approved (IBNA) Reserve Disabled Life Reserve (DLR) Claim Reserves.
- DLR is calculated as the present value of future benefits and claim expenses.
- IBNA claim reserves are held to cover claims that have already occurred but have either not yet been reported or not yet been approved at the time of the valuation date, due to time lags or the claim examiner's approval process.
- The IBNA reserve consists of: a) a reserve for claims incurred but not reported (referred to as IBNR); b) a reserve for claims that have been notified but not yet fully reported (notification status), and c) a reserve for claims that have been reported but not yet approved (pending status).

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the Company's Reserve Valuation Methodology. Based on the review INS determined that the Company has an established procedure for determining the required claim reserves.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-9. Denied and closed-without-payment claims are handled in accordance with policy provisions and state law.

Objective: The Standard addresses the adequacy of the Company's decision making and documentation of denied and closed-without-payment claims. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- For long term care insurance denied claims, the Care Manager prepares denial correspondence that specifically incorporates certificate language that supports the denial.
- The benefit eligibility audit area reviews the information before denial correspondence is sent.
- If additional information is required, the audit area will request the additional information prior to approving the denial correspondence.
- For life claims it is highly unlikely that a death claim would be denied since all policies were issued a number of years ago. The occurrence of fraud might create a denial, but that is extremely rare.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: None. There were no denied claims or claims closed without payment during the examination period.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-10. Cancelled benefit checks and drafts reflect appropriate claim handling practices.

Objective: The Standard addresses the Company's procedures for issuing claim checks as it relates to appropriate claim handling practices.
Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed the paid claims during the examination. Benefit check payments were considered as part of the files review. Based upon testing, the Company's claim check issuance procedures were appropriate and functioning in accordance with its policies and procedures. No significant delays were noted between claim assessment and payment of benefits.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-11. Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

Objective: The Standard addresses whether the Company's claim handling practices force claimants to (a) institute litigation for the claim payment, or (b) accept a settlement that is substantially less than due under the policy. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: INS reviewed claims handling policies and procedures. INS selected all six life insurance claims, and a sample of 103 group long term care insurance claims received during the examination period. INS found that the Company's claim handling practices did not compel claimants to institute litigation in order to recover amounts due under the policies. There were no findings of unfair transactions made by the Company during the claims process that would compel litigation.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-12. The regulated entity provides the required disclosure material to policyholders at the time an accelerated benefit payment is requested.

No work was performed for this Standard. This Standard was not covered in the scope of the examination because the Company indicated that accelerated benefits are available for some of the life policies but that claims are extremely rare.

Standard VII-13. The regulated entity does not discriminate among insureds with differing qualifying events covered under the policy, or among insureds with similar qualifying events covered under the policy.

Objective: The Standard is concerned with whether the Company's claim handling practices discriminate against claimants with similar qualifying events covered under its policies. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: This Standard was tested during the review of the claim files. There were no findings of discrimination among insureds with differing or similar qualifying events covered under the policy. INS determined that the Company is in compliance with this Standard.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

Standard VII-14. The regulated entity provides the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy and how to obtain specific details relevant to the settlement options.

Objective: The Standard addresses whether the Company's claim handling practices allow the beneficiary to identify available settlement options and to make appropriate settlement option decisions.

Controls Assessment: The following controls were noted in review of this Standard:

- Written policies and procedures govern the Company's claims handling processes.
- A beneficiary, attorney or representative contacts the Call Center.
- Claimant statements are then sent out with requests for required documentation.

Controls Reliance: Controls tested via documentation inspection, procedure observation and/or corroborating inquiry appear to be sufficiently reliable to be considered in determining the extent of transaction testing procedures.

Transaction Testing Procedure: This Standard was tested during the review of all six life insurance policy claims and 103 group long term care insurance policy claims. Also, INS interviewed the Company's Director of Claims, who described the Company's claim processing system. INS determined that the Company provides the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy and how to obtain specific details relevant to the settlement options.

Transaction Testing Results:

Findings: None.

Observations: None.

Recommendations: None.

SUMMARY

Based upon the procedures performed in this examination, INS has reviewed and tested company operations/management, complaints handling, policyholder service, and claims in accordance with the standards as set forth in the *2014 NAIC Market Regulation Handbook*, the examination standards of the Division, and the Commonwealth of Massachusetts' insurance laws, regulations and bulletins. The examiners did not test marketing and sales, producer licensing or underwriting and rating because the Company is no longer marketing or issuing new business in Massachusetts.

ACKNOWLEDGEMENT

This is to certify that the undersigned is duly qualified and that, in conjunction with INS Regulatory Insurance Services, Inc., applied certain agreed-upon procedures to the corporate records of the Company in order for the Division of the Commonwealth of Massachusetts to perform a comprehensive market conduct examination of the Company.

The undersigned's participation in this comprehensive examination as the Examiner-In-Charge encompassed responsibility for the coordination and direction of the examination performed, which was in accordance with, and substantially complied with, those standards established by the NAIC and the Handbook. This participation consisted of involvement in the planning (development, supervision and review of agreed-upon procedures), administration and preparation of the comprehensive examination report.

The cooperation and assistance of the officers and employees of the Company extended to all examiners during the comprehensive examination is hereby acknowledged.

Director of Market Conduct &
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance
Boston, Massachusetts