



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 and Health Insurance Company

Boston, Massachusetts

For the Period January 1, 2010 through December 31, 2010

NAIC COMPANY CODE: 93610
NAIC GROUP CODE: 0904

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TABLE OF CONTENTS

	PAGE
SALUTATION	3
SCOPE OF EXAMINATION	4
EXAMINATION APPROACH	4
EXECUTIVE SUMMARY	5
COMPANY BACKGROUND	7
COMPANY OPERATIONS/MANAGEMENT	8
COMPLAINT HANDLING	19
MARKETING AND SALES	22
PRODUCER LICENSING	28
POLICYHOLDER SERVICE	32
UNDERWRITING AND RATING	41
CLAIMS	47
SUMMARY	55
ACKNOWLEDGMENT	56
APPENDIX A – PROPERTY CASUALTY EXAMINATION STANDARDS AND MASSACHUSETTS AUTHORITIES	



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

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December 9, 2011

Honorable Joseph G. Murphy
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Dear Commissioner Murphy:

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 AND HEALTH INSURANCE COMPANY

at their home offices located at:

197 Clarendon Street
Boston, MA 02117

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 and Health Insurance Company (the "Company") for the period January 1, 2010 to December 31, 2010. The examination was called pursuant to authority in Massachusetts General Laws Chapter ("M.G.L. c.") 175, § 4. The examination was conducted at the direction of, and under the overall management and control of, the examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors, LLC ("RNA") were engaged to complete certain agreed upon procedures.

EXAMINATION APPROACH

A tailored audit approach was developed to perform the examination of the Company using the guidance and standards of the *2010 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 management, control and general supervision of the examination staff of the Division, including procedures more efficiently addressed by the recently completed Division financial examination. For those objectives, examination staff discussed procedures expected to be performed by the Division's financial examination staff to the extent deemed necessary, appropriate and effective, to ensure that the objective was or would be adequately addressed. The following describes the procedures performed and the findings for the workplan steps thereon.

The business areas that were reviewed under this examination include Company Operations/Management, Complaint Handling Marketing and Sales, Producer Licensing, Policyholder Service, Underwriting and Rating, and Claims.

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

The controls assessment process is comprised of three significant steps: (a) identifying controls; (b) determining if the control has been reasonably designed to accomplish its intended purpose in mitigating risk (i.e., a qualitative assessment of the controls); and (c) verifying that the control is functioning as intended (i.e., the actual testing of the controls). For areas in which controls reliance was established, sample sizes for transaction testing were accordingly adjusted. The form of this report is "Report by Test," as described in Chapter 15, Section A of the Handbook.

All deficient or non-compliant practices may not have been discovered or noted in this examination report. The Division's failure to identify or criticize deficient or non-compliant practices in Massachusetts or in other jurisdictions does not constitute acceptance of such practices. The examination report findings and observations are presented to enhance the Company's market regulation practices and ensure fair and reasonable consumer protection.

EXECUTIVE SUMMARY

This summary of the examination of the Company is intended to provide a high-level overview of the examination results. The body of the report provides details of the scope of the examination, tests conducted, findings and observations, recommendations and required actions and, if applicable, subsequent Company actions. Managerial or supervisory personnel from each functional area of the Company should review report results relating to their specific area.

The Division considers a substantive issue as one in which corrective action on part of the Company is deemed advisable, or one in which a "finding," or violation of Massachusetts insurance laws, regulations or bulletins was found to have occurred. It also is recommended that Company management evaluate any substantive issues or "findings" for applicability to potential occurrence in other jurisdictions. When applicable, corrective action should be taken for all jurisdictions, and a report of any such corrective action(s) taken shall be provided to the Division.

The following is a summary of all substantive issues found, along with related recommendations and required actions and, if applicable, subsequent Company actions made, as part of the examination of the Company. All Massachusetts laws, regulations and bulletins cited in this report and Appendix A may be viewed on the Division's website at www.mass.gov/doi.

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

SECTION V-POLICYHOLDER SERVICE

STANDARD V-6

Findings: None.

Observations: Based upon review of the Company's procedures and the required business practices contained in the GRA, the Company appears to have adopted processes to enhance due diligence procedures related to missing policyholders, search for unreported policyholder deaths and report escheatable funds. The monitoring of the GRA is ongoing by the state treasurers' examiner, and the Company is undergoing a multi-state insurance department examination on these matters.

Subsequent Actions: The Company adopted new life insurance operational procedures in 2011 to investigate essential returned mail related to life policies including lapse notices. For the essential returned mail, new addresses are researched using third party databases to locate missing policyholders and beneficiaries. Additionally, in accordance with the GRA, the Company began comparing its life insurance in-force listing quarterly to the Social Security Death Index effective October 1, 2011. The Company is evaluating additional communication procedures between operational areas for non-essential mail.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

Required Actions: The Company shall timely complete its assessment of communication procedures between operational areas for non-essential returned mail and make adjustments as deemed appropriate. The Company shall report to the Division on the results of its assessment and, as applicable, any changes to be made to procedures and their planned implementation.

Recommendations: The Company should consider following up on billing notices and annual statements that are returned as undeliverable and consider notifying the selling agent of these returned items.

Further, once the GRA monitoring by the examiner and the state insurance department examinations on these matters are complete, the Company should implement independent monitoring procedures, which are performed by internal audit or the U.S. Compliance Department, to test and monitor compliance with the Company's policies and procedures regarding the following:

- thorough searches for missing individuals
- timely comparisons of in-force databases with the Social Security Death Index (or a comparable database) and any related Updates
- sharing of Social Security Death Index (or a comparable database) and related Updates comparison results between all Company and affiliate operational areas, and
- compliance with Massachusetts escheatment requirements.

COMPANY BACKGROUND

The Company's predecessor was incorporated on May 27, 1981 in Delaware as MONY Pension Insurance Company. In December 1987, its name was changed to Colonial Penn Annuity and Life Insurance Company ("CPALIC") in conjunction with its sale to Colonial Penn Life Insurance Company ("CPLIC"), ultimately controlled by FPL Group, Inc. In August 1991, FPL Group, Inc. sold CPLIC and its subsidiaries to Charter National Life Insurance Company. On June 23, 1993, John Hancock Variable Life Insurance Company ("JHVLICO"), a wholly-owned subsidiary of John Hancock Life Insurance Company ("JHLICO"), purchased CPALIC and changed its name to John Hancock Life Insurance Company of America. In 1998, its name was changed to Investor Partner Life Insurance Company ("IPLIC").

John Hancock Mutual Life Insurance Company ("JHMLICO") was founded in 1862. Effective February 1, 2000, JHMLICO adopted a Plan of Reorganization to convert from a mutual life insurance company to a stock life insurance company, and merged JHMLICO into JHLICO. At the same time, JHLICO became a wholly-owned subsidiary of John Hancock Financial Services, Inc. ("JHFS"), a publicly-held holding company formed in an initial public offering. Effective April 28, 2004, Canada-based Manulife Financial Corporation ("Manulife"), a publicly-held financial holding company, acquired all of the outstanding common shares of JHFS not beneficially owned by Manulife, and JHFS became a wholly-owned subsidiary of Manulife. Effective August 10, 2004, IPLIC's name was changed to Manulife Insurance Company ("MIC"). Effective April 4, 2008, MIC's name was changed to John Hancock Life and Health Insurance Company. Effective January 1, 2009, the Company re-domiciled to Massachusetts from Delaware. On December 31, 2009 JHVLICO and JHLICO merged with, and into Michigan-domiciled John Hancock Life Insurance Company (U.S.A.) ("JHUSA"). Thus, the Company is now a subsidiary of JHUSA.

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.

The Company's statutory surplus as of December 31, 2010 is \$461.8 million with statutory admitted assets of \$7.6 billion. The Company maintains an A.M. Best financial strength rating of A+ (Superior).

The key objectives of this examination were determined by the Division with emphasis on the following areas.

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. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's statutory financial statements are audited annually by an independent auditor.
- Manulife's internal audit department is an independent function that performs audits of the Company's operational processes.
- Manulife's Board of Directors Audit and Risk Management Committee ("ARM Committee") annually approves the internal audit plan, and monitors its progress and results during the year.
- The internal audit plan is prepared using a risk evaluation process with input from Company management, the ARM Committee and the independent auditor.
- The internal audit department issues written reports for each audit performed. The reports discuss the procedures performed, findings, actions taken and recommendations. All significant audit report findings are reviewed and approved by the ARM Committee.
- Manulife and the Company have delegated responsibility for core compliance to each of its U.S. business units. The U.S. Compliance Department monitors and reports on compliance activities to Manulife's Global Compliance Office semi-annually through its Compliance Management Program ("CMP"). In the U.S., Manulife has Business Unit Compliance Officers ("BUCOS") who are responsible for identifying key requirements, and for ensuring ongoing compliance as required by the CMP. The U.S. Compliance Department has an oversight role and works with the BUCOS to implement compliance controls and procedures, evaluate the effectiveness of compliance within the business units, and coordinate compliance activities across business units.

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: RNA reviewed general procedures for internal and external audits and compliance. RNA reviewed a listing of long-term care internal audits performed for those relevant to the Company's compliance operations.

Transaction Testing Results:

Findings: None.

Observations: None of the internal audits completed related to long-term care compliance matters. The Company appears to have appropriate policies and processes to guide and monitor its internal audit and compliance functions.

Recommendations: None.

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

No work performed. All required activity for this Standard was included in the scope of the recently completed statutory financial examination of the Company.

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 has adopted written antifraud procedures, which require management and employees to take reasonable precautions to prevent, detect and investigate potential fraud.
- The Company's procedures require employees to report suspected fraud to their supervisors, BUCOS and the Massachusetts Insurance Fraud Bureau.
- Manulife requires the Board of Directors, all employees and management, including those performing duties for the Company, to annually certify compliance with Manulife's Code of Business Conduct and Ethics, and to annually complete Conflict of Interest Disclosure Statements. Additionally, annual training must also be completed by each employee.

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: RNA reviewed Company policies and procedures to address antifraud initiatives as part of claims and underwriting testing and reviewed supporting documentation.

Transaction Testing Results:

Findings: None.

Observations: Based upon underwriting and claims testing, it appears that the Company has developed antifraud initiatives reasonably designed to detect, prevent and investigate fraud.

Recommendations: None.

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

No work performed. All required activity for this Standard was included in the scope of the recently complete statutory financial examination of the Company.

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.

Objective: This Standard addresses the Company's contracts with entities assuming a business function and compliance with licensing and regulatory requirements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard I-6:

- The Company uses third parties to perform long-term care underwriting interviews when applications are submitted and on-site assessments when initial long-term claims are filed. The contracts with these entities describe the duties of the parties, restrictions and limitations, general confidentiality requirements, and privacy maintenance requirements.
- The Company has contracts with general agencies and unaffiliated producers. The contracts with these entities generally describe the duties of the parties, licensing and appointment requirements, authorities, compensation, general contract provisions, terminations and reappointments, and compliance with the Company's principles of ethical market conduct.

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: RNA reviewed management's policies and procedures for contracting with third parties to perform Company functions. RNA reviewed the standard producer contract for reasonableness and compliance with statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: It appears that the Company has reasonable policies and procedures for contracting with third parties to perform Company functions.

Recommendations: None.

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.

Objective: This Standard addresses the Company's efforts to adequately monitor the activities of the contracted entities that perform business functions on its behalf. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-5.

Controls Reliance: See Standard I-5.

Transaction Testing Procedure: RNA reviewed management's use of third parties to perform Company functions, and the monitoring procedures conducted over these third parties. Further, RNA reviewed certain work performed by one of these third parties as part of new business testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, it appears that the Company has processes to monitor the activities of third parties assuming a business function on the Company's behalf, in compliance with statutory and regulatory requirements.

Recommendations: None.

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 Appendix A for applicable statutes, regulations and bulletins.

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

- The Company has adopted record retention requirements, which are monitored by the BUCOS.
- The record retention requirements include guidelines for management, maintenance and disposal of records, and the length of time specific documents must be retained.

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: RNA reviewed the Company's record retention policies and evaluated them for reasonableness.

Transaction Testing Results:

Findings: None.

Observations: The Company's record retention policies appear reasonable. Evidence of documentation is reviewed as part of examination testing.

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: RNA reviewed the Company's certificate of authority, and compared it to the lines of business which the Company writes in the Commonwealth.

Transaction Testing Results:

Findings: None.

Observations: The Company is licensed for the lines of business being written.

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.

Transaction Testing Results:

Findings: None.

Observations: The Company's level of cooperation and responsiveness to examiner requests was very good.

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. Testing of compliance with adverse underwriting notice requirements is located in Underwriting and Rating Standard VI-7. 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-16:

- The Company's practice is to provide the Notice of Protected Health Information Privacy Practices for long-term care sales at the policy application date. Additionally, the Company provides the Notice of Information Privacy Practices for long-term care sales when the contracts are delivered and annually thereafter. The Company does not ask specific questions on its application for marketing or research purposes.
- Notices disclose that certain types of personal information including financial and health information is collected from third parties, and gives examples of such third parties and such types of information. Further, notices indicate that rights of access and correction exist.
- Company policy allows for the sharing of personal financial and health information with affiliates and non-affiliates who provide services to the Company. Company policy is to disclose information only as required or permitted by law to regulators, law enforcement agencies, antifraud organizations, and third parties who assist the Company in processing transactions.
- The Company does not sell or share information for marketing purposes. As such, there is no need to provide policyholders with opt out rights.
- The Company requires that disclosure authorization in compliance with Health Insurance Portability and Accountability Act of 1996 ("HIPAA") be signed by non-employee applicants when they apply for group long-term care coverage, if the applicant answers yes to any of five underwriting questions, and when a long-term care claim is filed.
- The Company provides its privacy policies on the Manulife website.

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: RNA reviewed processes for privacy and information security compliance, reviewed such documentation, and sought evidence of proper privacy and HIPAA practices as part of new business and underwriting testing.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company's privacy and HIPAA practices appear to minimize any improper intrusion into individuals' privacy in accordance with statutory requirements and the Company's policies and procedures.

Recommendations: None.

Standard I-11. The regulated entity has developed and implemented written policies, standards and procedures for the management of insurance information.
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The objective of this Standard relates to privacy matters and is included in Standards I-10 and I-12 through I-17.

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.

Objective: This Standard addresses policies and procedures to ensure privacy of nonpublic personal information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed processes for privacy and information security compliance and reviewed such documentation. As part of new business, underwriting and claims testing, RNA reviewed documentation for any evidence that the Company improperly provided personal information to inappropriate parties.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review and testing, the Company's policies and procedures adequately protect consumers' nonpublic personal information. RNA noted no instances where the Company improperly provided personal information to inappropriate parties.

Recommendations: None.

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.

Objective: This Standard addresses the Company's practice of providing privacy notices to customers and consumers. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed the Company's policies and procedures for providing privacy notices to all applicants, and annually thereafter to policyholders and contract holders. RNA selected 30 group long-term care applications submitted during the examination period, to test whether a privacy notice was provided.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company provides applicants the required

privacy notice that discloses its treatment of non-public personal financial information.

Recommendations: None.

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.

Objective: This Standard addresses policies and procedures with regard to opt out rights. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed processes for privacy and information security compliance and reviewed such documentation.

Transaction Testing Results:

Findings: None.

Observations: The Company does not share nonpublic personal financial information for marketing purposes. Thus, the Company is not required to offer opt outs for such information sharing.

Recommendations: None.

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.

Objective: This Standard is concerned with the Company's collection and use of nonpublic personal financial information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed processes for privacy and information security compliance and reviewed such documentation. RNA also sought evidence that the Company improperly collected, used or disclosed nonpublic personal financial information in conjunction with testing of underwriting and claims.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review and testing, the Company's policies and procedures provide reasonable assurance that the Company properly collects, uses and discloses nonpublic personal financial information.

Recommendations: None.

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.

Objective: This Standard addresses efforts to maintain privacy of nonpublic personal health information. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard I-10.

Controls Reliance: See Standard I-10.

Transaction Testing Procedure: RNA reviewed processes for privacy and information security compliance and reviewed such documentation. RNA also sought evidence that the Company improperly disclosed nonpublic personal health information. Further, RNA reviewed compliance with HIPAA authorization disclosure requirements in conjunction with testing of 10 group long-term care applications submitted during the examination period, where the applicant was declined coverage based on underwriting information.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, RNA noted no instances where the Company improperly disclosed nonpublic personal health information. Further, the Company's underwriting procedures appear to comply with HIPAA disclosure requirements.

Recommendations: None.

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

Objective: This Standard addresses with the Company's information security efforts to protect nonpublic consumer information. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company annually conducts information systems risk assessments to consider, document and review information security threats and controls.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

- Company policy requires that its information technology security practices safeguard nonpublic personal financial and health information, and communicates these practices to employees and producers in training programs, compliance presentations and various memoranda. All employees and producers have taken privacy training as required by Company policy.
- Only individuals approved by Company management are granted access to the Company's key electronic and operational areas where nonpublic personal financial and health information is located. Access is frequently and strictly monitored.

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: RNA reviewed policies and procedures for privacy and information security compliance. Review of information technology access and authorization controls was also included in the scope of the recently completed statutory financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: Based upon RNA's review of the Company's information security policies and procedures, it appears that the Company has implemented an information security program, which appears to provide reasonable assurance that its information systems protect nonpublic customer information.

Recommendations: None.

Standard I-18. All data required to be reported to departments of insurance is complete and accurate.
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Objective: This Standard is concerned with the Company's filing of the NAIC Market Conduct Annual Statement for individual life and annuity business. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's individual life new business, policy administration, complaints and claims systems compile and retain data for inclusion in the NAIC Market Conduct Annual Statement.
- The Company timely files the individual life market conduct data with the NAIC.

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: RNA reviewed the Company's policies and procedures for life policy administration, complaints and claims. RNA also reviewed the 2010 NAIC Market Conduct Annual Statement Massachusetts data for unusual results and concerns.

Transaction Testing Results:

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

Findings: None.

Observations: RNA's review of the Company's 2010 NAIC Market Conduct Annual Statement Massachusetts data indicated no unusual life in-force, complaint or claims data.

Recommendations: None.

Standard I-19. The regulated entity files all certifications with the insurance department as required by statutes, rules, and regulations.

Objective: This Standard addresses the Company's efforts to file certifications with the Division as required. 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: RNA reviewed the Company's policy to have illustration actuaries file certifications with the Division for life products currently being sold that require an illustration.

Transaction Testing Results:

Findings: None.

Observations: Since the Company is not selling life insurance policies in Massachusetts, it is not required to file illustration certifications with the Division.

Recommendations: None.

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 Standards:

- Written Company policies and procedures govern complaint handling.
- The Company logs all written complaints, and Division complaints in its complaint register in a consistent format.
- The complaint register includes the date received, the date closed, the person making the complaint, the insured, the policy number, state of residence, the nature of the complaint and the complaint disposition.
- The Company's policy is to respond to Division complaints within 14 calendar days of receipt when possible, and in a timely manner once it receives and evaluates all required information.
- The Company provides a telephone number and address in its written responses to consumer inquiries and on its website.
- The Company monitors complaint handling activity through monthly management reporting of business units' complaint activity and trends.
- The Company's life complaint data is accumulated for inclusion in the NAIC Market Conduct Annual Statement.

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: RNA reviewed processes and procedures for complaint handling. RNA reviewed the Company's complaint registers for 2010-2011 and to evaluate the Company's compliance with complaint reporting requirements. Further, RNA reviewed the Company's complaint registers to determine whether they properly contained all Division complaints. Finally, RNA reviewed the 2010 NAIC Market Conduct Annual Statement to ensure that the number of reported life complaints agreed to the number of life complaints contained in the Company's and Division's complaint registers.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the Company's complaint registers included all statutorily-required database elements and that the complaint registers were complete. Finally, the number of life complaints reported in the Company's 2010 NAIC Market Conduct Annual Statement data

agreed to the number of life complaints contained in the Company's and Division's 2010 complaint registers.

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: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA reviewed processes and procedures for complaint handling and reviewed the Division's complaint registers for the Company. In addition, RNA reviewed the Company's website to determine whether the Company provides contact information to consumers.

Transaction Testing Results:

Findings: None.

Observations: The Division's 2010 and 2011 complaint registers for the Company showed no complaints filed during that period. RNA noted that the Company's website provides contact information to consumers. Based upon review, the Company appears to have adequate procedures in place to address complaints, and adequately communicates such procedures to consumers.

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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA reviewed processes and procedures for complaint handling and reviewed the Division's 2010 and 2011 complaint registers for the Company.

Transaction Testing Results:

Findings: None.

Observations: The Division's 2010 and 2011 complaint registers for the Company showed no complaints filed during that period. Based upon review, the Company appears to have adequate procedures in place to properly dispose of complaints.

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 Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard II-1.

Controls Reliance: See Standard II-1.

Transaction Testing Procedure: RNA reviewed processes and procedures for complaint handling and reviewed the Division's complaint registers for the Company.

Transaction Testing Results:

Findings: None.

Observations: The Division's 2010 and 2011 complaint registers for the Company showed no complaints filed during that period. Based upon review, the Company appears to have adequate procedures in place to timely dispose of complaints.

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.

Objective: This Standard is concerned with whether the Company maintains a system of control over the content, form and method of dissemination for all advertising materials. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- The Company has adopted written policies and procedures for review and use of advertising and sales materials, including a provision in producer contracts requiring producers' adherence to such procedures.
- Company and producer-developed advertising and sales materials are reviewed and approved by Company management prior to use.
- The Company maintains a listing of approved advertising and sales materials that are available for use by producers. Approved pieces are dated and expire after three years.
- The Company discloses its name and address on its website.

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: RNA reviewed policies and procedures for the review and approval of advertising and sales materials prior to use. Further, RNA sought evidence of the use of unapproved sales and marketing materials as part of new business testing. Finally, RNA reviewed the Company's website for disclosure of its name and address.

Transaction Testing Results:

Findings: None.

Observations: The Company stopped selling new business in Massachusetts in June 2010. RNA noted no evidence of the use of unapproved sales materials as part of new business testing. Further, the Company's website disclosure complies with Division requirements. Finally, the Company appears to have adequate policies and procedures for the review and approval of advertising and sales materials prior to use.

Recommendations: None.

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

Objective: This Standard is concerned with whether the Company's producer training materials are in compliance with state statutes, rules and regulations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- The Company has developed extensive producer training and education programs which are tailored to the producers' experience and needs.
- All producer training materials are approved by the Company prior to use.

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: RNA reviewed policies and procedures for the development and distribution of producer training materials.

Transaction Testing Results:

Findings: None.

Observations: The Company stopped selling new business in Massachusetts in June 2010. The Company appears to have adequate policies and procedures for the review and approval of producer training materials prior to use.

Recommendations: None.

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

Objective: This Standard is concerned with whether the written and electronic communication between the Company and its producers is in accordance with Company policies and procedures. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- Producer communications, including electronic mail and bulletins, are approved by the Company prior to distribution, and are also available electronically on the Company's secure web portal.
- The Company updates producers on product and compliance matters by circulating a bi-monthly newsletter via the Company's secure web portal.

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: RNA reviewed the policies and procedures for developing and distributing producer communications.

Transaction Testing Results:

Findings: None.

Observations: Based on review, policies and procedures for producer communications appear appropriate and reasonable.

Recommendations: None.

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 performed. The Company does not use producers to solicit group long-term care coverage.

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

Objective: This Standard addresses appropriate replacement handling by the Company, including identification of replacement transactions on applications, use of appropriate replacement related forms, and timely notice of replacements to existing insurers. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard and Standard III-5:

- Written policies and procedures govern replacement handling.
- The Company's applications require a response from the group long-term care coverage applicant as to whether the applicant has an existing long-term care coverage, whether any such coverage was in-force for the past year, and whether the applied for coverage will replace any existing coverage.
- The Company provides a notice to the replacing carrier if the application states that existing long-term care coverage is being replaced.

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: RNA reviewed policies and procedures for group long-term care new business and replacement processing. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether the replacement questions on the applications were properly addressed.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that each of the tested group long-term care coverage applicants answered no to the replacement question. Thus, there were no sales which appeared to be replacements. The Company appears to have reasonable policies and procedures for new business and replacement processing.

Recommendations: None.

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.

Objective: This Standard is concerned with ensuring that policy illustrations, policy summaries and buyer's guides contain all required information, and are timely provided to applicants. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- The Company has written policies and procedures addressing the use and distribution of the group long-term care outline of coverage and other required disclosures at the application date.
- The Company reviews all submitted group long-term care applications to ensure that the applicant has attested to receipt of the outline of coverage and other required disclosures.

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: RNA reviewed policies and procedures to provide required disclosures to applicants for group long-term care coverage. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether the applicants attested to receipt of the outline of coverage and other required disclosures.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, for each of the tested applications, the applicants attested to receipt of the outline of coverage and other required disclosures. The Company appears to have reasonable policies and procedures to provide required disclosures to group long-term care applicants.

Recommendations: None.

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

Objective: This Standard is concerned with whether the Company maintains suitability or needs assessment standards for its products. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted as part of this Standard:

- The Company has written policies and procedures addressing the use and distribution of the group long-term care outline of coverage and other required disclosures at the application date.
- The Company reviews all submitted group long-term care applications to ensure that the applicant has attested to receipt of the outline of coverage, other required disclosures and the Company's Long-Term Care Suitability Form and Personal Worksheet ("Form and Worksheet").

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: RNA reviewed policies and procedures to provide the Company's Form and Worksheet. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether each of the applicants attested to receipt of the Form and Worksheet.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, for each of the tested applications, the applicants attested to receipt of the Form and Worksheet. The Company appears to have reasonable policies and procedures to provide the Form and Worksheet to group long-term care applicants.

Recommendations: None.

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

No work performed. This Standard is not covered in scope of examination because the Company does not offer such products.

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

No work performed. This Standard is not covered in scope of examination because the Company did not sell products with accelerated benefit provisions during the examination period.

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

No work performed. This Standard is not covered in scope of examination because the Company did not sell products through depository institutions during the examination period.

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 performed. This Standard is not covered in scope of examination because the Company did not sell annuity products during the examination period.

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

No work performed. This Standard is not covered in scope of examination because the Company did not sell annuity products during the examination period.

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 performed. This Standard is not covered in scope of examination because the Company did not sell products involving fixed-index annuities during the examination period.

Standard III-14. 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 index life, and all sales are in compliance with applicable statutes, rules and regulations.

No work performed. This Standard is not covered in scope of examination because the Company did not offer index life products during the examination period.

Standard III-15. The insurer's underwriting requirements and guidelines pertaining to travel are in compliance with applicable statutes, rules and regulations.

No work performed. This Standard is not covered in scope of examination because the Company did not offer disability income or life products during the examination period.

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.

Objective: The Standard addresses licensing and appointment of the Company's producers. See Appendix A for applicable statutes, regulations and bulletins.

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

- Manulife's generally appoints licensed producers as agents when the first application for insurance is submitted. At the same time, the standard agent contract is signed by both parties, and the appointment is entered into the NAIC National Insurance Producer Registry ("NIPR"), which transmits the appointment to the Division's On-Line Producer Appointment ("OPRA") System.
- The contracts with general agencies and unaffiliated agents describe the duties of the parties including licensing and appointment requirements, limitations of authority, compensation, general contract provisions, terminations and reappointments, and compliance with the Company's principles of ethical market conduct.
- The Company maintains an automated producer database to track all appointments and other licensing changes related to its agency force.
- The Company completes a periodic reconciliation of its agent appointment records with those of the Division.
- Employer group long-term care coverage enrollment is completed directly by the employee on-line or through assistance from the employer's human resource department.

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: RNA reviewed policies and procedures for producer contracting and processing of agent appointments. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether producers were involved in the sale of the coverage.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that each of the tested group long-term care applications were directly submitted by applicants and that there was no evidence that producers were involved in completing the applications. The Company appears to have reasonable policies and procedures for producer contracting and processing of agent appointments.

Recommendations: None.

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.

Refer to Standard IV-1.

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.

Objective: This Standard addresses the Company's termination of agents in accordance with applicable statutes requiring notification to the state and the agent. 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 automated producer database to track all appointment terminations and other licensing changes related to its agency force.
- Agency appointment terminations are to be reported timely to the agent and are to be reported to the Division through the OPRA System. The Company's policy is to notify the Division of the reason for agent terminations when the terminations are "for cause."
- The Company completes a periodic reconciliation of its agent termination records with those of the Division.

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: RNA reviewed policies and procedures for processing of agent appointment terminations. RNA reviewed the Division's list of Company appointment terminations for evidence of any terminations in 2010.

Transaction Testing Results:

Finding: None.

Observation: RNA noted that the Division showed no appointment terminations in 2010. The Company appears to have reasonable policies and procedures for processing of agent appointment terminations.

Recommendations: None.

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

Objective: The Standard addresses the Company's policy for ensuring that agent appointments and

terminations do not unfairly discriminate against policyholders. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standards IV-1 and IV-3.

Controls Reliance: See Standards IV-1 and IV-3.

Transaction Testing Procedure: RNA reviewed policies and procedures for producer contracting and processing of agent appointments and terminations. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether producers were involved in the sale of the coverage. Finally, RNA reviewed the Division's documentation for evidence of appointment terminations in 2010.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that each of the tested group long-term care applications were directly submitted by applicants and that there was no evidence that producers were involved in completing the applications. The Company processed no appointment terminations in 2010. The Company's policies and procedures for agent appointments and terminations showed no evidence of unfair discrimination against policyholders.

Recommendations: None.

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

Objective: The Standard addresses the Company's documentation of the reasons for agent terminations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard IV-3.

Controls Reliance: See Standard IV-3.

Transaction Testing Procedure: RNA reviewed policies and procedures for processing of agent appointment terminations. RNA reviewed the Division's list of Company appointment terminations for evidence of any terminations in 2010.

Transaction Testing Results:

Finding: None.

Observation: RNA noted that the Division showed no appointment terminations in 2010. The Company appears to have reasonable policies and procedures for processing of agent appointment terminations.

Recommendations: None.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

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

No work performed. This Standard is not covered in the scope of examination because the Company receives premiums through employer payroll deduction.

V. POLICYHOLDER SERVICE

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:

- The Company has written policies and procedures for processing of premium billing, payment reminder and lapse notices.
- Individual life policyholders may elect to pay premiums quarterly, semi-annually or annually, by either electronic funds transfer or by check. Group long-term care certificate holders pay premiums through employer payroll deduction.
- The Company generates and mails billing notices for individual life policies 21 days prior to the payment due date. The notices also state that the policies will lapse unless payments are made.
- If life insurance premiums are not received by the due date, an overdue premium notice is mailed after 45 days stating that if payment is not made, the policy will lapse for non-payment approximately 70 days after the original due date. If payment is received within 10 days of lapse, reinstatement is automatic. After 10 days, a reinstatement application is required.
- Group long-term care certificate holders' contracts are placed on waiver of premium status only after written instructions are received from the claims department.

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: RNA reviewed the Company's policies and procedures for providing billing and lapse notices. RNA selected two individual life policies and three group long-term care certificate holders' contracts, which lapsed for non-payment during the examination period, to test for compliance with policies, procedures and statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company gave adequate notice prior to lapse in compliance with statutory requirements. Further, premium billing notices appeared to be mailed to the policyholder with adequate advance notice, and included required disclosure of potential lapse in the event of non-payment. The Company appears to have proper policies and procedures for providing billing and lapse notices.

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. Policy issuance testing is included in Standard VI-6. 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 processing of policyholder and contract holder transaction requests.
- Upon request to cancel a life insurance policy, the Company sends the owner a required form for signature. The Company communicates the cancellation request to the agent to enable the conservation of the business. The cancellation request is effective on the date the Company receives the signed form, and a check for any return premium and any surrender value is sent to the policyholder within seven days for variable life products, and within 10 days for non-variable life products.
- Upon request to cancel group long-term care coverage, the Company will process the request and return any premium due to the certificate holder.

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: RNA reviewed the Company's policies and procedures for processing insured-requested cancellations. RNA selected three group long-term care coverage cancellation requests to test for timely and accurate processing.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company appears to have policies and procedures to process insured-requested cancellations accurately and timely.

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. 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 timely processing of customer correspondence.

- The Company's life insurance and group long-term care post-issue call centers answer customer questions, respond to written correspondence and process post-issue transactions.

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: RNA reviewed the Company's policies and procedures for responding to customer correspondence. Additionally, RNA reviewed documentation of customer service correspondence in conjunction with customer requests for contract changes.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, the Company appears to have policies and procedures to process customer correspondence in a timely and responsive manner.

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.

No work performed. The Company does not enter into assumption reinsurance agreements.

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

Objective: This Standard addresses procedures for processing beneficiary and ownership changes, conversions, interest rates, policy loans and maturities. Objectives pertaining to policy issuance are included in Standard VI-6. 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.
- Company policy provides for beneficiary and ownership change requests to be effective upon the signing and mailing of a properly completed form. Company policy requires a witness signature to process life beneficiary changes.
- Company policy requires a signed written request to process life insurance policy loans. Other life insurance policy changes may be made in writing or by phone. The call center staff regularly process name and address changes, dividend payments, certain policy coverage changes and policy rider changes.
- The Company gives written notice to life insurance policyholders prior to policy maturity and advises them of various settlement and reinvestment options.

- The Company's group long-term care customer service function requires a written request to processes all long-term care contract changes.

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: RNA reviewed policies and procedures for processing post-issue policy transactions. RNA selected one life beneficiary change request, one life policy error correction request and five group long-term care contract change requests, to ensure that the Company processed transactions accurately, timely and in accordance with statutory requirements and policy provisions.

Transaction Testing Results:

Findings: None.

Observations: Based on review and testing, the Company appears to process customer transactions accurately and timely in accordance with statutory requirements and policy provisions.

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:

- The Company has adopted policies and procedures for locating missing life policyholders and beneficiaries and group long-term care certificate holders, when correspondence mailed to them is returned as undeliverable or when checks to them remain un-cashed for over 180 days.
- The Company compares the majority of its life insurance in-force policies to the United States Post Office's National Change of Address Database quarterly to assist in locating missing customers. Reports are provided detailing changes of addresses unreported to the Company. Action is taken to update addresses based on the strength of the match and significance of the change.
- The Company has periodically compared its life insurance in-force listing to the Social Security Death Index since 2009 to locate potentially deceased policyholders. The review includes searches of policyholders whose contracts are approaching lapse, maturity or endowment.
- The Company has adopted policies and procedures to identify life insurance policyholder deaths noted in any other Company or affiliate in-force databases to ensure that all contracts owned by the deceased are properly and timely handled. The Company's Bridger System compares all in-force databases monthly, which allows the Company to share information about deceased owners with other operational areas.
- The Company has policies and procedures to report as escheatable unclaimed life insurance maturities, unclaimed life insurance policies cash value, unclaimed retained asset accounts, unclaimed premium refunds, un-cashed checks for life insurance death claims, and un-cashed

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

checks for group long-term care claims when the owners cannot be found. The Company annually reports escheatable funds to the State Treasurer as required by statute. Prior to escheatment of funds, a final attempt is made to locate the owner.

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: RNA reviewed the Company's policies and procedures to locate lost policyholders and customers, search for unreported policyholder deaths and report escheatable funds. These policies and procedures were compared to the Division's best practices in these areas. Further, RNA reviewed the Company's response to the Division's August 2011 survey on such practices. Finally, RNA reviewed the Company's and its affiliates' February 2011 Global Settlement Agreement ("GRA") with 36 state treasurers regarding searches for deceased policyholders and escheatment.

Transaction Testing Results:

Findings: None.

Observations: Based upon review of the Company's procedures and the required business practices contained in the GRA, the Company appears to have adopted processes to enhance due diligence procedures related to missing policyholders, search for unreported policyholder deaths and report escheatable funds. The monitoring of the GRA is ongoing by the state treasurers' examiner, and the Company is undergoing a multi-state insurance department examination on these matters.

Subsequent Actions: The Company adopted new life insurance operational procedures in 2011 to investigate essential returned mail related to life policies including lapse notices. For the essential returned mail, new addresses are researched using third party databases to locate missing policyholders and beneficiaries. Additionally, in accordance with the GRA, the Company began comparing its life insurance in-force listing quarterly to the Social Security Death Index effective October 1, 2011. The Company is evaluating additional communication procedures between operational areas for non-essential returned mail.

Required Actions: The Company shall timely complete its assessment of communication procedures between operational areas for non-essential returned mail and make adjustments as deemed appropriate. The Company shall report to the Division on the results of its assessment and, as applicable, any changes to be made to procedures and their planned implementation.

Recommendations: The Company should consider following up on billing notices and annual statements that are returned as undeliverable and consider notifying the selling agent of these returned items.

Further, once the GRA monitoring by the examiner and the state insurance department examinations on these matters are complete, the Company should implement independent monitoring procedures, which are performed by internal audit or the U.S. Compliance Department, to test and monitor compliance with the Company's policies and procedures regarding the following:

- thorough searches for missing individuals
- timely comparisons of in-force databases with the Social Security Death Index (or a comparable database) and any related Updates
- sharing of Social Security Death Index (or a comparable database) and related Updates

- comparison results between all Company and affiliate operational areas, and
- compliance with Massachusetts escheatment requirements.

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 policies and procedures for processing of policyholder and contract holder transaction requests including the return of unearned premium.
- Upon request to cancel a life insurance policy, the Company sends the owner a required form for signature. The Company communicates the cancellation request to the agent to enable the conservation of the business. The cancellation request is effective on the date the Company receives the signed form, and a check for any return premium and any surrender value is sent to the policyholder within seven days for variable life products, and within 10 days for non-variable life products.
- Upon request to cancel group long-term care coverage, the Company will process the request and return any premium due to the certificate holder.
- The Company's life contract administration systems automatically calculate the unearned premium on cancelled policies and unearned premium after an insured's death. Such amounts are returned to owners or beneficiaries.

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: RNA reviewed the Company's policies and procedures for processing insured-requested cancellations and payment of unearned premium. Further, RNA selected three group long-term care coverage cancellation requests to test for timely and accurate processing. Finally, during claim testing, RNA evaluated the tested life insurance death claim to determine whether unearned premium was due to the beneficiary and was timely paid.

Transaction Testing Results:

Findings: None.

Observations: Based upon review and testing, the Company appears to have policies and procedures to process insured-requested cancellations accurately and timely. Based on claims review and testing, the Company has procedures for the payment of unearned premium when required. No payment of unearned premium was due for the policy related to the tested claim.

Recommendations: None.

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

Objective: This Standard addresses consistent reinstatement application 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:

- The Company has written policies and procedures for the timely processing of reinstatement requests.
- If life insurance premiums are received within 10 days of lapse, reinstatement is automatic. After 10 days, a reinstatement application is required. The underwriting department makes a decision whether or not to reinstate the policy. Policies can be reinstated for up to five years, depending on the type of life insurance policy.
- If group long-term care premium payments are not timely made and the policy lapses, a final notice of lapse and a reinstatement application are sent to the certificate holder. Requests to reinstate may be accepted within five months of the lapse date with no additional underwriting. Unpaid premiums must be paid to reinstate the policy. After five months, reinstatement requests must be approved by the underwriting department.

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: RNA reviewed the Company's reinstatement policies and procedures and evaluated them for reasonableness and in accordance with policy provisions.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company appears to have reasonable policies and procedures for the timely processing and review of reinstatement requests in accordance with policy provisions.

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:

- The Company has adopted policy forms including provisions for non-forfeiture options, that meet statutory and regulatory requirements, and has filed them with the Division for approval.
- The Company provided life insurance applicants with several non-forfeiture options, which were listed on the applications. Upon lapse, the selected non-forfeiture is applied to any cash value remaining in the policy.

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: RNA reviewed the Company's policies and procedures for applying policyholders' selected non-forfeiture options.

Transaction Testing Results:

Findings: None.

Observations: The Company is no longer issuing life insurance policies and had 78 cash value life policies in-force in Massachusetts as of December 31, 2010. Based upon review, the Company appears to have policies and procedures for the proper application of policyholders' selected non-forfeiture options.

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.
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Objective: This Standard addresses periodic disclosure to the policyholder of contract information. Group long-term care policy illustrations at the application date are tested in Standard III-6. 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 to provide periodic reports of life policy values to policyholders and to respond to requests from policyholders for policy summaries.
- The Company mails annual or quarterly reports to most whole, term, flexible premium and universal life policyholders on the policy anniversary date, disclosing policy cash value, policy insured value, benefits cost, mortality cost, loan amounts, accrued interest, dividends and projected values for the next year. For a small number of non-premium paying policies, such as those with reduced paid up status, policyholders receive an annual dividend notice.

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.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

Transaction Testing Procedure: RNA reviewed the Company's policies and procedures for providing periodic reports of life policy values to policyholders and for responding to requests from policyholders for policy summaries.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, the Company appears to have adequate policies and procedures for providing periodic reports of life policy values to policyholders and for responding to requests from policyholders for policy summaries.

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.

Objective: This Standard addresses disclosure to the policyholder requesting an accelerated benefit payment. This Standard is the same as Standard VII-12 and is reviewed therein. See Appendix A for applicable statutes, regulations and bulletins.

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.

Objective: This Standard addresses whether the Company is charging premiums using properly filed rates. 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 underwriting and rating policies and guidelines, which are designed to assure reasonable consistency in classification and rating of group long-term care business where underwriting is required.
- The Company determines the premium rates for group long-term care policies based on the group's rating guidelines and agreed upon pricing with the employer.

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: RNA reviewed policies and procedures for determining and charging group rates.

Transaction Testing Results:

Findings: None.

Observations: The Company appears to have reasonable policies and procedures for determining and charging group rates.

Recommendations: None.

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

Objective: This Standard addresses mandated underwriting disclosures, which are required in accordance with statutes, regulations and Company policy. Requirements to provide illustrations and other group long-term care disclosures are included in Standard III-6. Long-term care replacement disclosures procedures are evaluated in Standard III-5, and adverse underwriting notices are included in Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

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

No work performed. The Company does not use producers in the solicitation of group long-term coverage.

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.

Objective: This Standard addresses whether unfair discrimination is occurring in insurance underwriting. See Standard VI-7 for testing of declinations. See Appendix A for applicable statutes, regulations and bulletins.

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

- Company policy prohibits unfair discrimination in group long-term care underwriting in accordance with statutory requirements.
- Written group long-term care underwriting guidelines are designed to assure reasonable consistency in classification and rating of risks.

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: RNA reviewed policies and procedures for underwriting and classifying risks. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether the applications were approved by underwriting without discriminatory contract provisions.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company's underwriting and sales practices do not appear to be unfairly discriminatory, and the Company appears to adhere to related statutes, rules and regulations.

Recommendations: None.

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

Objective: This Standard addresses whether policy forms and endorsements are filed with the Division for approval. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's written group long-term care underwriting guidelines and policy forms are designed to assure reasonable consistency in classification of risks.
- The Company has filed the group long-term care policy form with the Division as requested.

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: RNA reviewed policies and procedures for underwriting and classifying risks. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether the Company used the proper policy form.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company is using the proper group long-term care policy form in compliance with its policies and procedures.

Recommendations: None.

Standard VI-6. Policies, riders and endorsements are issued or renewed accurately, timely and completely.
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Objective: This Standard addresses whether the Company issues policies and endorsements timely and accurately. 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 group long-term care underwriting guidelines and procedures that require compliance with statutory requirements.
- Company underwriters review group long-term care applications and supporting forms to ensure that they are complete and internally consistent, and obtain any additional information needed to make underwriting decisions.
- The Company's practice is to issue group long-term care coverage certificates in a timely and complete 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: RNA reviewed policies and procedures for underwriting and classifying risks. RNA selected 30 group long-term care applications submitted during the examination period to evaluate whether the applications were timely processed with new coverage issued accurately and timely.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the Company timely processes submitted applications and issues new group long-term care coverage accurately and completely.

Recommendations: None.

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

Objective: This Standard addresses the fairness of application rejections and declinations. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: The following controls were noted in review of this Standard and Standard VI-8:

- The Company has written group long-term care underwriting guidelines and policies that prohibit unfair discrimination in accordance with statutory requirements.
- The Company's group long-term care adverse underwriting notice is designed to comply with statutory requirements.

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: RNA reviewed policies and procedures for underwriting, classifying risks and declining applicants. RNA selected 10 group long-term care applications submitted during the examination period and declined by the Company to ensure that declinations were not unfairly discriminatory.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's underwriting declinations were not unfairly discriminatory.

Recommendations: None.

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

Objective: This Standard addresses whether the reasons for a cancellation are valid according to policy provisions and state laws. Compliance with Adverse Underwriting Notice requirements are tested in Standard VI-7. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standards VI-7.

Controls Reliance: See Standards VI-7.

Transaction Testing Procedure: RNA reviewed policies and procedures for underwriting, classifying risks and declining applicants. RNA selected 10 group long-term care applications submitted during the examination period and declined by the Company to ensure that adverse underwriting notices were issued timely and in compliance with statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: Based on testing, the Company's adverse underwriting notices were issued timely and in compliance with statutory requirements.

Recommendations: None.

Standard VI-9. Rescissions are not made for non-material misrepresentation.
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Objective: This Standard addresses whether decisions to rescind and cancel coverage are made appropriately. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company does not have a contractual right to cancel insurance coverage absent the conditions set forth in the contract, statutes or regulations.
- Although rare, the Company may rescind coverage in cases of fraud or material misrepresentation.
- The Company's underwriting process considers the risk of material misrepresentation by applicants that must undergo underwriting, and attempts to corroborate information received including health status.
- Cases considered for rescission are reviewed by underwriting and legal department management.

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: RNA reviewed policies and procedures for rescissions. RNA reviewed data for evidence of group long-term care or life rescissions during the examination period.

Transaction Testing Results:

Findings: None.

Observations: Based upon review, policies and procedures for rescissions appear reasonable. RNA noted no evidence of rescissions processed during the examination period.

Recommendations: None.

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

Objective: This Standard addresses whether (a) the requested coverage is issued; (b) the Company verifies the accuracy of application information; (c) changes and supplements to applications are initialed by the applicant; and (d) supplemental applications are used where appropriate. See Appendix A for applicable statutes, regulations and bulletins.

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

- The Company's group long-term care coverage applications require information regarding the type and amount of coverage requested, group eligibility guidelines, age, medical history, and benefit limits.
- The Company's applications require a response from the group long-term care coverage applicant as to whether the applicant has an existing long-term care coverage, whether any such coverage was in-force for the past year, and whether the applied for coverage will replace any existing coverage.

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: RNA reviewed policies and procedures for underwriting and new business review. RNA selected 20 group long-term care applications submitted in which a contract was issued during the examination period to evaluate whether the applications were timely reviewed and accurately processed. RNA verified that each of the applications was signed and completed in accordance with Company policy.

Transaction Testing Results:

Findings: None.

Observations: Based upon testing, the group long-term care applications submitted were signed and completed in accordance with Company policy. Each of the applications were timely reviewed and accurately processed.

Recommendations: None.

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

No work performed. This Standard is not covered in scope of examination because the Company did not issue contracts covered by regulations covering AIDS-related testing during the examination period.

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 through Standard VII-13:

- Written policies and procedures govern the Company's claims handling processes.
- Long-term care claims are reported by mail, or to the Company's 800 phone number. The claim is registered, and the claims in-take unit conducts a telephone interview with the claimant within one or two days to obtain basic information regarding the insured's policy, coverage and diagnosis. If the telephone interview indicates a claim is likely, an on-site assessment of the claimant is performed by a contracted care coordinator. The on-site assessment is designed to assess an insured's cognitive impairment and/or ability to perform specific activities of daily living, as defined by HIPAA. The on-site assessment is performed by a licensed medical professional experienced in assessing long-term care claims and generally provides the on-site assessment to the Company within 14 days. A benefit eligibility decision is made by the claims department within 10 days after the on-site assessment report is received from the contracted care coordinator. A written communication approving or denying benefit eligibility is sent to the claimant or claimant's representative. For those that are denied, the specific reasons are noted in the letter.
- After the Company approves a long-term care eligibility claim, the provider unit is responsible for determining the long-term care services provider's eligibility. Skilled nursing facilities and assisted living facilities must be licensed to satisfy provider eligibility requirements. Home health care providers may be licensed or may qualify based on their experience or training.
- Once provider and benefit eligibility is affirmed, requests for claim payment are received and processed by the payment unit. The payment request is evaluated and adjudicated in accordance with written claims guidelines, and a written explanation of benefits is sent to the claimant. Customer service surveys are circulated to long-term care claimants to ask about their experience when filing a claim. The results are analyzed and necessary follow up items are monitored.
- A long-term care technical unit performs a quality assurance review to ensure consistency and monitor compliance with claims policies and procedures. This review procedure is conducted concurrently with the claim processing or after the claim is approved. Claims reviewed by the technical unit are selected using objective criteria including the claim processors' years of experience and prior review results.
- Life insurance death claims are reported through an agent, by mail, or through the Company's 800 phone number. The claim is registered in the claim tracking system and acknowledged within one or two days. The insurance contract is researched to determine its status, and to ascertain if other policies or contracts are in-force. The contract is then pended in the applicable policy administration system. A claims examiner is assigned based on a predetermined dollar authority limit, and a claim form is sent to the claimant.

REPORT OF THE COMPREHENSIVE MARKET CONDUCT EXAMINATION OF
JOHN HANCOCK LIFE AND HEALTH INSURANCE COMPANY

- Once the Company receives a death claim form in the home office, a claims examiner investigates the claim to ensure that it includes the death certificate, a signed claim form, and any other information needed. The Company contests few claims, as most are received after the two-year contestable period has passed. When such claims are investigated, a referral to the Special Investigation Unit and/or the legal department is made. The claim settlement amount includes the payment of interest from the date of death, and may also include return premium amounts, pro-rata dividends, or netting of policy loans amounts as applicable.
- The Massachusetts Department of Revenue website is checked for life insurance death claims, to ensure compliance with the Intercept Program requirements for unpaid child support and taxes, and receipt of public assistance. Documentation of the claims examiner's review and approval is to be included in the claim file. A supervisory review function ensures compliance with the Company policies and procedures.
- The Company's quality assurance function includes a supervisory review of 10% of all closed life insurance death claims each month for each claims processor. The review evaluates the claim for service standards related to accuracy, processing time and claim determinations.
- All claim payment requests are matched against the U.S. Treasury Department Office of Foreign Asset Control's Specially Designated Nationals ("SDN") list as required by federal law prior to payment.
- Claims management states that it periodically reviews open claims to evaluate pending issues and ensure appropriate reserves have been established.
- Claims management uses exception reports and performance metrics to measure operational effectiveness and claim processing time.
- The Company generally does not require a signed release when a claim is settled.

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: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the initial contact with the claimant was timely.

Transaction Testing Results:

Findings: None.

Observations: RNA noted the tested life claim was processed according to the Company's policies and procedures, with timely initial contact from the Company. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's processes for providing timely initial contact with claimants are functioning in accordance with its policies, procedures, and statutory requirements.

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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the investigations were conducted in a timely manner, whether the investigations were complete and whether a multi-policy search was properly completed.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the tested life claim was timely reported and investigated according to the Company's policies and procedures. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's processes for timely investigating claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-3. Claims are resolved in a timely manner.
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Objective: The Standard addresses the timeliness of the Company's claim settlements. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the claim was resolved in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that the tested life claim was resolved in a timely manner. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's processes for timely handling claims are functioning in accordance with its policies, procedures, and statutory requirements.

Recommendations: None.

Standard VII-4. The regulated entity responds to claim correspondence in a timely manner.
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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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the Company responds to claim correspondence in a timely manner.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that for the tested life claim, the Company timely responded to claim correspondence. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's processes for providing timely responses to claims correspondence are functioning in accordance with its policies, procedures and statutory requirements.

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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether its documentation was adequate.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that for the tested life claim, the Company's claim files adequately documented its claim handling. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's claim handling processes for documenting claim files are functioning in accordance with its policies and procedures.

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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the claim was properly handled in accordance with policy provisions and statutory requirements.

Transaction Testing Results:

Findings: None.

Observations: RNA noted the tested life claim was handled according to the Company's policies and procedures and statutory requirements. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's claim handling processes for handling claims are functioning in accordance with its policies and procedures.

Recommendations: None.

Standard VII-7. Regulated entity claim forms are appropriate for the type of product.
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Objective: The Standard addresses the Company's use of claim forms that are proper for the type of product. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether required claim forms were appropriately used.

Transaction Testing Results:

Findings: None.

Observations: No group long-term care claims were filed in 2010. RNA noted the tested life claim appropriately used the required claim form in accordance with the Company's policies and regulatory requirements.

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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether claim reserves were evaluated, established and adjusted in a reasonably timely manner. The Division's financial examiners and actuaries also tested reserving in conjunction with the recently completed financial examination of the Company.

Transaction Testing Results:

Findings: None.

Observations: RNA noted that reserves for the tested life claim were evaluated, established and adjusted according to the Company's policies and procedures. No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's processes for evaluating, establishing and adjusting reserves are functioning in accordance with its policies and procedures.

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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures.

Transaction Testing Results:

Findings: None.

Observations: No claims were denied by the Company in 2010. Based upon review, it appears that the Company's claim handling and denial practices are reasonable and in accordance with its policies, procedures, and statutory requirements.

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. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether the Company's claim check issuance procedures were appropriate.

Transaction Testing Results:

Findings: None.

Observations: No group long-term care claims were filed in 2010. Based upon testing, it appears that the Company's claim check issuance procedures were appropriate and functioning in accordance with its policies and procedures.

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: Refer to Standard VII-1.

Controls Reliance: Refer to Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine claim practices appeared to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and whether the Company attempted to settle claims for less than reasonable amounts due under the policies.

Transaction Testing Results:

Findings: None.

Observations: No group long-term care claims were filed in 2010. Based upon review of procedures and testing, the Company did not appear to compel claimants to institute litigation to recover amounts due under the policies by offering substantially less than would be due under the policies, and the Company did not attempt to settle claims for less than reasonable amounts due under the policies.

Recommendations: None.

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

Objective: The Standard addresses required disclosures when accelerated benefits are requested. See Appendix A for applicable statutes, regulations and bulletins.

Controls Assessment: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures.

Transaction Testing Results:

Findings: None.

Observations: The Company received no requests for accelerated benefit requests during the examination period. Based on review, it appears that the Company has a process for providing the proper disclosures to policyholders when accelerated benefits are requested, and has processes to adjudicate accelerated benefit requests timely and accurately.

Recommendations: None.

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: See Standard VII-1.

Controls Reliance: See Standard VII-1.

Transaction Testing Procedure: RNA reviewed claims handling policies and procedures. RNA selected the only life claim filed during 2010 to determine whether there is any unfair discrimination against claimants.

Transaction Testing Results:

Findings: None.

Observations: No group long-term care claims were filed in 2010. Based on testing, the Company's processes do not appear to discriminate against claimants with similar qualifying events covered under its policies.

Recommendations: None.

ACKNOWLEDGEMENT

This is to certify that the undersigned is duly qualified and that, in conjunction with Rudmose & Noller Advisors, LLC, 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.

Matthew C. Regan III
Director of Market Conduct &
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance
Boston, Massachusetts